

South Gippsland Water



2022 / 2023 ANNUAL REPORT

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

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

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



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Statement by the Chair and Managing Director

Over the past 12 months our South Gippsland Water (SGW) teams have delivered strong performances. These efforts, together with our focus on customer and community, mean we have been able to deliver significant achievements in health, safety and wellbeing, customer relations and employee satisfaction.

Our Health, Safety and Wellbeing plan has built awareness and resilience across our teams and communities with a focus on developing our mental health awareness and tools to manage stress. Our teams are continuing their safety improvement journey under the mantra of Start Safe, Work Safe, Home Safe. We have increasing high potential incident reporting with timely and effective actions to remove workplace hazards. Our Total Recorded Injury Frequency Rate is at an all-time low.

The Victorian Essential Services Commission (ESC) routinely surveys SGW customers for satisfaction. The latest survey, May 2023, shows SGW above average in all measures and top two for Value-for-Money, Reputation in the Community and Overall Satisfaction. An inclusive engagement program is now embedded into our organisation. The inaugural Community Grant program has provided support for non-profit organisations to deliver a 'Pride in Sport' program and to assist in making the Inverloch foreshore accessible to all.

Our customer engagement processes have also provided a greater insight to our vulnerable customers and driven the introduction of additional support programs. These include a targeted co-payment scheme, and additional funds to Community Rebate schemes. The Customer Advisory Committee continues to meet regularly to review our objectives and projects and provide a customer voice to our planning and delivery services. We are committed to ongoing and deepening customer engagement as recognised in our 2023 Price Submission.

We are proud our 2023 Price Submission was developed and approved in partnership with our customers. It sets out our five-year plan with agreed commitments and will continue to balance affordability and a sustainable path forward for current and future generations. We acknowledge the impact on our customers of higher charges associated with our Price Submission. We've got significant customer support programs in place for customers who are having difficulty paying their bills. The request for higher charges, supported by the ESC, is related to our capital investment program along with ambitious operating efficiency targets and increased support for vulnerable customers.

Our capital investment program continues to progress the renewal and upgrading of our water and wastewater systems for future generations. Delivery of the safe drinking water program continued with the upgrade of clear water storage covers in Poowong and Devon North (\$1.5 M), and disinfection upgrades at water treatment plants across the region with a total investment of \$3.9M.

Additional works completed during 2022–23 that seek to minimise the risks of harm to the environment and human health from

pollution and waste include our wastewater system upgrades, increasing capacity of the Inverloch sewer network (\$4.9M) and Korumburra wastewater system upgrades. In support of our regional economy and investment to secure major employers in the region, we have progressed the replacement of the Venus Bay Outfall as a Major project in our capital works program.

Employee satisfaction is measured annually through a state-wide People Matter Survey. In 2022-23, we had our highest participation rate ever, with 86% of employees responding to the survey. Our staff engagement score of 74 was a significant increase from last year and above the average for our comparator group. After last year's results, we put a lot of effort into reducing the workload stress that our employees were feeling. Pleasingly, in 2022-23, the number of employees reporting feelings of work-related stress more than halved. This is an area we will continue to focus on. As always there are important areas where, whilst our efforts have been substantial, we need to increase our efforts.

Our pathway to achieve net-zero emissions by 2035 continues. Development of the Net-Zero Strategy sets a framework to address greenhouse gas emissions from all sources, including imported electricity and emissions directly from transport and wastewater treatment systems. We continue 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.

Several initiatives are underway with our Traditional Owners. We have progressed the establishment of a Reconciliation Action Plan. We are also a proud and active member of the Bass Coast Reconciliation Network as part of its events planning team. The Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC) partnership has been active with a commitment to develop an action plan and works towards strengthening community ties and shared regional objectives of local indigenous communities. We are also progressing the development of a Memorandum of Understanding with the Bunurong.

The business has continued to benefit from collaborations amongst the broader water sector including the Gippsland Integrated Water Management Forum, the Intelligent Water Network, Zero Emissions Water, VicWater and the Institute of Water Administration. We also continue to be an active member of several strategic partnerships, including the Gippsland Regional Water Alliance with neighbouring water corporations, which has resulted in significant information sharing and cost savings through efficiencies.

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 teams at South Gippsland Water for their continued dedication and professionalism.



Philip Clark
Chair



Robert Murphy
Managing Director

Organisational Structure

Board of Directors			
Board Committees			
Managing Director			
<ul style="list-style-type: none">Executive ManagementIndustry AwarenessStrategic RelationshipsCorporate Compliance			
General Manager Corporate Services <ul style="list-style-type: none">Financial ServicesProcurementRiskInformation TechnologyCompany Secretary	General Manager Service Delivery <ul style="list-style-type: none">Operations and MaintenanceMinor Renewal and ReplacementWater Quality and SamplingEnvironment	General Manager Infrastructure and Planning <ul style="list-style-type: none">Capital WorksPlanning and DevelopmentWorks Design, Documentation and ConstructionAsset Planning	General Manager Customer, Community and Strategy <ul style="list-style-type: none">Customer ServiceBusiness Strategy and TransformationCommunication and Community Engagement
Executive Manager People, Safety and Culture <ul style="list-style-type: none">Health, Safety and WellbeingPeople and CultureOrganisational Development			

The Board

Our Board Members – 1 July 2022 to 30 June 2023



Phil Clark

Appointed 1 October 2021 (Chair)

Phil Clark is an Engineer with a Master of Business Administration and is a Graduate of the Australian Institute of Company Directors. Phil has previously Chaired at Westernport Water, Inverloch & Districts Financial

Enterprises Ltd - Inverloch's Community Bank, ATEC Australia-International Limited and Engineers Without Borders Australia and a Non- Executive Director at City West Water. His earlier engineering and executive management career was with BHP, including extensive international experience.



Nicola Hepenstall

Appointed 1 October 2019 (Deputy Chair)

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



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. In 2016 Carly was elected to Hume City Council and served

as its Deputy Mayor in 2017–18 and Mayor in 2018–20 and again in 2021–22. Carly is a Graduate of the Australian Institute of Company Directors (GAICD) and has served on the Broadmeadows Revitalisation Board and community-based boards including the Salvation Army 3064 Advisory Board.



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 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.

Diana is currently an Independent Adviser to the Governance Committee of the Royal Australasian College of Surgeons. She has previously served on the University of Wollongong's University Council and as a Non-executive Director of Sexual Health Victoria and Melba Support Services.



Jennifer Ryan

Appointed 1 October 2019

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

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



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.

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



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 Sumi provides expert advice on strategic asset management, service reviews and systems procurement.

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

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

The Executive Team



Managing Director

Robert Murphy

Rob is accountable for leading and empowering the organisation in the delivery of its strategic priorities. He takes an active role engaging with the diverse range of stakeholders, building strategic

partnerships that deliver enhanced commercial, community and environmental benefits.

Rob provides overall operational leadership and management of the corporation in delivering strategic imperatives. He is accountable for delivering a range of enterprise strategies focused on maintaining outstanding service delivery in keeping with environmental accountabilities, empowering a health and safety culture, minimising risk, and ensuring future sustainability. Robert has full profit and loss and balance sheet accountabilities.



General Manager Corporate Services

Tory Gruen

Tory serves as the Chief Financial Officer and Company Secretary, assuming a role in overseeing various corporate and commercial functions within the organisation, including commercial

services, finance, procurement, corporate planning, emergency, risk management, governance and ICT.

In the capacity of the General Manager Corporate Services, the primary responsibility is to uphold the highest standards of ethical governance throughout the organisation and act as the custodian of South Gippsland Water's valuable assets and financial resources on behalf of all stakeholders.

Tory is accountable for ensuring the maintenance of proper accounting records and systems, as well as other relevant records, in strict accordance with the Standing Directions 2018 under the *Financial Management Act 1994*. By adhering to these regulatory guidelines, Tory ensures transparency, accountability, and sound financial management practices within the organisation, thereby safeguarding the interests of all stakeholders.



General Manager Infrastructure and Planning

Mark Lynch

Mark is responsible for service and infrastructure planning, including planning for future water resources and upgrade of water treatment plants and distribution networks. He is also responsible

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



General Manager Operations

Clare Gibson

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

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



General Manager Customer, Community and Strategy

Liz Rowland

Liz is responsible for managing the communication and customer service

functions. This includes leading our customer-centric culture including customer service and call centre, customer accounts and revenue, and the Customer Support Program. Liz is responsible for community relations, education and communication including our print and social media.

Leading our short and long-term strategic planning, the business transformation program, price submission and customer outcomes are within this portfolio.



Executive Manager People, Safety and Culture

Ian Mewburn

Ian is responsible for the people and culture functions including our Equity, Inclusion, and Diversity Strategy. Ian's role extends to the Health, Safety and Wellbeing functions,

supporting capability, safety and wellbeing across the business. Ian's responsibilities also include providing strategic advice and overseeing training programs, organisational development and payroll.

South Gippsland – The Region

The South Gippsland region is located in south-eastern Victoria and comprises of low rolling green hills descending to picturesque coastal areas and townships. The region has two internationally recognised national parks – Tarra-Bulga National Park and Wilsons Promontory National Park – and is a popular tourist destination.

Servicing 21 townships, South Gippsland Water operates eight separate water systems and 11 wastewater treatment plants. Our customers consist of large and small rural industries and a range of farming and horticultural enterprises as well as their associated processing plants.

As a regional service provider, we support our region and customers by providing reliable, environmentally sustainable water and wastewater services with the aim of enabling strong, resilient communities.

Nature and range of services provided

Our service area covers some 4,000 square kilometres and operations in 2022–23 comprised:

Headworks

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

Water services

- 8 separate water supply systems
- 8 water treatment plants
- 739 km of water mains
- 13 reservoirs and 18 service storages
- 4,656 million litres (ML) annual volume of drinking water supplied to customers
- Servicing 22,950 customers 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
- 534 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 20,747 wastewater customers in 16 townships and surrounding districts



Table 1: SGW location and services

Township	Population	Water customers	Supply system	Wastewater customers
Port Franklin	174	112	Agnes River	Not serviced
Port Welshpool	220	301	Agnes River	282
Toora, Agnes, Bennison	816	526	Agnes River	291
Welshpool, Hedley	469	220	Agnes River	137
Fish Creek	858	208	Battery Creek	Not serviced
Korumburra	4,749	2,422	Coalition Creek	2,107
Foster	2,044	965	Deep Creek	879
Inverloch, Wattle Bank	6,776	4,989	Lance Creek	4,964
Cape Paterson	1,111	1,349	Lance Creek	1,336
Wonthaggi, South Dudley, Glen Alvie, Lance Creek	9,436	5,322	Lance Creek	5,107
Loch	707	162	Little Bass	123
Nyora	1,644	365	Little Bass	207
Poowong	717	212	Little Bass	149
Koonwarra	366	83	Ruby Creek	Not serviced
Leongatha, Kardella, Leongatha South, Ruby	6,841	3,424	Ruby Creek	3,248
Alberton	297	153	Tarra River	103
Devon North, Tarra Valley	437	124	Tarra River	Not serviced
Port Albert	403	408	Tarra River	347
Yarram	2,136	1,214	Tarra River	1,101
Dumbalk	455	108	Tarwin River	Not serviced
Meenyan	840	283	Tarwin River	251
Waratah Bay	185	Not serviced	N/A	115
Total	41,681	22,950		20,747

Notes:

- 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.
- Customer number include surrounding districts, Wonthaggi includes North and South areas.
- 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.

Our Purpose

Our Vision

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

Our Purpose

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

Our Mission

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.

Customer Outcomes

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

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

We have committed to the ambitious efficiency targets

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

Water Services

Water quality

South Gippsland Water maintained our water quality monitoring program consistent with the requirements of the *Safe Drinking Water Act 2003* and the *Safe Drinking Water Regulations 2015*.

Details of drinking water compliance are reported separately in our Annual Drinking Water Quality Report. This report is submitted to the Department of Health and published on our website by 1 November every year.

Table 2: 2022–23 Compliance with safe drinking water regulation 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	100%

Water consumption 2022–23

Corporate water consumption for 2022–23 is based on the buildings at the Foster head office. The Foster office has the capacity to accommodate 60 full-time equivalent staff.

Corporate water consumption variance for 2022–23 is due to the

impacts of staff continuing to work from home. All other depots, workshops, treatment plants (water and wastewater), pumping stations and infrastructure facilities are specifically not included.

Table 3: Foster office water consumption

Indicator	Target	Actual 2022–23	Variation %	Actual 2021–22	Actual 2020–21
Consumed [Kilolitre (kL) = 1,000 litres]	260 kL	113 kL	56%	77 kL	53 kL
Kilolitres consumed per full-time equivalent staff member	4.8 kL	1.88 kL	60%	1.28 kL	0.88 kL

Water Consumed per unit of office space

Water consumed per unit of office space (estimated 1,113 sqm) for 2022–23 was 101.53 litres

Regional water consumption

Table 4: Total potable water consumption (ML) by location

	2022–23	2021–22	2020–21	2019–20	2018–19
Alborton/Port Albert Yarram/Devon North	344	330	356	362	393
Dumbalk	13	14	12	13	15
Fish Creek	59	76	57	59	64
Foster	137	129	133	128	136
Korumburra	727	735	715	698	641
Wonthaggi/Cape Paterson/Inverloch	1,476	1,424	1,364	1,307	1,372
Leongatha/Koonwarra	1,445	1,567	1,507	1,593	1,433
Meeniyah	41	42	44	44	46
Poowong/Loch/Nyora	153	182	151	168	174
Waratah Bay	0	0	0	0	0
Toora/Welshpool/Port Welshpool/Port Franklin	261	252	292	317	316
Total	4,656	4,751	4,631	4,689	4,590

Water Services

Table 5: 2022–23 Water consumption by locality in ML

	Residential customer				Non-residential customer										Non-revenue water				
	Number	Potable water volume	Recycled wastewater volume	Recycled stormwater water volume	Number	Potable water volume	Recycled wastewater volume	Recycled stormwater water volume	Total number of customers	Total potable water volume	Total recycled water volume	Total consumption	Average annual consumption	Weekly residential potable water consumption	Leakage	Firefighting	Other	Total non-revenue water	Total all water sources
Devon North Alberton Yarram Port Albert	1,338	150	N/A	N/A	494	194	165	N/A	1,832	344	165	509	492	3	79	N/A	12	91	600
Dumbalk	80	8	N/A	N/A	20	5	N/A	N/A	100	13	N/A	13	14	0	3	N/A	1	4	17
Fish Creek	106	12	N/A	N/A	95	47	N/A	N/A	201	59	N/A	59	65	0	41	N/A	3	44	103
Foster	712	78	N/A	N/A	200	59	N/A	N/A	912	137	N/A	137	132	1	58	N/A	3	61	198
Korumburra	1,991	262	N/A	N/A	344	465	0	N/A	2,335	727	0	727	710	5	43	N/A	21	64	791
Wonthaggi Inverloch Cape Paterson	10,436	1,096	N/A	N/A	802	380	0	N/A	11,238	1,476	0	1,476	1,402	21	195	N/A	58	253	1,729
Leongatha Koonwarra	2,782	404	N/A	N/A	591	1,041	0	N/A	3,373	1,445	0	1,445	1,535	8	68	N/A	37	105	1,550
Meeniyan	219	29	N/A	N/A	59	12	7	N/A	278	41	7	48	48	1	4	N/A	1	5	53
Loch Poowong Nyora	584	82	N/A	N/A	140	71	N/A	N/A	724	153	N/A	153	168	2	264	N/A	4	268	421
Waratah Bay	0	0	N/A	N/A	0	0	16	N/A	0	0	16	16	14	0	N/A	N/A	N/A	N/A	16
Toora Port Franklin Welshpool Port Welshpool	704	67	N/A	N/A	407	194	1	N/A	1,111	261	1	262	278	1	168	N/A	13	181	443
Total	18,952	2,188	-	-	3,152	2,468	189	-	22,104	4,656	189	4,845	4,866	42	923	-	153	1,076	5,921

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).

Table 6: 2022–23 Major Customer 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

Water Services

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 7: 2022–23 Bulk Entitlement Orders

Bulk Entitlement Order	Water supply	Towns serviced	BE ML/ year	Raw water volume taken ML ¹	Storages ²	Volume in storages at 30/06/23 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	458	N/A	N/A	Nil	Nil
Dumbalk	Tarwin River East	Dumbalk	100	17	N/A	N/A	Nil	Nil
Fish Creek	Battery Creek	Fish Creek	251	103	Battery Creek Reservoir	123	Nil	Nil
Foster	Deep Creek	Foster	326	198	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	1,575	Reservoir 1	15	Nil	Nil
					Reservoir 2	84		
					Hyland Reservoir	664		
					Western Reservoir	1,107		
	Coalition Creek		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	46	N/A	N/A	Nil	Nil
Toora, Port Franklin, Welshpool, Port Welshpool	Agnes River	Toora, Port Franklin, Welshpool, Port Welshpool	1,617	483	Cooks Dam	58	Nil	Nil
Wonthaggi-Inverloch	Lance Creek	Wonthaggi, Inverloch, Cape Paterson	5,600 ⁶	2,940	Lance Creek Reservoir	4,200	Nil	894 ⁴
Greater Yarra System-Thomson River Pool-South Gippsland Water	Greater Yarra System-Thomson River Pool	Wonthaggi, Inverloch, Cape Patterson	1,000 ⁷	887 ⁵	NA	NA	894 ⁴	Nil

- Notes:
1. Annual amount of water taken in ML for 2022–23 reporting period.
 2. Storages included under each bulk entitlement.
 3. These water storages are no longer in use for supplying raw water (supplied from the Lance Creek water system). Little Bass Reservoir volume is not measured.
 4. See Reciprocal Water Trading between South Gippsland Water and South East Water on page 13.
 5. Total includes 8,799ML reverse flow water and desalinated water.
 6. Total of Lance Creek 3,800 ML/year and Powlett River 1,800 ML/year.
 7. Bulk Entitlement carry over volume as at 30 June 2023 is 2,010 ML.

Water Services

General reporting requirements

Table 8: Bulk Entitlement reporting requirements 2022–23

Amendments to bulk entitlements	One amendment 15 September 2022*
New bulk entitlements	No new bulk entitlements in 2022–23
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

**Note: The responsibility for making seasonal determinations for the GYS-TRP changed in September 2022 from Melbourne Water as Resource Manager to Melbourne Water as Storage Manager, when the Minister appointed Melbourne Water as Storage Manager and revoked Melbourne Water's Resource Manager appointment. On 15 September 2022, the Minister for Water amended South Gippsland Water's Greater Yarra System – Thomson River Pool BE to reflect this and the integration of City West Water and Western Water and name change to Greater Western Water.*

Reciprocal Water Trading between South Gippsland Water and South East Water

In 2022–23, South East Water and South Gippsland Water undertook reciprocal trades of 887 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 Department of Energy, Environment and Climate Action (DEECA).

Use of alternative water sources

There was no use of alternative water source for the 2022–23 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 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 Owners, the Gunaikurnai and Bunurong.

Catchment risk management

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

Wastewater Services

Wastewater Management

During 2022-23, South Gippsland Water complied with Environment Protection Authority (EPA) licence requirements at five of our 10 wastewater systems. The five non-compliant systems are listed below.

- *The Korumburra, Leongatha and Wonthaggi Wastewater Treatment Plants all experienced non-compliant discharges in August 2022 due to a heavy rainfall event. EPA issued a warning to SGW for each of these events for an alleged permission breach. Larger emergency storages are planned at these sites to reduce the recurrence of non-compliant discharges.*
- *Meeniyah Wastewater Treatment Plant exceeded the annual median quality limit for phosphorus due to operational issues at the treatment plant. A review of treatment plant performance and increasing reclaimed water usage at this site is progressing.*
- *The Foster Wastewater Treatment Plant exceeded the allowable mean daily discharge flow for the year due to wet weather in 2022. Future capacity planning for this site is underway.*
- *The EPA is undertaking regulatory action against SGW in relation to an alleged non-compliance incident at the Korumburra Wastewater Treatment Plant that occurred in February 2021. The EPA has issued SGW with revised Operating Licences under the Environment Protection Act 2017.*

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

- *commenced construction to increase the emergency storage volume at Korumburra Wastewater Treatment Plant to reduce the risk of spills.*
- *modification to lagoon operating levels at the Wonthaggi Wastewater Treatment Plant to increase containment during wet weather events*
- *replacement of an open, air release pit at Welshpool Wastewater Treatment Plant with an enclosed air valve to reduce the occurrence of sewer spills*
- *targeted cleaning and relining of sewer pipelines to reduce blockages and spills in higher risk areas*
- *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.*



Leongatha Waste Water Treatment Plant

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, Toora, Waratah Bay and Meeniyah. A total of 116 ML (2.5%) of treated effluent was re-used during 2022-23.

The majority of re-use is on agricultural land, and a small amount is used for recreation/sporting grounds. We continually look for further opportunities to establish wastewater re-use schemes where beneficial and cost-effective outcomes can be secured. Re-use programs include:

- *Tarraville Wastewater Treatment Plant: treated wastewater is piped to an adjacent property for crop irrigation.*
- *Toora Wastewater Treatment Plant: the Toora Football Club uses treated wastewater to irrigate the playing surface of the recreation oval. This re-use arrangement has effectively drought-proofed this important community facility.*
- *Waratah Bay Wastewater Treatment Plant: all treated wastewater is used onsite for pasture irrigation.*
- *Meeniyah Wastewater Treatment Plant: the sewerage scheme constructed at Meeniyah 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 Meeniyah Football Oval and the Meeniyah Golf Course, and provides for irrigation on South Gippsland Water's land surrounding the treatment plant.*
- *Poowong, Loch, Nyora sewerage system: a collaborative approach with South East Water sees 100% of effluent from the Poowong, Loch and Nyora Sewerage Scheme treated at the Lang Lang Wastewater Treatment Plant 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).

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 gas 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.

Sustainable water use

Through our South Coast Water Partnership, we are working with health organisations to find health and hospital facilities that would most benefit from identifying efficiencies.

South Gippsland Water has received a grant of \$105,000 from DEECA (Department of Energy, Environment and Climate Action) to conduct these water audits of major businesses.

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 2022–23 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 (Leongatha and Koonwarra) and Lance Creek system (Wonthaggi, Inverloch, Cape Paterson, Korumburra, Poo Wong, 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 before 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 2022–23 period.

Environmental Sustainability

Built assets

We have completed or progressed several projects and programs, listed below, over the year that have accommodated potential climate change impacts on built assets, such as sewers, sewer pump stations and dams.

- *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 the emergency storage capacity at the Korumburra Wastewater Treatment Plant and planning is underway for extra storages at Leongatha and Wonthaggi Wastewater Treatment Plants.*
- *The Korumburra Bena Road trunk sewer main has been upgraded to increase flow through the sewerage network and reduce sewer spills along this section of pipeline during wet weather events.*
- *A program to renew and upgrade sewer pump stations across the region has continued with installation of emergency storages, 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 has continued a program of upgrades designed to improve service resilience during external events such as power interruptions, extreme weather or bushfire. Over the past year this has included:

- *Risk assessing operational sites to prioritise future upgrades*
- *Scoping, design, cost estimation for future upgrades that aim to:*
 - *Reduce vulnerability to power supply interruptions by purchase and installation of emergency generators and supporting equipment.*
 - *Improve resilience of communications channels to and from operational sites to allow for alarming and remote response during outages.*
 - *Increase the capacity of emergency storages at sewer network pump stations and treatment plants to reduce the likelihood and severity of spills.*

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.



Engaging local primary schools in environmental awareness

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

During the year 273 dry tonnes (100%) of biosolids were transferred to the Gippsland Regional Organics facility at Dutson Downs to be processed for re-use. We are working with our partners to increase the re-use of historical biosolid stockpiles for the 2023-24 financial year.

Carbon Emissions Reduction Pledge

We have developed a Net-zero Emissions Plan to achieve net-zero emissions by 2035. The strategy addresses greenhouse gas emissions from all sources, including imported electricity and emissions directly from transport and wastewater treatment systems.

The strategy includes a combination of the following options:

- *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 2022–23.

Table 9: 2022–23 Greenhouse gas emissions projections and results

Performance Indicator	2022–23 Projected	Scope 1 Emissions	Scope 2 Emissions	Total emissions	Variance
Water treatment and supply	1,966	29	1,832	1,861	-5.3%
Sewage collection, treatment and recycling	4,952	2,438	2,222	4,660	-5.9%
Transport	571	608		608	+6.4%
Other	130		136	136	+5.2%
Total emissions	7,619	3,075	4,190	7,265	-4.6%
Offsets retired	-				
Net emissions	7,619			7,265	-4.6%

Variances to the 2022–23 projected greenhouse gas emissions are due to:

- the carbon emission factor for grid purchased electricity was lowered in 2022–23
- a decrease in Scope 1 (fugitive) emissions (methane and nitrous oxide) released from wastewater treatment due to less tonnes of Chemical Oxygen Demand (COD) at five of 11 wastewater treatment plants
- an increase in our transport and electricity use at offices and depots due to the easing of remote working restrictions.

Table 10: 2022–23 SGW Greenhouse gas emissions overview

Indicator	2022–23	2021–22	Comment
Total Scope 1 emissions	3,075	3,042	Increased diesel use in 2022–23 (transport) The carbon emission factor for grid-purchased electricity lowered in 2022–23
Total Scope 2 emissions	4,190	4,538	
Total	7,265	7,581	

Net energy

Net energy consumption

Net energy consumption was 1,333 MJ/ML for potable water and 2,049 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 in 2022–23 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: 2022–23 Energy consumption and generation reporting

Total electricity use	2022–23 (MWh)	2021–22 (MWh)	Commentary
Water treatment and supply	2,155	1,978	More water was pumped from Lance Creek Water Treatment Plant causing an increase. Greater electricity usage at Leongatha Water Treatment Plant due to plant upgrade.
Sewage collection, treatment and recycling	2,614	2,599	Extended aerator run times at Foster Wastewater Treatment Plant due to effluent quality. More wastewater pumped at multiple sites due to wet weather events in 2022.
Other (office, workshops, depots etc.)	160	151	Increase in electricity used at offices and depots due to staff returning to office-based locations.
TOTAL	4,929	4,728	Electricity usage is slightly higher, however emissions are lower due to a change in the grid emission factor.

Table 12: 2022–23 Renewable electricity reporting

Performance Indicator	Renewable electricity 2022–23 (MWh)	Renewable electricity 2021–22 (MWh)	Commentary
Solar	880	613	Leongatha WWTP solar commissioned late in the financial year.
Hydroelectric			
Wind			
Biogas			
GreenPower			
Other			
TOTAL	880	613	
Percentage renewable electricity (%)	18%	13%	

Table 13: Stationary Fuel Use – Total fuels used in buildings and machinery (Indicator F1-2)

Indicator	2022–23	2021–22	Commentary
Natural Gas (MJ)	149,447	188,355	-20.7%. Less natural gas used to heat the Leongatha WWTP digester.
Diesel (MJ)	287,509	349,926	-35.7%. Less diesel (1.3 kL) used for plant and equipment.
Greenhouse gas emissions from stationary fuel consumption (tonnes CO2-e)	27.9	34.3	-18.7%
TOTAL	27.9	34.3	-18.7%

Social Sustainability

As one of our five core values, agreed with customers in 2022, our Customer Outcome, 'Integrity' sets a basis for our internal framework with respect to social sustainability.

'We will act with honesty, respect and strive to balance affordability, value-for-money and fairness.'

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

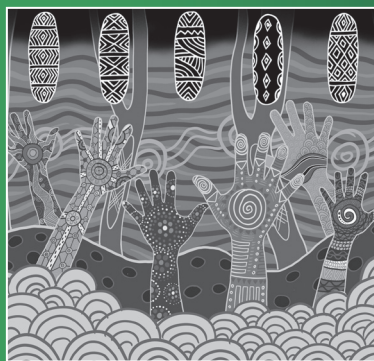
South Gippsland Water's understanding and relationships with our region's Traditional Owners, Bunurong and Gunaikurnai have matured over 2022–23.

We have progressed the establishment of our first Reconciliation Action Plan by the end of 2023. To continue this work and increase internal awareness across our wider teams, we have developed a phased plan including establishing a staff working group.

The following initiatives have continued over 2022–23:

Yarram Water Tower

During 2022–23 we have supported the Yarram Community Town Mural project. Under the partnership, we have provided in-kind support and significant investment (~\$110K) to refurbish the Yarram Water Tower façade and extend Yarram's 'Street Art Precinct'.



The murals, painted by celebrated artist Heesco Khosnaran, were completed in April 2023 and feature local tourism highlights, local fauna, along with a piece by Gunaikurnai Elder Sandra Patten.

The community, partners and Minister for Water the Hon.

Harriet Shing joined for a celebration of the Tower murals in April 2023. The celebration included a smoking ceremony and Welcome to Country along with a Gunaikurnai dance troupe.

Sandra Patten spoke of her participation in the project and explained the meaning behind the indigenous design. The design features the five shields of the Gunaikurnai clans and symbols that represent country, water, food, shelter and tracks in the various elements. The 'sea of hands' are welcoming and symbolic of reconciliation.

This project is in line with our commitment to the key focus areas and the Minister's Letter of Expectations outcomes of Recreational Values and Traditional Owner Engagement via a collaboration process across community, industry, local government and with Traditional Owners.

These murals will play an important role as both a tourism drawcard and a symbol of reconciliation for all peoples of South Gippsland.

Bunurong Land Council Aboriginal Corporation

South Gippsland Water continued our connection with Bunurong this year, leading to a draft Memorandum of Understanding with Traditional Owners. This is progressing with a view to completion alongside our Reconciliation Action Plan by the end of 2023. This work is forming a template for how Bunurong will work with government agencies into the future and hence has a broader meaning for the whole of Victoria.

Gunaikurnai Land and Waters Aboriginal Corporation

South Gippsland Water is part of the Gippsland Environmental Alliance. Alongside other Alliance members and Gunaikurnai, we have committed to developing an action plan that will sit alongside Traditional Owners' aspirational whole-of-country plan, to best deliver on employment opportunities in a culturally safe and meaningful way. The Alliance intends to finalise the plan this year.

This work has significantly progressed through face-to-face workshops with Gunaikurnai and the Alliance in Traralgon and a special, all-day cultural safety workshop at their Forestec campus. This has been an important journey for South Gippsland Water, to gain an understanding of Traditional Owners' perceptions of government agencies and employment within them. We're learning how we can better support Aboriginal and Torres Strait Islander people in our region to achieve their goals.

Bass Coast Reconciliation Network

South Gippsland Water is now an active member of the Bass Coast Reconciliation Network and is part of their events planning team. Our contributions include assisting with events across the region, celebrating occasions such as Sorry Day, National Reconciliation Week and NAIDOC Week.

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 2022–23 included zero emissions and our customer survey.

Customer surveys

In the Essential Services Commission's quarterly Customers Rate their Water Business survey South Gippsland Water rated as number two out of 16 Victorian water corporation 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 2013.

Social Sustainability

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.

In addition to our regular community programs, we offered a \$10,000 grant to the Inverloch community following a boil water advisory incident in 2022.

Table 14: South Gippsland Water support programs 2022–23

Name	Activities	Type of support Financial	In-kind
National Water Week (NWW)	Adopting a theme <i>Our water stories</i> during National Water Week, local primary schools participated in an art competition and program of events	\$1,000	✓
Public water bottle and drinking water fountains or water trailer	Purchase of water bottles for school children as prizes for National Water week 2023.	\$4,000	✓
	In 2022–23 South Gippsland Water maintained its water trailer program for community groups. We have one water trailer and two portable fountains which were used by community groups including Loch Food and Wine Festival, Yarram Easter Carnival, Meeniyan Garlic Fest, Korumburra Agricultural Show, Foster Secondary College's Careers Expo, Leongatha Motorbike Event, Loch Centenary Family Celebration and many more.	-	✓
Public water bottle refill and drinking fountain	Donation of two permanent refill stations to Cape Paterson Life Saving Club and the Fish Creek Community.	\$13,200*	✓
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.	-	✓

*Funds have been committed, expenditure will be 23/24 FY.

SGW Community Grants

This year we introduced a new, one-off \$10,000 Community Resilience Grant for Inverloch as part of our Guaranteed Service levels. The successful applicants were the Disabled Surfers Association Bass Coast who used their grant to deliver a wheelchair to allow those with disabilities and mobility issues access to the water's edge. The Inverloch Kongwak Football Netball Club were also successful to provide LGBTQI – Awareness and ally training for their whole club. Delivered by Pride in Sport, the training supports inclusion and diversity in sport.

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, we use the International Association for Public Participation's Framework (IAP2) for Effective Public Participation to create communication plans for our major projects, with the aim to engage our customers and communities in a meaningful way.

A statement from our Community Advisory Committee

"We enjoy being part of South Gippsland Water's Community Advisory Committee, learning about our community's water and wastewater services.

Water is such a necessary part of life. As our climate changes, it's increasingly important that as a community we work together to find solutions that ensure our region continues to be the amazing place to live and work that it is.

We need to look after environment. Being involved in South Gippsland Water's planning processes means we can influence their policies, to ensure that they understand the priority we place on keeping South Gippsland and the Bass Coast rivers, oceans and country healthy.

We have been involved in decision-making behind both the Urban Water Strategy and the Price Submission.

Our ideas have been picked up by South Gippsland Water, including a need to investigate stormwater harvesting for Leongatha and adding small businesses to their customer support programs.

We want to look after the most vulnerable in the community by ensuring customer support programs are tailored to our region.

Our work this year has given us the opportunity to meet many of the dedicated and passionate South Gippsland Water staff. We have valued them sharing their skills with us, to gain a better understanding of our region's infrastructure.

We have found South Gippsland Water's staff have always been open and transparent in their dealing with us as representatives of the community.

We look forward to continuing to work with South Gippsland Water into the future."

Recognise Recreational Values

The Korumburra Golf club continues to utilise the Coalition Creek Reservoir for irrigating its fairways and greens. The Leongatha and Korumburra Reservoirs are open for angling clubs to access for recreational activities.

Social Sustainability

Projects in 2022–23

- We worked with the Fish Creek community and Cape Paterson Life Saving Club to arrange the supply of two more public fountains.
- We delivered results of water monitoring to the Tarwin Lower Landcare Group to assist their planning for rehabilitation work.
- We contributed an article on river invertebrates to Nereena Landcare group.
- We worked with VicRoads to maintain/rehabilitate habitat as VicRoads do major highway construction in the Nereena Landcare Group area.
- We ran community engagement on upgrades to the Foster Creek Wastewater Treatment Plant and Korumburra Wastewater Treatment Plant.

Schools education and water efficiency programs

Education

- We participated in the Foster Secondary College Careers Expo.
- We encouraged all primary school children to participate in National Water Week's online program of events.
- The South Gippsland Water website includes a dedicated education section featuring teaching resources and activities.

Water efficiency

Throughout 2022–23 we have supported the development and implementation of the Central and Gippsland Region Sustainable Water Strategy. The role of the Central and Gippsland Region Sustainable Water Strategy is to secure the region's long-term water supplies to protect jobs, farms, ecosystems, communities, and the cultural values of Traditional Owners in the region. The Strategy supports investment in:

- water efficiency for homes, businesses and farms
- increasing the region's water supplies over the next 50 years.

In 2023 we received a \$105,000 grant from DEECA to conduct water audits. We will work with our South Coast Water Partnership to find suitable health clinics or hospitals who may benefit from this program.

We are also continuing to promote Permanent Water Saving Rules and Target Your Water Use via traditional and social media.

We participate in 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 – strengthening of supports

The South Gippsland Water Customer Support Program has been regularly reviewed since the onset of the COVID-19 pandemic. As part of South Gippsland Water's 2020 Price Submission to the Essential Services Commission, and then again in response to the Water Industry Standard – Urban Customer Service that came into effect from the Essential Services Commission on 1 March 2023, further strengthening of supports have been made.

Key elements of the program include:

- We have extended the Customer Support Program to small businesses, recognising the vital role these customers play in our local economies.
- We have established a new co-payment program for 2023–24, designed to re-engage customers who are having trouble paying their account. Selected customers will be hand-picked for participation in the program in 2023–24.
- We have extended the period of operation for instalment plans to two years for all customers.
- There is a payment extension period of 12 weeks for all customers.
- We offer one-on-one facilitated support for assessing eligibility and, where confirmed, submitting Utility Relief Grants.
- We have a dedicated customer support officer to assist customers who experience vulnerability.
- We re-worded service accounts to an easy English version that is more customer friendly.
- We engaged local support agencies and counselling services in the region to assist with referrals and support services for customers.
- Vulnerability studies have been conducted and surveys completed to input the customer perspective into our operations.

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.

Social Sustainability



The Health, Safety and Wellness team promote sustainable living at staff event.

South Gippsland Water receives funds for the continued implementation of the Community Water Rebate Program. \$10,059 (ex. GST) of funding was provided to 15 lower income customers in 2022–23 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 506 customers with instalment plans currently in place with 25 Non-residential and 481 Residential customers.

Table 15: Community Service Obligations 2022–23

Value of Community Service Obligation provided	2022–23	2021–22
Provision of concessions to concession card holders	\$1,854,639	\$1,813,244
Rebates paid to not-for-profit organisations (NPO) under the water and sewerage rebate scheme	\$150,624	\$148,982
Utility Relief Grants Scheme (URGS) payments	\$103,654	\$92,453
Hardship grants applied	\$ 0	\$ 0
Water concessions on life support machines – Haemodialysis	\$ 0	\$ 313
Community Rebate Program	\$ 10,059	\$ 9,724
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 the 2022–2023 financial year, SGW engaged three accredited social benefit suppliers with a spend of \$137,000 (GST exclusive). Our focus on achieving social procurement outcomes has grown and is embedded in our procurement process. This aligns with the Victorian Government Purchasing Board expansion requirements.

Towcha Technology Collaboration

Towcha Technology are a 100% Indigenous owned business that have memberships of Supply Nation, Kinaway and the Indigenous Defence Consortium.

South Gippsland Water engaged Towcha Technology to develop a phone App for our "in field data collection"

The new mobile phone app is multi-functional and has been created to replace our antiquated pen and paper method of recording data in the field. The app has been designed to be used for any type of collection point with data able to be stored within any of SGW databases.

Features and benefits

- *Efficiency* - the app allows for scanning asset barcodes to save time and increasing precision
- *Data access* - displays previous data ie readings and date, for a historical context and improved accuracy
- *Mobile GPS* -use of phone for GPS system to show additional collection points in the vicinity, saving time looking for assets.

The success of the development process and the benefits of the outcome have led to further collaboration opportunities being explored to streamline our processes in the field.

We are committed to the shared goal of Towcha Technology to grow indigenous business economy, improving the lives of Aboriginal communities. Towcha purchase products and services from other Aboriginal businesses, and through their Community First Development project they create software solutions for indigenous communities.

Table 16: Summary of Social Procurement focus areas 2022–23

Objective prioritised	Outcome sought	Progress
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. Investment in health and safety upgrades across physical work environments continued, as did a priority focus on mental health and wellbeing delivered through year three of our inaugural Mental Health Strategy.

Investment in employee learning and development continued. 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. Higher level learning was supported through 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. This is reinforced through induction processes that incorporate 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.

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. We are committed to an equitable, inclusive workplace that reflects the diversity of the communities we serve. Our Equity, Inclusion and Diversity Strategic Plan 2021–2024 builds on progress achieved against the 2017–2020 plan. We are currently progressing year three actions.

South Gippsland Water consulted thoroughly across the workforce to develop a detailed Gender Equality Action Plan 2022–2025. Analysis of the full range of indicators outlined in the *Gender Equality Act 2020* gave insights into the organisational progress needed to reduce systemic barriers to gender equality. As part of this, an internal champions network has been established to enable input into:

- improvements in job design and work practices
- improvement in recruitment practices
- education about stereotypes and bias to open 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 and Bunurong Land Council Aboriginal Corporation with respect to employment opportunities, care of Country, and cultural awareness and safety. A Reconciliation Action Plan is currently being developed.

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

Our four-year Enterprise Agreement was approved by the Fair Work Commission in April 2022 and is in effect. One of the many changes negotiated was overtime harmonization between our indoor and outdoor workforces, a key step forward in addressing the gender pay gap. The Agreement will nominally expire on 19 June 2025.

Table 17: 2022–23 Equity Inclusion and Diversity initiatives

Workforce Inclusion Policy initiative	Target (% FTE)	Performance 2022–23	Baseline ¹
Gender diversity	General Managers and Executive Officers 50% each male and female by June 2024	40% male 60% female	2015–16 80% male 20% female
	Senior managers ² 50% each male and female by June 2024	69% male 31% female	2015–16 73% male 27% female
	Engineering, maintenance and water and wastewater treatment 70% male 30% female by June 2024	86% M 14% F	N/A
	Corporate support and customer service 40% male 60% female by June 2024	27% M 73% F	N/A

2023 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% prefer not to say RAP underway	2015–16 1%
	5% of our workforce speak a language other than English at home by 2024	7% yes 9% prefer not to say	2015–16 13%
Age diversity	7% of staff age 25 or under by June 2024	2%	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	64% 9% 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% 19% prefer not to say 2% doesn't know	2015–16 6%
All abilities	6% of our workforce identify as a person with a disability by 2024	2% 10% prefer not to say	2015–16 2% (May 2016)

1. Baseline years reflect the year the target was introduced 2015–16.
2. Relates to all contracted 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'.

We had an 86% participation rate this year in the Victorian Public Sector Commission People Matter Survey. Participation increased across all areas of the organisation. The results of the survey will be used to identify areas for celebration and also areas for improvement across the business. We strive to build a diverse, inclusive and healthy culture for all employees.

Our People

Workforce data

Table 18 2022-23 workforce data

		All employees			Fixed-term and casual employees	
Employees (headcount)		Full-time (headcount)	Part-time (headcount)	FTE	Headcount	FTE
June 2023	124	102	22	117.15	18	15.69
June 2022	130	106	24	123.8	28	25.9

	June 2022-23				June 2021-22			
	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	73	71.63	9	7.68	67	65.5	17	16.5
Women	33	29.83	9	8.01	35	32.3	11	9.5
Self-described	0	0	0	0	0	0	0	0
Age								
Under 25	2	2	1	1	2	2	4	4
25-34	21	20.47	3	3	21	20.3	4	4
35-44	24	22.1	4	4	23	21.4	3	3
45-54	29	28.36	3	2.7	28	27.5	8	7.3
55-64	28	26.53	5	4.15	26	24.7	7	6.3
Over 64	2	2	2	0.84	2	2	2	1.3
Classification								
Trainee	0	0	1	1	0	0	2	2
Band 3	3	3	1	1	4	4	2	2
Band 4	17	16.1	2	1.31	16	14.9	4	3.2
Band 5	16	15.31	2	2	15	14.3	3	2.8
Band 6	26	24.31	1	1	24	23.5	4	3.8
Band 7	11	10.37	2	1.7	13	12	2	1.6
Band 8	18	17.95	1	0.21	17	16.8	0	0
SEO	15	14.42	3	2.47	13	12	5	4.5
Executives	0	0	4	4	0	0	4	4
Managing Director	0	0	1	1	0	0	2	2
	106	101.46	18	15.69	102	97.9	28	25.9
			124	117.15			130	123.82



Operational staff training day.

Our People

Health, Safety and Wellbeing

South Gippsland Water's Health, Safety and Wellbeing Strategic Plan is now in its final phase of implementation and work has already started on the next plan. Over the past 12 months some of the focus areas have included leadership and accountability, contractor management and critical control verification.

The area of highest priority has been improving and enhancing organisational and individual wellbeing and resilience. This has been driven through targeted interventions for workload and stress levels, which included establishing a work group and action plan. A core component of the action plan was an education series covering habits, culture, stress, mindfulness and effective work practices.

The digitisation of our health, safety and wellbeing processes through apps and automation is an ongoing process. We continue to evolve and develop easier methods for our people to engage, collaborate and communicate.

New apps

- *Booking app for health, safety and wellbeing training, workshops, meetings and launches. It is now used across the organisation for a range of booking-related processes.*
- *Reward and Recognition app, allowing for easy nomination of acts or sustained behaviour that reinforces safety culture, and provides a simple process to reward this. This has also had an organisation-wide use, providing a platform for all types of recognition.*
- *Checklist app, which replaces many forms, currently being used for workplace inspections, critical risk field verifications and emergency exercise record keeping, and contractor safety reviews.*
- *Health, safety and wellbeing activity app, providing a central location for other apps to be built and stored. The first additions have been a record keeping process for the annual Stop for Safety team events and a tool for groups to record habits they are committing to, enabling accountability.*

Year three of the Mental Health and Wellbeing Strategy continued with a range of training for all levels of the organisation. The Resilience Project was engaged as a key partner in this and was received very positively by all employees. Its digital content, presentations and resources were all effective in introducing evidence-based practices in everyday life to support the mental health and wellbeing of SGW employees.

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 improved Personal Protective Equipment (PPE) and training.

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

Safety Culture

SGW completed our third biennial safety culture survey in May, using the Global Safety Index Culture Survey. This showed continued improvement for the organisation as a whole, with some divisions achieving scores that aligned with a High Performing safety culture. The results of the survey were shared and reviewed with all staff – the feedback received will form the basis for the development of the next Health, Safety and Wellbeing Strategic Plan.

Health and safety reporting

The total number of reports dropped over the 2022–23 period. The ratio of proactive reports (hazards, initiatives and near misses) to reactive reports (incidents and all types of injuries) has improved from 5:1 to 6:1. 87 proactive reports and 13 reactive reports were recorded. The increased near miss reporting is likely related to the strong emphasis on seeing mistakes as learning opportunities.

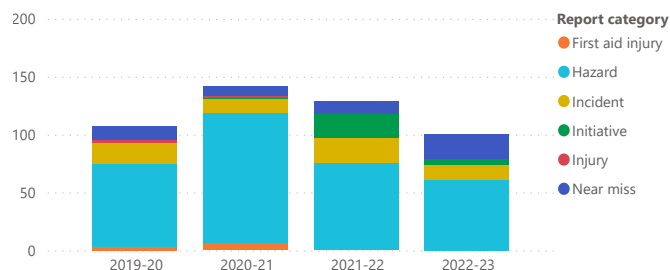


Figure 2: 2022–23 OHS report by OHS category

Recordable injuries

The rate of recordable injuries per million hours worked continued to decline, now below five, with only one such injury occurring in 2022–23.

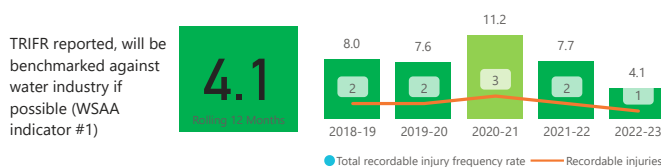


Figure 3: Total recordable injury frequency rate

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. To ensure Board Committees aligned with the corporation strategic focus, a Board Committee review and restructure was completed, and implemented in May 2023 as described below.



Managing Director Robert Murphy engaging with the community.

1 May 2023 to 30 June 2023	1 July 2022 to 30 April 2023
Audit and Risk Committee The Audit and Risk Committee is an advisory committee of the Board. The primary objectives of the Committee are to assist the Board in discharging its responsibilities for financial and non-financial reporting, maintaining a reliable system of internal controls, risk management systems, and fostering the organisation's ethical environment. The Committee exercises independent judgement and is objective in its deliberations, decisions and advice. The Committee meets periodically with the internal and external auditors. The Committee comprises of Carly Moore (Chair), Diana Nestorovska, Sumi Prabhakaran, Christopher Rose and Phil Clark*.	Audit and Risk Management Committee The Committee comprised of Carly Moore (Chair), Nicola Hepenstall, Nick Fleming, Diana Nestorovska and Phil Clark*.
Resilience Environment and Delivery Committee The primary objective of the Resilience, Environment and Delivery Committee is to assist the Board to fulfil its governance responsibilities in relation to service delivery in the areas of water and wastewater treatment and maintenance. The Committee oversees the capital planning program and asset management. The establishment of the RED Committee has strengthened oversight of our environmental existing and emerging programs. The Committee comprises of Jennifer Ryan (Chair), Sumi Prabhakaran, Nick Fleming and Phil Clark.	Engagement and Planning Committee The Engagement and Planning Committee was to oversee the planning, development and delivery of our communication and engagement programs. The Committee provided oversight to the capital works plan, asset management and delivery of services. During 2022, the Engagement and Planning Committee provided additional guidance to the development of the 2023 Price Submission. The Engagement and Planning Committee comprised of Chris Rose (Chair), Carly Moore, Jennifer Ryan, Sumi Prabhakaran and Phil Clark*.
Safety People and Culture Committee The primary objective of the People Safety and Culture Committee is to assist the Board to fulfill its governance responsibilities in relation to organisational development, corporate culture and to provide a safe and healthy workplace. It also manages Director inductions and performance, executive performance and remuneration processes. The Committee comprises of Diana Nestorovska (Chair), Nicola Hepenstall, Jennifer Ryan and Phil Clark.	People Safety and Culture Committee From 1 July to 30 April 2023 the Committee comprised Jennifer Ryan (Chair), Chris Rose, Nicola Hepenstall and Phil Clark.
Customer and Strategy Committee The primary objective of the Customer and Strategy Committee is to assist the Board to fulfil its governance responsibilities in relation to customer experience, communications, performance, transformation and strategy at South Gippsland Water. The Committee comprises of Nicola Hepenstall (Chair), Nick Fleming, Carly Moore, Christopher Rose 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. The Committee comprised of Nicola Hepenstall (Chair), Diana Nestorovska, Sumi Prabhakaran, Nick Fleming and Phil Clark.

*Ex officio member

Corporate Information

Director attendance at Board and Committee meetings

Director	Board	Audit Risk Management Committee	Engagement and Planning Committee	People Safety and Culture Committee	Audit and Risk Committee	Corporate Governance Committee	Customer Strategy Committee	Resilience Environment and Delivery Committee	Safety People and Culture Committee
Phil Clark Chair of Board from 1 October 2021	7/9	N/A	N/A	3/3	N/A	2/2	N/A	1/2	1/1
Carly Moore Chair of Audit Risk Management Committee from 1 October 2021 to 22 February 2023 Chair of Audit and Risk Committee from 1 May 2023	7/9	4/4	2/3	N/A	1/1	N/A	1/1	N/A	N/A
Christopher Rose Chair of Engagement and Planning Committee from 1 October 2021 to 22 February 2023	7/9	N/A	3/3	3/3	0/1	N/A	1/1	N/A	N/A
Diana Nestorovska Chair of Safety People and Culture Committee from 1 May 2023	9/9	4/4	N/A	N/A	1/1	2/2	N/A	N/A	1/1
Nick Fleming	9/9	3/4	N/A	N/A	N/A	2/2	1/1	2/2	N/A
Nicola Hepenstall Deputy Chair of Board from 1 October 2021 Chair of Corporate Governance Committee from 1 October 2021 to 10 March 2023 Chair of Customer and Strategy Committee from 1 May 2023	9/9	4/4	N/A	3/3	N/A	2/2	1/1	N/A	1/1
Jennifer Ryan Chair of People Safety and Culture Committee from 1 October to 22 March 2023 Chair of Resilience Environment and Delivery Committee from 1 May 2023	9/9	N/A	3/3	3/3	N/A	N/A	N/A	2/2	1/1
Sumi Prabhakaran	9/9	N/A	3/3	N/A	1/1	2/2	N/A	1/2	N/A

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

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

RSM Australia (Pty Ltd), as an agent for the Auditor-General Victoria, undertook the external audit for 2022–23.

Internal

Pitcher and Partners undertook four internal audits during 2022–23. Namely: Fraud & Corruption, Risk Management and Business Continuity.

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 2022 to 30 June 2023 was the Hon. Harriet Shing.

Corporate Information

Objectives, functions, powers and duties

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

Water Supply

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

Wastewater

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

Freedom of Information (FoI)

Operation

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

Applications

There were no applications received by South Gippsland Water under the *Freedom of Information Act 1982* during 2022–23.

Contact for Requests

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

Requests should be addressed to:

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

Compliance with the Building Act 1993

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.sgwwater.com.au/about-us/corporate-policy-legislation/.

Independent Broad-Based Anti-Corruption Commission (IBAC) Victoria
Address: Level 1, North Tower, 459 Collins Street, Melbourne
Victoria 3000.

Mail: IBAC, GPO Box 24234, Melbourne Victoria 3001

Internet: www.ibac.vic.gov.au

Phone: 1300 735 135

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

Corporate Information

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 \$3 million in metropolitan Melbourne and \$1 million 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 \$1 million or more.

Contracts

During 2022–23, three contracts were awarded that exceeded the threshold for the Local Jobs First legislation.

- A contract to construct a new trunk sewer in Korumburra was awarded with a contract value of \$2.3 million. The objectives and requirements of the Local Jobs First legislation were applied during evaluation of tenders for the contract and the work, which started in October 2022, is expected to deliver 91.2% local content.
- A contract for construction of a new emergency storage lagoon at the Korumburra Wastewater Treatment Plant was awarded with a contract value of \$3.1 million. Again, the objectives and requirements of the Local Jobs First legislation were applied during evaluation of tenders for the contract and the work, which started in March 2023, is expected to deliver 99.4% local content.
- A contract for design and construction of two new sewer pump stations and associated emergency storage, rising mains and gravity sewers was awarded with a contract value of \$4.2 million. The objectives of the Local Jobs First legislation were applied during evaluation of tenders for the contract and the work, which started in July 2022, is expected to deliver 99.6% local content.

During 2022–23, three contracts that met the Local Jobs First legislation were completed.

- A \$1.3 million contract for design, fabrication and installation of vehicle service bodies for the maintenance vehicle fleet was completed and delivered 91.1% local content.
- A contract for sewer relining and rehabilitation, which was awarded in 2017–18, was a three-year contract with an option for a further three-year extension. An extension of this contract was awarded in 2020–21. The tender and contract for sewer relining was managed in accordance with VIPPA (2003) requirements.
- A \$3.8 million contract for design and construction of disinfection upgrades at three water treatment plants and two wastewater treatment plants was completed and delivered 97.0% local content.

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 2022–23, there were 50 consultancies where the total fees payable to each consultant was \$10,000 or greater. The total expenditure incurred during 2022–23 in relation to these consultancies was \$3,623,811 (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 2022–23, there were 49 consultancies engaged during the year, where the total fees payable to each consultant was less than \$10,000. The total expenditure incurred during 2022–23 in relation to these consultancies was \$170,278 (excl. GST).

Emergency Procurement

Nil to report.

Disclosure of major contracts

South Gippsland Water did not award any major contracts during 2022–23. A 'major contract' is a contract entered into during the reporting period valued at \$10 million or more.

Major projects 2022–23

The following summarises the major projects undertaken by South Gippsland Water during 2022–23, 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 project also aimed to reduce health, safety and wellbeing risks associated with the original chlorine storage and dosing equipment at the site.
- Work was completed on the contract during 2022–23.
- The total investment was \$3.9 million (including two 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 Poowong Basin and Devon North Basin covers and liners was completed in 2022–23 with a total investment of \$1.5 million.
- Five of six basins have now been renewed.

Drinking water tank and tower renewals

- The project will benefit customers across the region by maintaining safe, clean drinking water.
- Renewal work was completed on the Wonthaggi Tower, Inverloch Tank, Yarram Tower and one of two storages at the Toora Water Treatment Plant with a total investment of \$0.6 million.

Leongatha Water Treatment Plant filter renewal

- The project aimed to maintain reliable service standards and safe drinking water supply for customers in Leongatha, including our largest industrial customer.
- The scope of work included replacement of the filter media and underdrain system in eight of 20 filter cells at the plant.

Wonthaggi Distribution Main renewal

- The project aimed to maintain reliable service standards for customers in our region's largest town, Wonthaggi.
- Large diameter distribution mains and valves supplying water into and out of the Wonthaggi Tower were 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.
- Construction work to upgrade and renew two sewer pump stations and associated sewer mains started in 2022–23 and the contract was about 50% complete at the end of the year.
- New pump stations have been installed, along with emergency storages to create additional system resilience to reduce the likelihood of sewer spills.
- Investment for the current contract will be \$4.9 million.

Corporate Information

Korumburra wastewater system upgrades

- The projects aim to increase the capacity of the sewer network and wastewater treatment plant to reduce the likelihood of sewer spills and protect the environment.
- Two contracts were underway in 2022–23, an upgrade of the trunk sewer, which was largely completed in the financial year, and an upgrade of emergency storage lagoons at the wastewater treatment plant. This has started, with completion expected in 2023–24.
- The total investment will be \$7.0 million, with additional upgrades planned for 2023–24.

Port Albert vacuum sewer system renewal

- The project aims to improve reliability of the Port Albert sewer network to reduce the risk of sewer spills.
- The project also aims to reduce the frequency and duration of after-hours call-outs for staff to reduce fatigue-related risks.
- The total investment was \$0.3 million in 2022–23 with further investment planned for 2023–24.

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.
- A contract, with a value of \$0.6 million, was completed during 2022–23.

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.
- The program value was \$0.7 million for 2022–23.

Water and wastewater 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 throughout the next regulatory price period from 2023–28.
- During 2022–23, significant renewals were completed at Korumburra Wastewater Treatment Plant and started at the Toora and Leongatha water treatment plants.
- The total investment during 2022–23 was \$0.3 million.

Water reticulation main renewals

- This program of works is to renew and upgrade a range of aging assets to maintain water service reliability and water quality.
- Work has continued on this program since 2019 and will continue throughout the next regulatory price period from 2023–28.
- During 2022–23 there were 28 projects completed across the region with a total investment of \$0.8 million. Investment in water main renewal is planned to increase in 2023–24 to maintain customer service standards.

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

Carbon emission reduction projects

Behind-the-meter solar power installations have been installed at three treatment plants and two large pump stations in recent years. Three depots also have behind-the-meter systems, generating up to 1.1 MW of electricity.

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.

Climate change adaptation

During 2021, we experienced power supply and telecommunications interruptions at numerous sites following significant storms in June and October. Following these events, we have worked to improve system resilience by providing backup communications and purchasing additional emergency generators. During 2022–23 a region-wide risk assessment was completed to identify sites that require additional upgrades. Upgrade design work started, and projects will be implemented during 2023–24 and beyond.

Carbon neutrality

South Gippsland Water has developed a strategy to achieve carbon neutrality by 2035 and a pathway for emissions reductions between now and then.

From 2025, we will only purchase renewable electricity and, together with behind-the-meter solar installations, this will achieve approximately 50% emissions reduction relative to a baseline for emissions established between 2011 and 2016. This reduction is significantly better than the original pledge.

The strategy addresses emissions created directly from wastewater treatment systems and fuel used for fleet vehicles.

Integrated Water Management (urban)

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

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

The Gippsland IWM Forum Strategic Directions Statement was updated in 2022 and includes five key projects in the South Gippsland Region. We are leading a project on the feasibility of stormwater capture and use in Leongatha to substitute drinking water with a fit-for-purpose alternative source.

We have also been working on a strategy to improve the quality of re-use water for the Foster re-use scheme.

In the past year we have completed re-use feasibility work for water available from our Wonthaggi, Cape Paterson and Inverloch wastewater treatment plants. We are aiming to make re-use water available for new customers in the region and reduce the volume of treated effluent that must be discharged via the Baxters Beach Ocean Outfall.

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.

South Gippsland Water is required to manage assets in accordance with the State Government Asset Management Accountability Framework (AMAF) which is based on the ISO 55000 Asset Management Series. In 2020–21, we 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.

Corporate Information

Table 19 summaries the current status against 47 AMAF Categories and actions completed in 2022–23 or underway in 2023–24 to address compliance deficiencies. There were no Material non-compliance deficiencies.

Compliance improved during 2022–23 with improvements in the areas of asset acquisition and operation. Further improvement work is under progress for 2023–24.

Circular Economy

During 2022–23 we have completed our Circular Economy Vision and roadmap. We have built our maturity and understanding of circular economy practices, and are committed to working with stakeholders including attendance at the DEECA working group.

Table 19: AMAF Compliance Status 2023

Target	Performance
Leadership and accountability	(requirements 1–19) Compliant for 15 categories, with compliance deficiencies in a further seven categories. We are progressing structural changes during 2023 to address several deficiencies.
Planning	(requirements 20–23) Compliant for three of four categories with a compliance deficiency in a single category. Asset risk assessments were added to our risk management system in the past year to allow ongoing focus on risk treatments aimed at improving controls and reducing risk ratings.
Acquisition	(requirements 24–25) We have met all compliance in this category.
Operation	(requirements 26–40) Compliant for 10 categories with compliance deficiencies in a further seven categories. In the past year, we have completed an update of the Maintenance Strategy and developed an updated action plan. Procedures to update inaccurate asset information have been updated and improved maintenance reporting has been developed and implemented for the Executive Team.
Disposal	(requirement 41) We are reviewing and updating asset disposal policies and procedures.

Information and Communication Technology

The Information and Communication Technology (ICT) team continue to work on our digital transformation project, improving work processes, upgrading core business applications, replacing aging equipment, supporting the business and ultimately improving support for our customers. We also have a strong focus on improving cyber security and business continuity. Cyber security has been of particular importance during 2022–23 and will remain a priority for the coming year and into the future.

For the 2022–23 reporting period, South Gippsland Water spent \$3,696,863 on Information Communication and Technology. Expenditure comprises two categories:

Non-business as Usual expenditure (capital expenditure) relates to extending or enhancing South Gippsland Water's current capabilities through clearly defined projects.

Business as Usual expenditure is all remaining ICT expenditure, which primarily relates to ongoing activities to operate and maintain the current capability.

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

Table 20: 2022–23 ICT Expenditure

Business as Usual	Non-business as Usual		Total
	Operational	Capital	
\$2,573,407	\$0	\$1,123,456	\$3,696,863

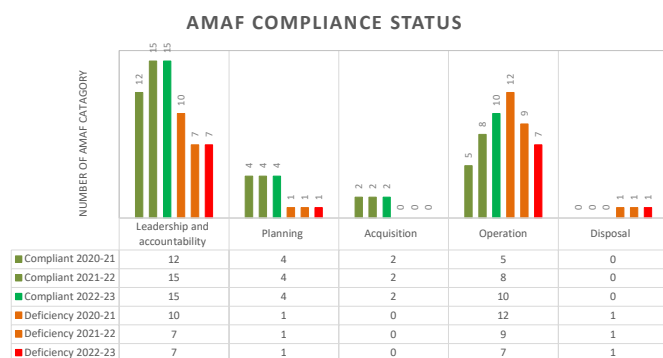


Figure 4: AMAF Compliance Status 2023

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 2022–23 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 and Energy

Undertake activities and provide services that reduce exposure to climate risks, reduce greenhouse gas emissions, increase renewable energy use, adapt to climate change, and demonstrate reasonable progress in integrating climate change adaptation into planning and decision-making across the business.

Key Performance Indicator	Measure	Reference	Page
CC1 Emission reductions Demonstrate reasonable progress toward achievement of the Corporation's greenhouse gas emission reduction targets specified in the <i>Statement of Obligations (Emission Reduction)</i>	Total actual annual reportable greenhouse gas emissions for the Corporation in CO2-e. Compliance with all other greenhouse gas emissions reporting requirements in Ministerial Reporting Direction 01.	Environmental sustainability Carbon Emissions Reduction Pledge Greenhouse gas emissions	15 – 17
CC2 Electricity use Demonstrate reasonable progress toward achievement of sourcing 100% of Corporation's electricity from renewable sources by 2025.	Total actual annual electricity and renewable electricity use for the Corporation in MWh. Compliance with all other electricity reporting requirements in Ministerial Reporting Direction 01.	Net energy	17
CC3 Adaptation to climate change and variability 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. Application of <i>Guidelines for the Adaptive Management of Wastewater Systems Under Climate Change in Victoria</i> as appropriate. 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). Including in: Source waters and demand Built assets Natural environment People and workforce Interdependencies Customer and product delivery	Qualitative description in Corporation's annual report of how Guidelines for Assessing the Impact of Climate Change on Water Availability in Victoria have been applied. This might include reference to other applications of climate advice such as Annual Water Outlooks. Qualitative description in Corporation's annual report of how Guidelines for the Adaptive Management of Wastewater Systems Under Climate Change in Victoria have been applied. Inclusion of one or more of the following statements in Corporation's annual report (amended as appropriate for your corporation's circumstances) <ul style="list-style-type: none"> • [Corporation] has climate change adaptation plan, strategy, framework, etc; • [Corporation] is mainstreaming climate change adaptation considerations into all aspects of business decision-making; and/or • [Corporation] is addressing climate change adaptation on an ad-hoc basis as/when required. AND Qualitative description and/or case studies on initiatives being planned or implemented by the Corporation to adapt to climate change and variability in line with chosen Statement/s.	Water Services Adaption to climate change variability	15

Customer and community outcomes

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

Key Performance Indicator	Measure	Reference	Page
C1 Customer satisfaction	C1.1 Customer satisfaction surveys The ESC will collect customer satisfaction survey data on a quarterly basis.	Social Sustainability	18
	C1.2 Urban Bills C1.2.1 Residential bill - owner occupied C1.2.2 Residential bill - tenant C1.2.3 Non-residential bill - business		
C2 Customer and community engagement	C2 Development and delivery of an engagement strategy and publication of the 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

Deliver Water for Aboriginal cultural, spiritual and economic values and support economic inclusion in the water sector

Promote self-determination of Traditional Owners, including by supporting the Treaty process as required. Support the implementation of Water is Life: Traditional Owner Access to Water Roadmap by enabling increased access to water entitlements under current frameworks and increased cultural benefits from the way we store, deliver, and use water.

Key Performance Indicator	Measure	Reference	Page
AC1 Supporting Aboriginal self-determination Demonstrate 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. Demonstrate there are internal processes, policies and plans in place to support Aboriginal self-determination /empowerment/employment etc for Aboriginal community members.	AC1.1 Implementation and reporting on a strategy that demonstrates how the water corporation is providing procurement opportunities to Aboriginal Enterprises to supply goods and services to water corporations*, including addressing any procurement barriers. Aboriginal enterprises to supply goods/services to water corporations* and number of Aboriginal enterprises procured in the last year.	Corporate Information Aboriginal Cultural Values	18,21
	AC1.1.2 Total number of tender requests received, Total number of Aboriginal enterprise tenders received, and total number of Aboriginal enterprises procured in FY.	Social Procurement Framework	21
	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 staff members	18
	AC1.4 Number of Aboriginal staff employed	Table 17	22
AC2 Partnerships with Traditional Owners Demonstrate effective and genuine partnerships with Traditional Owners to enable input into water planning and management decisions related to Aboriginal water 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	21
	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.		
	AC2.3 Water corporation can demonstrate it has informed relevant Traditional Owners of opportunities to access water entitlements or allocation within their Country.		
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

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"> Community engagement processes that identified and considered recreational objectives relating to management of waterways Improvements to information sources (e.g. online) to help recreational users plan their activities. Collaboration with other organisations and government agencies to explore and progress 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

Performance and Financial Sustainability

Improve efficiency and consistency in the reporting of performance while delivering safe and cost-effective water and wastewater services in a financially sustainable manner.

Key Performance Indicator	Measure	Reference	Page
PF1 Audited statement of performance Demonstrating a concise statement of performance, financial sustainability and provide a positive picture of a corporation's financial sustainability over time.	PF1.1 Financial Performance Indicators. PF1.2 Water and Sewerage Network Performance Indicators. PF1.3 Water Service Indicators PF1.4 Customer Responsiveness Performance Indicators. PF1.5 Water Reuse indicators. PF1.6 Community Service Obligations	Performance Report	34-37

Letter of Expectations Reporting

Resilient and liveable cities and towns

Contribute to healthy communities by supporting safe, affordable, high-quality services and resilient liveable environments and recovery from emergency events that builds back with improved resilience against future risks.

Key Performance Indicator	Measure	Reference	Page
L1 Integrated Water Management In relevant IWM forum(s), actively champion and promote 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 or review and implementation of Strategic Direction Statement(s) applicable to your region implementation of priority IWM projects and plans as applicable delivering IWM outcomes for the region contributing to relevant IWM actions included in urban, sustainable water, waterway and catchment strategies 	Corporate Information Integrated Water Management	29
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.	L2a 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	20
	L2b Water corporations are required to provide: <ul style="list-style-type: none"> water consumption figures for each district for residential and non-residential water users including drinking water, alternative water sources and non-revenue water. Performance against daily per capita water use targets, where applicable. major non-residential water users, including number of customers who fall within prescribed volume ranges and naming of users and whether or not they participate in water efficiency programs. Where leakage targets have been set, reporting of performance against these targets. Information must be provided if a water corporation has implemented action under its Drought Preparedness Plan including actions, stage of restrictions, measures and communities affected along with measures to improve future drought response. 	Water Consumption	10,11
L3 Circular economy outcomes	L3 Progress towards circular economy: <ul style="list-style-type: none"> Qualitative description of projects or initiatives undertaken that adopt circular economy principles and/or contribute towards identified targets in Recycling Victoria. Percentage of biosolid mass re-used (urban only). 		16,30
L4 Environmental Statutory Obligations Water corporations are required to meet statutory obligations and other environmental activities as applicable	L4 <ol style="list-style-type: none"> Regional Catchment Strategy within its region. Victorian Waterway Management Strategy and Regional Waterway Strategy within its region. State Environment Protection Policy (Waters) clauses referred to in the Environment Protection Transitional Regulations 2021, where a new legal instrument has been made (egg OMLI). 		13,16

Leadership, Diversity and Culture

Reflect the needs of our diverse communities and develop strategies and goals that will increase cultural diversity in the workforce and gender equity in both executive leadership and throughout the organisation, including requirements under the Gender Equality Act 2020.

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, including a Gender Equity Action Plan and publication (via the water corporation's website) of progress in relation to the plans.	Our People South Gippsland Water's equity, inclusion and diversity plan is available via www.sgwater.com.au/about-us/corporate-policy-legislations	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.	Our People	22
	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 the Victorian Public Sector Commission (VPSC) People Matter Survey from each water corporation.		22
G2 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 5.10.	Our People Health Safety and Wellbeing	24

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 2023.



Philip Clark

Chair

South Gippsland Water

Dated: 24 of October 2023

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 2023



Philip Clark

Chair

South Gippsland Water

Dated: 24 of October 2023

Summary of Financial Results

The full year operating result for 2022-23 was a loss before tax of \$4.5m. This result includes the impact of \$0.9m in asset disposals. Net Cash Flow from Operations was \$7.0m, which was \$4.0m below budget and \$2.2m lower than last year.

Total revenue received for the period was \$40.5m, an improvement on the prior year of \$1.9m due to stronger results in capital income (\$7.3m this period vs \$6.1m last period) and higher services revenue. The strong performance in capital income is due to increases in gifted assets from various growth areas across the region. The Corporation had realised marginal growth in residential assessments at 1%, which is 0.6% lower than prior year growth of 1.6%. This has contributed in part to the higher year-on-year non-capital income. Non-residential income has been impacted primarily by reduced consumption from a key major customer.

Total expenditure for the year increased by \$1.7m to \$45.0m. The main drivers of increased cash-related operating expenditure in this period were higher inflation in repairs and maintenance and chemical costs, additional price submission contractor resourcing and higher sampling costs. The current-year expenditure was also impacted by \$0.5m of net asset disposals, albeit at a reduced value compared to the previous year.

The Corporation achieved 82% of the planned capital expenditure, with \$19.5m spent, relative to the \$23.9m in the Corporate Plan.

Cashflow from Operations for the period financed 34% of the net capital expenditure (\$20.7m 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 the community growth needs, replace aging assets and protect our environment.

Total assets have increased by \$9.5m (2%) in the period, whilst total liabilities have also increased \$12.2m, albeit at a higher rate (7%). The increase in liabilities is primarily from increased borrowings (+\$13.8m), a large portion of this serving as working capital for the capital program.

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

Report of Operations

Financial Result	2022-23 \$'000	2021-22 \$'000	2020-21 \$'000	2019-20 \$'000	2018-19 \$'000
Profit and loss - summary					
Core revenue	32,901	32,272	30,737	28,561	27,836
Developer contributions and gifted assets	7,322	6,054	8,011	4,353	3,487
Other revenue	311	344	398	172	933
Total revenue	40,534	38,670	39,146	33,086	32,256
Operating expenditure	25,618	23,975	24,038	21,711	23,052
Depreciation	14,139	14,476	11,913	11,528	14,379
Finance costs	3,627	2,844	2,789	2,744	2,608
Other	1,613	1,978	640	538	714
Total expenditure	44,997	43,273	39,380	36,521	40,753
Net profit (loss) before tax	-4,463	-4,603	-234	-3,435	-8,497

Balance Sheet - Summary					
Current assets	9,778	10,566	9,931	6,930	6,713
Non-current assets	520,500	510,254	508,984	438,572	429,775
Total assets	530,278	520,820	518,915	445,502	436,488
Current liabilities	13,544	18,733	17,505	17,522	10,722
Non-current liabilities	184,593	167,168	165,484	137,158	138,115
Total liabilities	198,137	185,901	182,989	154,680	148,837
Net Assets	332,141	334,919	335,926	290,823	287,652

Net cash flows from operations	7,008	9,214	9,092	7,786	9,765
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Payments for infrastructure, property, plant and equipment	20,856	16,669	22,423	18,924	17,734
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Summary of Financial Performance

Performance indicator	2022-23	2021-22	2020-21	2019-20	2018-19
Internal financing ratio	33.7%	53.4%	39.9%	38.0%	53.1%
Gearing ratio	20.3%	18.0%	16.5%	15.4%	13.1%
Interest cover (cash) - times	2.9	4.3	4.4	4.0	4.9
Return on assets	-0.2%	-0.3%	0.5%	-0.2%	-1.3%
Return on equity	-1.3%	-1.0%	-0.1%	-0.9%	-2.1%
Current ratio - times	0.7	0.7	0.7	0.5	0.8

Performance Report

For the year ended 30 June 2023

KPI No.	Key Performance Indicator	2021/22 Result	2022/23 Result	Variance to prior year	2022/23 Target	Variance to Target
FINANCIAL PERFORMANCE INDICATORS						
F1	Cash Interest Cover Net operating cash flows before net interest and tax / net interest payments	4.3	2.9	-32.7% ¹	4.1	-29.6% ¹
F2	Gearing Ratio (%) Total debt (including finance leases) / Total assets x 100	18.0%	20.3%	12.7% ²	20.1%	0.8%
F3	Internal Financing Ratio (%) (Net operating cash flow less dividends) / Net capital expenditure x 100	53.5%	33.7%	-36.9% ³	41.4%	-18.5% ³
F4	Current Ratio Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	0.7 times	0.7 times	3.1%	0.5 times	54.9% ⁴
F5	Return on Assets (%) Earnings before net interest and tax / average assets x 100	-0.3%	-0.2%	47.0% ⁵	0.01%	-1264.8% ⁵
F6	Return on Equity (%) Net profit after tax / average total equity x 100	-1.0%	-1.3%	-33.8% ⁶	-0.8%	-72.9% ⁶
F7	EBITDA Margin (%) Earnings before interest, tax, depreciation and amortisation / Total revenue x 100	32.8%	32.5%	-0.9% ⁷	36.9%	-12.0% ⁷

Notes:

- ¹ The unfavourable variance compared to the prior year is due to lower net operating cash inflows brought about by higher payments to suppliers and higher interest payments. The increased in payments to suppliers was driven by inflation in repairs and maintenance and chemical costs, and higher contractor resourcing associated with the price submission in 2022-23. The unfavourable variance compared to target is similarly due to lower net operating cash inflows brought about by higher payments to suppliers in addition to below-target usage charges. In future years the Corporation will look to improve on the net operating position through a combination of cost efficiency initiatives (to be determined) and slight uplifts in tariffs.
- ² The unfavourable variance compared to prior year is due to additional loans in 2022-23 against a marginal increase in total assets.
- ³ The unfavourable variance compared to the prior year is due to lower net operating cash inflows coupled with higher capital investment. The reduced operating cash inflows were a result of increased payments to suppliers - driven by inflation in repairs and maintenance and chemical costs, and higher contractor resourcing associated with the price submission in 2022-23 - and higher interest payments. Net capital investment in 2022-23 was 20% higher compared to the prior year. The unfavourable variance compared to target is due to lower net operating cash inflows brought about by higher payments to suppliers, in addition to below-target usage charges. The Corporation aims to improve this result through cost efficiency initiatives and tariffs uplifts.
- ⁴ The favourable variance compared to the target is largely due to a higher receivables balance and the refinancing of short-term debt to long-term debt, generating an improved current ratio.
- ⁵ The unfavourable variance to target is due to increased operational expenditure (up 28% from the prior year) driven by inflation in repairs and maintenance and chemical costs, and higher contractor resourcing associated with the price submission in 2022-23. At the same time our asset base has continued to grow in 2022-23. The Corporation is aiming to improve on this result through cost efficiency initiatives and tariff uplifts. The favourable variance compared to prior year results is due to lower deficit after interest in 2022-23.
- ⁶ The unfavourable variance compared to both prior year and target is due to lower net profit driven by higher operational expenditure, as explained in the preceding note. The Corporation is aiming to improve on this result through cost efficiency initiatives and tariff uplifts.
- ⁷ The unfavourable variance compared to target is due to lower earnings driven by higher operational expenditure. The Corporation is aiming to improve on this result through cost efficiency initiatives and tariff uplifts.

Performance Reporting Changes for 2022-23

The following changes have been made to the Performance Indicators:

- Restoration of unplanned water supply and total net CO₂ emission KPIs have been removed.
- Amendments have been made to the sewer spills interruptions KPI, now reported over 100kms of sewer main. For customer responsiveness, complaints are now measured per 100 customers, previously per 1000 customers.
- New KPIs are water service - minutes off supply planned and number of sewer blockages. The customer responsiveness KPIs now include average household water bill amounts, number of customers on flexible payment plans and the number of hardship grants awarded. Also newly reported are the total number of complaints.

Performance Report

For the year ended 30 June 2023

KPI No.	Key Performance Indicator	2021/22 Result	2022/23 Result	Variance to prior year	2022/23 Target	Variance to Target
WATER AND SEWERAGE NETWORK RELIABILITY						
	Water Service - minutes off supply unplanned Average duration of unplanned water supply interruptions	71.6 minutes	89.1 minutes	24.4% ¹	110.0 minutes	-19.0% ¹
	Water Service - minutes off supply planned Average duration of planned water supply interruptions	139.1 minutes	128.8 Minutes	-7.4% ²	240.0 Minutes	-46.3% ²
WS1	Unplanned Water Supply Interruptions Percentage of customers receiving 5 or more unplanned interruptions in the year	0.1%	0.0%	-0.1%	0.0%	0.0%
	Sewerage Service - sewer blockages Number of sewer blockages reported per 100 km of sewer main	26.3	25.8	-1.9%	18	43.3% ³
	Sewerage Service - Sewer Spills Interruptions Number of sewer spills reported per 100 km of sewer main	2.9	5.4	86.2% ⁴	28	-80.7% ⁵
SS1	Sewerage Service - 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%	0.0%	95.0%	5.3% ⁶
CUSTOMER RESPONSIVENESS						
	Water bills - average household use (121 kL/yr owner occupier and 115 kL/yr tenant) Typical household bill (based on average use above) in real 2022/23 dollars, owner occupiers Typical household bill (based on average use above) in real 2022/23 dollars, tenants	\$1,122 \$240	\$1,142 \$252	1.7% ⁷ 4.8%	n/a	n/a
	Water bills - customers on flexible payment plans No. of customers with instalment plans	717	526	-26.6% ⁸	n/a	n/a
	Water bills - customers awarded hardship grants No. of customers awarded hardship grants	0	0	0.0%	n/a	n/a
CR1	Customer Responsiveness - Water quality complaints No. of complaints per 100 customers	0.3	0.2	-33.3% ⁹	0.6	-66.7% ⁹
CR4	Customer Responsiveness - number of payment issue complaints No. of complaints per 100 customers	0.03	0.03	0.0%	1.2	-97.5% ¹⁰
	Customer Responsiveness - total complaints No. of complaints per 100 customers	0.6	0.6	0.0%	2.0	-69.2% ¹¹
WATER REUSE						
E1	Recycled water - Effluent Treatment and reuse Proportion of water recycled as a percentage of the volume of effluent produced	4.2%	2.5%	-1.7%	4.0%	-1.5%

Notes:

- The unfavourable higher year-on-year result was influenced by aging infrastructure and increased weather events (wet ground movement), both common factors leading to longer water supply interruptions due to the complexity of the work environment. Continued preventative maintenance programs have helped minimise unplanned supply interruptions to keep performance favourable to target.
- A concerted program of valve installations to minimise shut-down times and a heightened awareness of flushing times have both led to favourable improved performance in planned water interruptions. The favourable result compared to target is due to the restructure and continual improvements in the operations team. Continued focus on preventive maintenance has also assisted in reducing interruption times.
- Continued dedication to preventative maintenance in problematic areas is expected to improve the overall unfavourable volume of blockages.
- Minor spill reporting has increased from the prior year due to improved awareness around spill data collection, resulting in a less favourable result from the previous year.
- Continual development in the Preventative Maintenance Program in known problems areas and pinpointed asset renewal are contributing to this favourable score.
- Well-managed and better coordinated responses to serious weather events contributed to the favourable reduction/avoidance of potential spills and also infiltration overflow events.
- An increase in customer bills has been interpreted to be an unfavourable variance, as this indicator is based on customer focus rather than financial factors and reflects Essential Service Commission price determination position and water corporation's commitment to keep bills affordable for customers.
- Better monitoring of this manual process has seen a reduction in customers on payment plans, however we expect this metric may increase again in the coming year due to the financial/economic climate. A decrease in customers on flexible payment plans in these indicators has been interpreted to be an unfavourable variance, as this indicator is based on customer focus rather than financial factors and reflects the position that customers consistently support greater help for vulnerable customers, including those in financial hardship. This is also consistent with government policy.
- A lower level of complaints maintained during 2022-23 can be attributed to a year without major network disturbances and the favourable result.
- A favourable result in the number of billing complaints compared to target is primarily due to the focus on live resolving of customer billing issues first time.
- This favourable result will be enhanced by the creation of a complaints handling process to allow a more efficient and effective way to manage complaints end-to-end with a well investigated resolution.

Note that for 2022-23 targets denoted as n/a, these are not available as the relevant indicator target was not set at the beginning of the period due to additions in key reported indicators occurring later in 2022-23.



Statutory Certification

SOUTH GIPPSLAND REGION WATER CORPORATION

Certification of Performance Report for 2022-23

We certify that the accompanying Performance Report of South Gippsland Water Region Water Corporation in respect of the 2022-23 financial year is presented fairly in accordance with the Financial Management Act 1994.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the responsible Minister and as set out in the 2022-23 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

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

A handwritten signature in blue ink, appearing to read "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 "Tira Jones".

Tira Jones
Chief Financial Officer (Acting)

Dated this day, the 19th October 2023



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 performance report of the South Gippsland Region Water Corporation (the corporation) for the year ended 30 June 2023, which comprises the:</p> <ul style="list-style-type: none">• financial performance indicators• water and sewerage network reliability performance indicators• customer responsiveness performance indicators• water reuse indicator• certification of performance report. <p>In my opinion, the performance report of the South Gippsland Region Water Corporation for the year ended 30 June 2023, presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the <i>Financial Management Act 1994</i>.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Performance 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 performance report in Victoria and 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 performance report	<p>The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of 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 the performance report that is free from material misstatement, whether due to fraud or error.</p>

Independent Audit Report

**Auditor’s
responsibilities
for the audit of
the performance
report**

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

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

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

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

MELBOURNE
23 October 2023



Paul Martin
as delegate for the Auditor-General of Victoria

Financial Report

For The Year Ended 30 June 2023

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South Gippsland Region Water Corporation
Comprehensive Operating Statement
For the financial year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Revenue and income from transactions			
Revenue from contracts with customers	2.1	40,223	38,326
Government grants and contributions		50	-
Interest income		44	16
Other income		217	328
Total revenue and income from transactions		40,534	38,670
Expenses from transactions			
Finance cost	6.1.2	3,627	2,844
Depreciation and impairment	4.1.1	13,616	13,941
Amortisation	4.2	523	535
Environmental contribution	8.2	1,369	1,369
Employee benefits	3.1.1	12,214	11,615
Direct operating expenses and repairs & maintenance	3.2	6,950	4,177
Other expenses	3.3	6,140	5,958
Total expenses from transactions		44,439	40,439
Net result		(3,905)	(1,769)
Other economic flows included in net result			
Net (loss) on disposal of non-financial assets	9.2	(525)	(2,830)
Net (loss) on financial instruments	9.2	(33)	(4)
Total other economic flow included in net result		(558)	(2,834)
Net result before income tax		(4,463)	(4,603)
Income tax expense	8.1.1	1,315	1,293
Net result		(3,148)	(3,310)
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Change in physical asset revaluation surplus	9.1.1	494	-
Tax effect on revaluation	8.1.2, 9.1.1	(124)	-
Movement in revaluation reserve due to tax change	8.1.2, 9.1.1	-	2,302
Total other comprehensive income for the period		370	2,302
Comprehensive result		(2,778)	(1,008)

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 2023

	Notes	2023 \$'000	2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6.2	3,188	4,281
Receivables	5.1	2,670	2,205
Contract assets	5.2	2,149	2,519
Inventories		1,233	1,114
Assets held for sale		46	46
Prepayments		492	401
Total current assets		9,778	10,566
Non-current assets			
Receivables	5.1	185	241
ZEW investment	5.5	5	5
Infrastructure, property, plant and equipment	4.1	495,579	485,149
Intangible assets	4.2	4,380	4,592
Deferred tax assets	8.1.2	20,351	20,267
Total non-current assets		520,500	510,254
TOTAL ASSETS		530,278	520,820
LIABILITIES			
Current liabilities			
Payables	5.3	4,706	6,060
Contract liabilities	5.4	1,758	1,019
Interest bearing liabilities	6.1	2,225	6,893
Employee benefits	3.1.2	3,435	3,757
Other provisions	5.7	1,353	966
Prepaid income		67	38
Total current liabilities		13,544	18,733
Non-current liabilities			
Interest bearing liabilities	6.1	105,300	86,800
Employee benefits	3.1.2	297	310
Other financial liabilities	5.6	120	74
Deferred tax liabilities	8.1.2	78,876	79,984
Total non-current liabilities		184,593	167,168
TOTAL LIABILITIES		198,137	185,901
NET ASSETS		332,141	334,919
EQUITY			
Contributed capital		95,333	95,333
Asset Revaluation Reserve	9.1.1	190,510	190,140
Accumulated surplus		46,298	49,446
TOTAL EQUITY		332,141	334,919

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

South Gippsland Region Water Corporation
Cash Flow Statement
For the financial year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Receipts			
Service and usage charges/Revenue from contract with customers		32,258	31,020
Receipts from other sources		3,751	3,282
Receipts from Government - recurrent		50	-
Goods and Services Tax received from the ATO ⁽ⁱ⁾		2,866	2,363
Payments			
Payments to suppliers and employees		(27,002)	(23,230)
Interest paid		(3,491)	(2,798)
Income taxes paid		-	-
Goods and Services Tax paid to the ATO ⁽ⁱ⁾		(55)	(54)
Environmental contribution levy paid		(1,369)	(1,369)
Net cash inflow operating activities	6.2.1	7,008	9,214
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(20,856)	(16,669)
Payments for intangible assets		(347)	(767)
Proceeds from sale of motor vehicles		435	218
Net cash outflow from investing activities		(20,768)	(17,218)
Cash flows from financing activities			
Proceeds from borrowings		18,500	17,575
Repayment of borrowings		(4,668)	(9,300)
Net movements in contractor deposits		(1,165)	146
Net cash inflow from financing activities		12,667	8,421
Net (decrease)/increase in cash and cash equivalents		(1,093)	417
Cash and deposits at the beginning of the financial year		4,281	3,864
Cash and deposits at the end of the financial year	6.2	3,188	4,281

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 financial year ended 30 June 2023

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

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 functional and presentation currency.

Classification between current and non-current

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

Rounding

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

Historical cost convention

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

Comparative information

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

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 1: BASIS OF PREPARATION (CONTINUED)

Accounting estimates

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

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

- 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 (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 (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.

The following financial statement areas have been affected by COVID-19:

- Impairment of contractual receivables (Note 5.1.1)

For the year ended 30 June 2023, South Gippsland Region Water Corporation recognised a net loss of \$3,148,000 after tax. South Gippsland Region Water Corporation's net current liabilities as at 30 June 2023 were \$3,766,000 and net assets were \$332,141,000. South Gippsland Region Water Corporation has \$3.2m of resources comprising cash, cash equivalents and unused credit lines available at the date of authorisation of these financial statements.

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

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 1: BASIS OF PREPARATION (CONTINUED)

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

Compliance information

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

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	2023 \$'000	2022 \$'000
Revenue from service, usage and trade waste charges	2.1.1	32,149	31,138
Developer contributions	2.1.2	7,052	6,054
Other revenue	2.1.3	1,022	1,134
Total revenue from contracts with customers		40,223	38,326

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

	2023 \$'000	2022 \$'000
Service charges		
Water service charges	7,853	7,352
Wastewater service charges	10,885	10,156
Trade waste service charges	281	292
Total service charges	19,019	17,800
Usage charges		
Water usage charges	9,767	10,144
Wastewater usage charges	444	418
Trade waste usage charges	2,919	2,776
Total usage charges	13,130	13,338

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

	2023 \$'000	2022 \$'000
Developer contributed assets	5,268	3,977
New customer contributions	1,784	2,077
Total developer contributions	7,052	6,054

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

	2023 \$'000	2022 \$'000
Fees and charges	1,022	1,134
	1,022	1,134

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
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
2023								
At a point in time	-	-	-	-	5,268	1,784	-	7,052
Over time	7,853	9,767	11,166	3,363	-	-	1,022	33,171
Total	7,853	9,767	11,166	3,363	5,268	1,784	1,022	40,223

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	2023 \$'000	2022 \$'000
Employee benefit expenses	3.1.1	12,214	11,615
Direct operating expenses	3.2	4,955	2,105
Repairs and maintenance	3.2	1,995	2,072
Operating expenses	3.3	6,140	5,958
Total expenses incurred in delivery of services		25,304	21,750

3.1.1 Employee benefits in the Comprehensive Operating Statement

	2023 \$'000	2022 \$'000
Salaries and wages, annual leave and long service leave	10,839	10,373
Defined contribution superannuation expense	1,065	993
Other employee	310	249
Total employee benefit costs	12,214	11,615

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

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

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

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.

	2023 \$'000	2022 \$'000
Current provisions:		
Rostered days off	115	132
Time in lieu	7	6
<i>Annual Leave</i>		
Unconditional and expected to settle within 12 months	749	794
Unconditional and expected to settle after 12 months	376	464
<i>Long Service Leave</i>		
Unconditional and expected to settle within 12 months	136	133
Unconditional and expected to settle after 12 months	1,666	1,817
	3,049	3,346
<i>Provisions for on-costs</i>		
Unconditional and expected to settle within 12 months	116	118
Unconditional and expected to settle after 12 months	270	293
	386	411
Total current provisions for employee benefits	3,435	3,757
Non-current provisions:		
Long service leave - conditional	262	275
On-costs	35	35
Total non-current provisions for employee benefits	297	310
Total provisions for employee benefits	3,732	4,067

Reconciliation of movements in on-cost provisions

	2023 \$'000	2022 \$'000
Opening balance	446	442
Additional provisions recognised	178	49
Amounts utilised during the period	(211)	(107)
Effect of changes in the discount rate	8	62
Closing balance	421	446
Current	386	411
Non-current	35	35
Closing balance	421	446

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 on-costs) are recognised as part of the employee benefit provision as current liabilities, because the water corporation does not have an unconditional right to defer settlements of these liabilities.

The components of this liability are measured at:

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

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

On-costs

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

Long service leave

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

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

The components of this current LSL liability are measured at:

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

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

3.1.3 Superannuation

Superannuation contributions

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

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

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 2023 and 30 June 2022 are detailed below:

Scheme	Type of scheme	2023 Rate	2023 \$'000	2022 Rate	2022 \$'000
Vision Super	Defined benefits	16.50%	20	15.50%	20
Vision Super	Accumulation	10.50%	526	10.00%	530
Other	Accumulation	10.50%	710	10.00%	649

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.

A triennial actuarial investigation is currently underway for the Defined Benefit category which is expected to be completed by 31 December 2023. Vision Super has advised that the estimated VBI at 30 June 2023 was 104.2% - the financial assumptions used to calculate the VBI are detailed below.

The 2022 interim actuarial investigation surplus amounts

As at 30 June 2022, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) was 102.2%. As the VBI was above 100%, the 2022 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.

The Fund's actuarial investigation as at 30 June 2022 identified the following:

	2022 (Interim) \$'000	2021 (Interim) \$'000
VBI surplus/(deficit)	44.6	214.7
Total service liability surplus/(deficit)	105.8	270.3
Discounted accrued benefits surplus	111.9	285.2

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 2022.

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.

The 2023 triennial actuarial investigation

A triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2023. It is anticipated that this actuarial investigation will be completed by 31 December 2023. The financial assumptions for the purposes of this investigation are:

	2023 (Triennial)	2020 (Triennial)
Net investment returns	5.7%	5.6%
Salary information	3.5%	2.5%
Price inflation (CPI)	2.8%	2.0%

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

	2023 \$'000	2022 \$'000
Decommissioning expenses	-	(1,525)
Repairs and maintenance	1,995	2,072
Electricity	877	862
Melbourne Water bulk entitlement	558	505
Chemicals	1,358	893
Testing and sampling	757	542
Other direct costs	1,405	828
Total	6,950	4,177

Expense	Description	Recognition policy
Decommissioning expenses	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	Contracting costs including sludge removal and dam monitoring.	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

	2023 \$'000	2022 \$'000
Administrative expenses	3,296	3,408
Customer services expenses	363	334
Training and travel	330	486
Vehicle and fleet costs	718	680
Facility expenses	378	382
Initial recognition - derivative financial instruments	-	76
Miscellaneous expenses	1,055	592
Total	6,140	5,958

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.
ZEW derivative expense	Relates to the Corporation's investment in Zero Emissions Water Limited (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. Refer Note 5.5 for further details on the arrangement between the Corporation and ZEW	Upon expiration or exercise of the cash flow derivative, the Corporation will recognise an expense depending on the position of the cash flow derivative. The fair value of the cash flow derivative is adjusted in OCI upon settlement with the difference being recognised as an expense 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 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 2023											
Opening net book amount - 1 July 2022	14,524	2,110	1,804	4,222	165,250	52,485	32,879	120,083	71,622	20,170	485,149
Additions	-	-	-	-	1,640	-	-	4,594	-	18,240	24,474
Disposals (net)	-	-	(61)	(8)	(170)	(425)	(41)	(94)	(123)	-	(922)
Transfer between asset classes		116	3,066	867	4,309	113	979	2,485	936	(12,871)	-
Revaluation	-	494	-	-	-	-	-	-	-	-	494
Depreciation	-	(128)	(789)	(860)	(4,043)	(967)	(1,314)	(3,647)	(1,868)	-	(13,616)
Closing net book amount	14,524	2,592	4,020	4,221	166,986	51,206	32,503	123,421	70,567	25,539	495,579
At 30 June 2023											
Gross book value	14,524	2,592	7,170	9,194	175,321	53,207	35,067	131,030	74,479	25,539	528,123
Accumulated depreciation	-	-	(3,150)	(4,973)	(8,335)	(2,001)	(2,564)	(7,609)	(3,912)	-	(32,544)
Net book amount	14,524	2,592	4,020	4,221	166,986	51,206	32,503	123,421	70,567	25,539	495,579

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 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 carrying 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)
Carrying 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)

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 rising interest rates and increased construction costs have caused. The valuer has advised that the current market environment, 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 2022						
Opening net book amount	1,556	2,257	563	5	391	4,772
Additions	-	-	-	6	692	698
Transfer between asset class	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
Year ended 30 June 2023						
Opening net book amount	1,260	2,115	557	11	649	4,592
Additions	-	-	-	6	305	311
Transfer between asset classes	688	-	-	-	(688)	-
Amortisation	(375)	(142)	(6)	-	-	(523)
Closing net book amount	1,573	1,973	551	17	266	4,380
At 30 June 2023						
Cost of fair value	6,104	3,200	563	17	266	10,150
Accumulated amortisation	(4,531)	(1,227)	(12)	-	-	(5,770)
Carrying amount	1,573	1,973	551	17	266	4,380

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. Tested for impairment whenever an indication of impairment is identified.	Tested annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end. Tested for impairment whenever an indication of impairment is identified.

Software costs

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing 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.

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 as the costs do not meet the recognition criteria under *AASB 138 Intangible Assets*.

Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised (i.e. upfront). 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 (2022: \$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 \$305k (2022: \$262k) 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 amortised over 99 years. Permanent entitlements purchased after 1 July 2011 will be tested annually for impairment. Bulk permanent water entitlements prior to 1 July 2011 are not recorded on the Balance Sheet as an intangible asset, as they cannot be reliably measured.

Large-scale Generation Certificates

Large-scale Generation Certificates (LGCs) are recognised as an intangible asset on the Balance Sheet at cost (in accordance with *AASB 138 Intangible Assets* and *FRD 109A Intangible Assets*) and are not subject to amortisation as they have an indefinite life. LGCs are tested annually for impairment based on the LGC spot price at financial year-end. There was no indication of impairment in 2022-23 due to a higher spot price compared to cost.

Access rights

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

Impairment of intangible assets

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

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

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

	2023 \$'000	2022 \$'000
Current		
Contractual		
Service and usage charges	2,340	1,946
Allowance for expected credit losses	(110)	(122)
Sewer scheme receivables	14	21
Statutory		
GST recoverable	426	360
Total current receivables	2,670	2,205
Non-current		
Contractual		
Sewer scheme receivables-non current	228	256
Allowance for expected credit losses	(43)	(15)
Total non-current receivables	185	241
Total receivables	2,855	2,446

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 2023 and 30 June 2022, was determined as follows for receivables – service and usage charges and other receivables. Note that FY 2022-23 reporting does not break down receivable balances into the more than 365 days past due, as our current reporting is not able to provide an accurate allocation. Our information technology team is developing the reporting in this space and is not likely to be available in the short term. FY 2021-22 reporting included a break down into more than 365 days past due using high-level assumptions.

	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 2023					
Expected loss rate - Owners	-	-	14.71%	N/A	
Expected loss rate - Alberton Scheme	-	-	22.84%	N/A	
Expected loss rate - Other	-	9.67%	23.96%	N/A	
Gross carrying amount - receivables from service and usage charges - Owners	715	181	408	N/A	1,304
Gross carrying amount - receivables from service and usage charges - Alberton Scheme	-	-	190	N/A	190
Gross carrying amount - receivables from service and usage charges - Other	850	51	187	N/A	1,088
Gross carrying amount - other receivables	-	-	-	N/A	-
Total	1,565	232	785	-	2,582
Loss allowance	-	5	148	-	153

	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	-	-	-	10.00%	
Expected loss rate - Alberton Scheme	-	-	-	100.00%	
Expected loss rate - Other	-	-	-	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

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

	2023 \$'000	2022 \$'000
Opening balance 1 July	137	152
Expected credit losses from transactions	16	-
Expected credit losses written off	-	(15)
Balance as at 30 June	153	137

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 rising interest rates and the general cost of living, and a 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. Hence 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 allowance this year has been revised upwards slightly in 2022-23 financial year to 14.71%. The remainder of the > 180 days debtors have been calculated at 22%-24%.

Since commencement of debt collection in 2021-22 financial year post COVID lockdowns, we have decreased the allowance for doubtful debts by \$15,000 (end of 2021-22 financial year) and we have subsequently increased the allowance back to a similar level (\$153,000) at the end of 2022-23.

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

	2023 \$'000	2022 \$'000
Current		
Service and usage charges	2,149	2,519
Total current contract assets	2,149	2,519
Total contract assets	2,149	2,519
	Service and usage charges \$'000	Total \$'000
Opening balance as at 1 July 2022	2,519	2,519
Less: Amounts billed during the year	(2,519)	(2,519)
Add: Amount accrued at year end (to be billed)	2,149	2,149
Carrying amount as at 30 June 2023	2,149	2,149

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

	2023 \$'000	2022 \$'000
Current payables		
Contractual		
Trade creditors	1,828	2,516
Accrued expenses	1,540	1,182
Accrued borrowing expense	633	497
Security deposits / retentions	679	1,844
Total	4,680	6,039
Statutory		
Taxes payable	26	21
Total payables	4,706	6,060

Payables for supplies and services have an average credit period of 30 days, (2022: 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
2023							
Trade creditors	1,828	1,828	1,765	60	3	-	1,828
Accrued expenses, accrued borrowing expense and security deposits / retentions	2,852	2,852	2,683	-	-	-	2,683
Total	4,680	4,680	4,448	60	3	-	4,511
2022							
Trade creditors	2,516	2,516	2,291	127	98	-	2,516
Accrued expenses, accrued borrowing expense and security deposits / retentions	3,519	3,519	1,675	-	1,844	-	3,519
Total	6,035	6,035	3,966	127	1,942	-	6,035

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 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)
Closing balance at 30 June 2022	559	460	1,019
Add: payments received in advance for provision of goods and services	1,830	2,790	4,620
Less: revenue recognised in the reporting period for the completion of performance obligations	(1,827)	(2,054)	(3,881)
Total contract liabilities at 30 June 2023	562	1,196	1,758
Represented by			
Current contract liabilities	562	1,196	1,758
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 water corporation members of Zero Emissions Water (ZEW) Limited, a public company limited by guarantee. ZEW's substantial objective is to acquire electricity, contracts for difference and other derivative products in relation to electricity, and/or green products from energy and emissions reduction facilities in Victoria and in turn supply these products to its members. This vehicle provides the opportunity for water South Gippsland Region Water Corporation members to collaboratively promote energy and emissions reduction initiatives in Victoria and to reduce emissions.

On 30 October 2018, a Members' Agreement was entered into between the water corporations and ZEW 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 \$5,000. The loan, if requested by ZEW, would meet the definition of a financial asset as it gives rise to a contractual right for us to receive cash from ZEW at the end of the loan term. At 30 June 2023, ZEW had requested and received nil loan payments. As this loan is concessional, it has been treated as an investment in ZEW and measured at amortised cost.

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

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

	2023 \$'000	2022 \$'000
Non-current		
Derivative financial instrument	120	74
Total	120	74

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

5.7 Other provisions

	2023 \$'000	2022 \$'000
Current		
Legal costs	390	-
Asset decommissioning costs	963	966
Total other provisions	1,353	966

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

Current other provisions

As of the reporting period, South Gippsland Water has an open legal matter awaiting the governing body's review and decision in regard to the appropriate course of action. The likely outcome will give rise to a material direct cost to the Corporation in fiscal year 2023-24. The estimated costs are treated as a present constructive obligation given the Corporation's responsibility to the governing body and the South Gippsland community. The Corporation estimates the total direct cost at \$390,000.

Non-current other provisions

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

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

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

5.7.1 Reconciliation of movements in other provisions

	2023 \$'000	2022 \$'000
Opening balance	966	2,645
Additional provisions recognised	390	195
Other sacrifices of future economic benefits	(3)	(1,874)
Closing balance	1,353	966
Current	1,353	966
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

	2023 \$'000	2022 \$'000
Current loans from Treasury Corporation Victoria	2,225	6,893
Non - current loans from Treasury Corporation Victoria	105,300	86,800
Total interest-bearing liabilities	107,525	93,693

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

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

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

6.1.1 Maturity analysis of interest-bearing liabilities

	Carrying amount \$'000	Nominal amount \$'000	Less than 1 month \$'000	3 months or less \$'000	3 - 12 months \$'000	1 - 2 years \$'000	2 - 5 years \$'000	>5 years \$'000
30 June 2023								
Financial liabilities								
Loans from TCV	107,525	107,525	2,225	3,000	5,300	11,500	33,500	52,000
Total	107,525	107,525	2,225	3,000	5,300	11,500	33,500	52,000
30 June 2022								
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

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

	2023 \$'000	2022 \$'000
Interest on government loans	2,553	1,841
Financial accommodation levy	1,074	1,003
Total interest expense	3,627	2,844

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.

	2023 \$'000	2022 \$'000
Cash at bank and on hand	3,188	4,281
Balance as per cash flow statement	3,188	4,281

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

	2023 \$'000	2022 \$'000
Net result for the period	(3,148)	(3,310)
Non-cash movements		
Depreciation and amortisation of non-current assets	14,139	14,476
Loss on sale or disposal of non-current assets	525	2,830
Resources provided free of charge or for nominal consideration	(5,268)	(3,977)
Increase/(decrease) in loss allowance	16	(15)
Expense from derivative financial instruments	46	74
Movements in assets and liabilities		
Decrease in receivables & contract assets	1,872	1,269
(Increase)/decrease in inventory	(119)	116
(Increase) in prepayments	(91)	(1)
(Increase)/decrease in deferred tax assets	(84)	729
Increase in payables and contract liabilities	299	656
Increase/(decrease) in other provisions	387	(1,525)
(Decrease) in employee benefits	(335)	(86)
(Decrease) in deferred tax liabilities	(1,231)	(2,022)
Net cash flows from operating activities	7,008	9,214

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
2023				
Capital expenditure commitments payable	7,512	-	-	7,512
Environmental contribution levy commitments	1,368	-	-	1,368
Operating lease commitments payable	79	-	-	79
Total commitments (inclusive of GST)	8,959	-	-	8,959
Less GST receivable	690	-	-	690
Total commitments exclusive of GST	8,269	-	-	8,269
	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 recoverable	467	-	-	467
Total commitments exclusive of GST	6,040	1,369	-	7,409

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 servicesOther payables
<ul style="list-style-type: none">Trade receivablesSale of goods and servicesOther 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, however has transferred control of the asset.

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

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

Impairment of financial assets

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

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

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

Derivative financial instruments

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

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

South Gippsland Region Water Corporation

Notes to the financial statements

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

7.1.1 Financial instruments: Categorisation

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

South Gippsland Region Water Corporation

Notes to the financial statements

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

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	5.3	-	-	-	2,520	2,520
Accrued expenses	5.3	-	-	-	1,675	1,675
Other- security deposits & retention	5.3	-	-	-	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	5.6	-	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)

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
2023			
Contractual financial liabilities			
Financial liabilities at amortised cost	-	3,627	3,627
Financial liabilities designated at fair value through profit/loss	-	-	-
Total contractual financial liabilities	-	3,627	3,627
2022			
Contractual financial liabilities			
Financial liabilities at amortised cost	-	2,844	2,844
Financial liabilities designated at fair value through profit/loss	4	-	4
Total contractual financial liabilities	4	2,844	2,848

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).

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 2022-23.

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 2023, 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 2022-23.

7.1.4 Credit quality of financial assets

	Financial institution (triple-A credit rating) \$'000	Other (min triple-B credit rating) \$'000	Non-rated \$'000	Total \$'000
2023				
Financial assets				
Cash and deposits (not assessed for impairment due to materiality)	3,188	-	-	3,188
Statutory receivables (with no impairment loss recognised)	-	-	426	426
Contractual receivables applying the simplified approach for impairment	-	-	2,429	2,429
Total financial assets	3,188	-	2,855	6,043
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 receivable applying the simplified approach for impairment	-	-	2,086	2,086
Total financial assets	4,281	-	2,446	6,727

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 2023, 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						Total
	Carrying amount	Nominal amount	Less than 1 month	1 - 3 months	3 months - 1 year	Over 1 year	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2023							
Derivative liability	120	120	-	-	-	120	120
Total	120	120	-	-	-	120	120
2022							
Derivative liability	74	74	-	-	-	-	-
Total	74	74	-	-	-	-	-

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 through interest rate risk, there is insignificant exposure to foreign exchange risk and insignificant exposure to other price risks.

South Gippsland Region Water Corporation

Notes to the financial statements

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

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

a) Interest rate risk

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

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

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

	Weighted average interest rate %	Total carrying amount \$'000	Variable interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000
2023					
Contractual financial assets					
Cash at bank	4.10%	3,188	3,188	-	-
Receivables	-	2,429	-	185	2,670
Contract assets	-	2,149	-	-	2,149
Total	-	7,766	3,188	185	4,819
Contractual financial liabilities					
Borrowings - TCV	3.93%	107,525	-	107,525	-
Payables	-	4,706	-	-	4,706
Contract payables	-	1,758	-	-	1,758
Total	-	113,989	-	107,525	6,464
Total financial (liabilities) assets	-	(106,223)	3,188	(107,340)	(1,645)
	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)

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.

2023	Carrying amount \$'000	Net Result (+100) basis points \$'000	Equity (+100) basis points \$'000	Net Result (- 100) basis points \$'000	Equity (-100) basis points \$'000
Cash and cash equivalents	3,188	32	32	(32)	(32)
Interest bearing liabilities - variable	2,225	(22)	(22)	22	22
Total		10	10	(10)	(10)
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

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 (2022 \$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; and
- land, buildings, infrastructure, plant and equipment.

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

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

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

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

Fair value hierarchy

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

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

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

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

How this section is structured

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

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

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

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 2023 \$'000	Fair value 2023 \$'000	Carrying amount 2022 \$'000	Fair value 2022 \$'000
Financial liabilities				
Loans from TCV	107,525	107,525	93,693	93,693

7.3.2 Fair value determination – Non-financial physical assets

	Carrying amount as at 30 June 2023 \$'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	2,592	-	-	2,592
Total of buildings at fair value	2,592	-	-	2,592
Infrastructure at fair value				
Infrastructure - water distribution	166,986	-	-	166,986
Infrastructure - water harvesting and major transfers	51,206	-	-	51,206
Infrastructure - water quality	32,503	-	-	32,503
Infrastructure - sewer collection	123,421	-	-	123,421
Infrastructure - sewer treatment and major disposal	70,567	-	-	70,567
Total infrastructure at fair value	444,683	-	-	444,683
Plant and equipment at fair value				
Motor vehicles	4,020	-	-	4,020
Plant and equipment	4,221	-	-	4,221
Total of plant and equipment at fair value	8,241	-	-	8,241
Total of infrastructure at fair value	470,040	-	1,399	468,641

South Gippsland Region Water Corporation

Notes to the financial statements

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

	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

There have been no transfers between the levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2023.

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 meter has been applied to the subject asset. The effective date of the valuation is 30 June 2021.

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

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.

From the Corporation's 2022-23 annual fair value assessment it was found that the relevant building index had increased by 10.4% since 30 June 2021. As such, a management revaluation of the buildings asset class was performed and reflected in the accounts to the value of \$493k (including accumulated depreciation).

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 2023.

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 related factors and fair value measurement

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

The Corporation's infrastructure, property, plant and equipment assets are exposed to the risk of damage from extreme weather events such as storms, high winds, floods and drought. Changes in global climate conditions could intensify one or more of these events. In addition, extreme weather events may also increase the cost of operations.

The Corporation has extensive processes in place aimed at monitoring and mitigating these risks through proactive management and early detection. The Corporation has also incorporated considerations for climate change into its risk management practices, such as the establishment and maintenance of flood management systems and increased monitoring during fire danger periods. Physical risks arising from fires, floods and drought are to a great extent subject to risk transfer and thereby within the cover of the Corporation's property and business interruption insurance programmes. However, should the frequency and severity of these events increase as a result of climate change, the cost of such coverage may increase.

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

2023	Specialised land	Specialised buildings	Water distribution	Water harvesting and major transfer	Water quality	Sewer collection	Sewer treatment and disposal	Motor vehicles	Plant equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	13,125	2,110	165,250	52,485	32,879	120,083	71,622	1,804	4,222	463,580
Additions	-	116	5,949	113	979	7,079	936	3,066	867	19,105
Disposals	-	-	(170)	(425)	(41)	(94)	(123)	(61)	(8)	(922)
Revaluation	-	494	-	-	-	-	-	-	-	494
Depreciation	-	(128)	(4,043)	(967)	(1,314)	(3,647)	(1,868)	(789)	(860)	(13,616)
Closing balance	13,125	2,592	166,986	51,206	32,503	123,421	70,567	4,020	4,221	468,641

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

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	Average cost per Asset Useful life
Plant, Equipment and Vehicles		
Plant and equipment	Depreciated current replacement cost	Average cost per unit Useful life
Vehicles	Depreciated current replacement cost	Average cost per unit Useful life
Water Harvesting, Treatment and Quality		
Storage	Depreciated current replacement cost	Average cost per unit Useful life
Treatment plants	Depreciated current replacement cost	Average cost per facility Useful life
Water Distribution		
Mains and reticulation	Depreciated current replacement cost	Average cost per 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 meter Useful life
Pump stations	Depreciated current replacement cost	Average cost per facility Useful life

7.3.3 Fair value determination – Financial instruments

	Carrying amount as at 30 June 2023 \$'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	120	-	-	120
Total of derivative instruments at fair value	120	-	-	120

	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

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 DEECA's independent advisor and comparable risk-free rates of zero-coupon government bonds obtained from the Reserve Bank of Australia. The assumptions underpinning the estimate of future wholesale electricity prices included factors influencing supply and demand fluctuations, and the 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
2023	
Opening balance	74
Loss recognised in profit or loss	33
Net cash settlements paid	13
Closing balance	120
2022	
Opening balance	-
Initial recognition of derivative financial instruments	73
Gains recognised in profit or loss	4
Net cash settlements (received)	(3)
Closing balance	74

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% (2022: 25%), adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Change in accounting estimate tax rate:

For the 2023 income year, entities that are classified as base rate entities are eligible for the reduced tax rate of 25% (2022: 25%). This applies to corporate entities that:

- Have an aggregated turnover less than the \$50 million for the 2023 income year.
- 80% or less of their assessable income is base rate entity passive income, which includes passive incomes such as rent, interest capital gains and corporate distributions.

As South Gippsland Region Water Corporation turnover is less than \$50 million for the year ended 30 June 2023 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:

	2023 \$'000	2022 \$'000
Income Statement		
Current income tax expense (paid or payable)	-	-
Adjustments to prior years	-	-
Deferred income tax expense	-	-
Temporary differences	(1,315)	(1,426)
Adjustments to previous years	-	133
Income tax reported in the comprehensive operating statement	(1,315)	(1,293)
Statement of changes in equity		
Net deferred tax - credited directly to equity	(124)	2,302
Income tax reported in equity	(124)	2,302
Tax reconciliation		
Net result before income tax	(4,463)	(4,603)
Tax at the Australian tax rate of 25% (2022: 25%)	(1,116)	(1,151)
Non-deductible expenses	3	1
Current year capital losses recognised	-	-
Deferred only movement in building	(202)	(10)
Changes for developer contributions	-	-
Adjustment for prior years - tax rate change	-	(133)
Temporary difference on property, plant & equipment not affecting Profit (Loss)	-	-
Income tax on profit before tax	(1,315)	(1,293)

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

	2023	2022
	\$'000	\$'000
Amounts recognised in Comprehensive Operating Statement		
Doubtful debts	38	34
Employee benefits	934	1,017
Tax losses	18,705	18,853
Other	674	363
Total deferred tax assets	20,351	20,267
Movements:		
Opening balance at 1 July	20,267	20,996
Credited/(debited) to the Comprehensive Operating Statement	84	(729)
Closing balance at 30 June	20,351	20,267
Deferred tax asset expected to be recovered after more than 12 months	74	78
Deferred tax asset expected to be recovered within 12 months	1,572	1,336
Tax losses	18,705	18,853
Ending balance at 30 June	20,351	20,267

Deferred tax liabilities

	2023	2022
	\$'000	\$'000
Amounts recognised in Comprehensive Operating Statement		
Depreciation	(13,043)	(14,274)
Amounts recognised directly in equity		
Revaluation of infrastructure, property, plant and equipment	(65,833)	(65,710)
Total deferred tax liabilities	(78,876)	(79,984)
Movements		
Opening balance at 1 July	(79,984)	(84,308)
Credited/(debited) to the Comprehensive Operating Statement	1,108	2,022
Credited/(debited) to the Other Comprehensive Income due to nil tax rate change (from 25% to 25%) (2022: 26% to 25%)	-	2,302
Closing balance at 30 June	(78,876)	(79,984)
Deferred tax liabilities expected to be settled after more than 12 months	(78,876)	(79,984)
Deferred tax liabilities expected to be settled within 12 months	-	-
Ending balance at 30 June	(78,876)	(79,984)

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 Energy, Environment and Climate Action (DEECA).

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

	2023	2022
	\$'000	\$'000
Environmental contribution levy	1,369	1,369

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

	2023 \$'000	2022 \$'000
Physical asset revaluation surplus		
Opening balance	190,140	187,838
Revaluation increment for year	494	-
Tax effect on revaluation	(124)	-
Effect of tax rate change (2023: 0%, 2022: 26% to 25%)	-	2,302
Closing balance	190,510	190,140

9.2 Other economic flows included in net results

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

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

	2023 \$'000	2022 \$'000
Net gain/(loss) on non-financial assets		
Net gain/(loss) on disposal of infrastructure, property, plant and equipment	(525)	(2,830)
Total net gain(loss) on non-financial assets	(525)	(2,830)
Net gain/(loss) on financial instruments		
Net (gain)/loss arising from revaluation of financial liabilities at fair value through net result - market risk	(33)	(4)
Total net gain/(loss) on financial instruments	(33)	(4)
Total other gains/(losses) from other economic flows	(558)	(2,834)

(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. Harriet Shing MP	Minister for Water	1 July 2022 - 30 June 2023
Mr Philip Clark	Chair	1 July 2022 - 30 June 2023
Mrs Nicola Hepenstall	Deputy Chair	1 July 2022 - 30 June 2023
Mr Robert Murphy	Managing Director	1 July 2022 - 30 June 2023
Ms Diana Nestorovska	Director	1 July 2022 - 30 June 2023
Mrs Sumi Prabhakaran	Director	1 July 2022 - 30 June 2023
Mr Chris Rose	Director	1 July 2022 - 30 June 2023
Ms Carly Moore	Director	1 July 2022 - 30 June 2023
Ms Jennifer Ryan	Director	1 July 2022 - 30 June 2023
Mr Nicholas Fleming	Director	1 July 2022 - 30 June 2023

Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of South Gippsland Region Water Corporation during the reporting period was in the range: \$330,000 – \$339,999 (2022: \$310,000 – \$319,999).

	2023	2022
Income band (\$)		
5,000-9,999	-	3
10,000-19,999	-	4
20,000-29,999	6	4
30,000-39,999	1	1
50,000-59,999	1	1
330,000-339,999	1	1
Total responsible persons	9	14
Total remuneration (\$'000)	595	588

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 2022-23, driven by a phased-organisational structure change.

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.

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 9. OTHER DISCLOSURES (CONTINUED)

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

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

	2023	2022
	\$'000	\$'000
Short-term employee benefits	1,058	1,014
Post-employment benefits	170	88
Other long-term benefits	44	20
Total remuneration	1,272	1,122
Total number of executives	5	5
Total annualised employee equivalents	3.5	4.7

- 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.

	2023 \$'000	2022 \$'000
Compensation of key management personnel		
Short-term employee benefits	540	541
Post-employment benefits	48	46
Other long-term benefits	7	1
Total remuneration	595	588

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	2023 \$'000	2022 \$'000
Department of Families, Fairness and Housing (DFFH)	Refund of concession rebates	1,843	1,835
State Revenue Office	Refund of charities rebates	150	149
Zero Emissions Water Limited	Rates and charges	10	74
Treasury Corporation of Victoria	Loan proceeds	18,500	17,575

Government-related entity payments

Entity name	Brief description of main activity	2023 \$'000	2022 \$'000
Treasury Corporation of Victoria	Interest on borrowings	2,553	1,841
Department of Energy, Environment and Climate Action (DEECA)	Environmental contribution	1,369	1,369
Department of Treasury and Finance	Financial accommodation levy	1,074	1,003
Environment Protection Authority	Licence fees and levies	30	49
Treasury Corporation of Victoria	Loan repayments	4,668	9,300

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.

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

South Gippsland Region Water Corporation

Notes to the financial statements

NOTE 9. OTHER DISCLOSURES (CONTINUED)

All other transactions that have occurred with Key Management Personnel and their related parties have been trivial or domestic in nature. In this context, transactions are only disclosed when they are considered of interest to users of the financial report in making decisions and evaluating the allocation of scarce resources.

ZEW transactions

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

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

	2023 \$'000	2022 \$'000
Sales to ZEW	(11)	6
Purchases from ZEW	4	10
Loans to/from ZEW	5	5

9.7 Remuneration of auditors

		2023 \$'000	2022 \$'000
Audit Services - Victorian Auditor-General's Office (VAGO)	Annual external audit fee	65	38
Non-VAGO audit and assurance services	Internal audit	80	95
Total remuneration of auditors		145	133

9.8 Ex-gratia payments

South Gippsland Region Water Corporation did not make any ex-gratia payments during 2022-2023 (2022: \$Nil). In accordance with FRD 11A Disclosure of Ex-Gratia Expenses South Gippsland Region Water Corporation must disclose in aggregate the total amount of material items (greater than \$5,000).

9.9 Changes in accounting policies

No change in accounting policies for FY23 impacting sector.

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 2023 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.

South Gippsland Region Water Corporation

Notes to the financial statements

Topic	Key requirements	Effective date
<i>AASB 2022-6</i>	Requires a liability be classified as a non-current	
<i>Non-current</i>	liability if at the end of the reporting period the entity	1 January
<i>Liabilities with</i>	has a right to defer settlement of the liability for at	2024
<i>Covenants</i>	least twelve months after the reporting period.	

NOTE 9. OTHER DISCLOSURES (CONTINUED)

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods but are considered to have limited impact on the Department's reporting.

- AASB 17 Insurance Contracts.
- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definitions of Accounting Estimates.
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- AASB 2021-6 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards.
- AASB 2022-1: Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 Comparative Information



Statutory Certification

SOUTH GIPPSLAND REGION WATER CORPORATION

Accountable officers' and chief finance and accounting officer's declaration 2022-23

The attached financial statements for South Gippsland Water Region Water Corporation have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards, Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying Notes, presents fairly the financial transactions during the year ended 30 June 2023 and the financial position of the Corporation as at 30 June 2023.

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 19th October 2023.

A handwritten signature in blue 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 'Tira Jones'.

Tira Jones
Chief Financial Officer (Acting)

Dated this day, the 19th October 2023



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 2023 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 officers' 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 2023 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>
Other Information	<p>The Board is responsible for the "other information" included in the corporation's Annual Report for the year ended 30 June 2023. The other information in the Annual Report does not include the financial report, the performance report and my auditor's reports thereon. My opinion on the financial report does not cover the other information included in the Annual Report. Accordingly, I do not express any form of assurance conclusion thereon.</p> <p>In connection with my audit of the financial report, my responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.</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. 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	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.</p> <p>As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:</p> <ul style="list-style-type: none">• identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board• conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.• evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation. <p>I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.</p>
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MELBOURNE
23 October 2023


Paul Martin
as delegate for the Auditor-General of Victoria

Disclosure Index Checklist

The 2022–23 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 2022 to 30 June 2023 was the Hon Harriet Shing.

BANKERS

Westpac Bank
28 Bair Street
LEONGATHA VIC 3953

AUDITORS

Auditor General, Victoria
By RSM Australia Pty Ltd

INSURANCE BROKER

Marsh Pty Ltd

SOLICITORS

Oakleys White and Russell Kennedy

INDUSTRY ASSOCIATIONS

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

OTHER ASSOCIATIONS

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

CHARITY

WaterAid Australia

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