

# South Gippsland Water



2019 / 2020 ANNUAL REPORT

*South Gippsland Water proudly acknowledges Aboriginal people as Australia's first peoples and the local Traditional Owners 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

We are pleased to present the Report of Operations for South Gippsland Water for the year ending 30 June 2020.

During 2020 the Corporation delivered water and wastewater services across the region in extraordinary circumstances. Whilst South Gippsland Water's service region was spared direct impact from the devastating summer bush-fire season, the early months of 2020 were focused on supporting our colleagues in East Gippsland and customers across the region with smoke tainted tank water. The South Gippsland Region, Australia, and the world has been impacted by the emergence, spread and response to coronavirus (COVID-19). A State of Emergency was declared by the Victorian Government from 16 March 2020 to slow the spread of coronavirus(COVID-19) and for community safety.

The full extent of the impacts are yet to be understood. South Gippsland Water reacted quickly and initiatives were put in place to support communities and customers in our region with respect to safety and for customers who may be experiencing hardship. Activities included implementation of physical distancing and stringent hygiene practices, as well as a strengthened customer support program. The interests and wellbeing of our customers and community will continue to be our highest priority in decision-making. As the pandemic progresses strengthened partnerships with regional organisations and assistance groups ensures support is provided to customers who need it most.

The year saw completion of the Price Submission process with the Essential Services Commission (ESC). In partnership with community, the balance between price, service and sustainability to inform the future direction of the Corporation was explored. Capital and operational programs were developed utilising the customer guidance and five key community agreed outcomes. The approved plan will provide for appropriate investment in ageing infrastructure and a price path necessary to meet our customers' expectations, and start to provide for a more financially sustainable business.

Safety and the environment remain key focuses for the Corporation. Implementation of the Start Safe, Work Safe, Home Safe roadmap has provided a framework for changed work practices and increased awareness of individual safety responsibilities. October 2019 saw the initiative launched across the business, along with a new phone based application for reporting and tracking. We continue to work towards meeting a greenhouse gas emissions reduction pledge of 15% by 1 July 2025. The Lohr Avenue pump station solar project, a 75.6 kW system comprising of some 278 solar panels and three inverters was completed with further solar installation at four sites underway.

With a driver for developing our staff and leadership qualities, the People and Culture team facilitated delivery of a second Leadership program. Internal achievements were again celebrated across the teams at an all staff event in October 2019. The event highlighted the significant diversity of skill and expertise across the South Gippsland Water employee base.

South Gippsland Water also continues to be an active member of a number of strategic partnerships including the Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC), the regional Integrated Water Management (IWM) forum, Water Utility Improvement Program and the Primary Care Partnership.

Importantly over the year we continued to facilitate the Gippsland Regional Water Alliance with neighboring water corporations, Westernport Water, Gippsland Water, East Gippsland Water and Southern Rural Water. The partnership provides the opportunity to work together in a range of areas. The 2019/20 year saw the commencement of the ICT shared benefits assessment to inform future opportunity for efficiency partnerships.

The 2019/20 year has seen unparalleled challenges, We are proud of this year's achievements in continuing to provide a quality service to our customers and manage complex water and wastewater systems across our region. We wish to thank all South Gippsland Water staff for their continued dedication and professionalism.



David Schultz  
Chair



Philippe du Plessis  
Managing Director

## Organisational Structure

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



# The Board

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



**David Schultz – MIEAust, CPEng, GAICD**  
*Appointed 1st October 2011 (Chair)*

David Schultz is a Civil Engineer and is a graduate of the Australian Institute of Company Directors course. He is a Director of VicWater and has been a non-Executive Director of Life Saving Victoria.

David along with his wife Jan and family, has owned a holiday house in Inverloch for over 40 years. He has been actively involved with the Inverloch Surf Life Saving Club since it started in 1998, being a member of the first patrol, President of the club from 1999 until 2006 and now a life member. Previously, David held various executive roles with GHD Global including Practice Leader of the management consulting practice and Senior Project Director Middle East.



**Christopher Rose**  
*Appointed 1st October 2017*

Christopher Rose is a Director and Founder of ThreePipe Consulting Pty Ltd. He has more than 30 years' experience in public land management, 11 years' executive management experience and

acted as Chief Executive Officer of Parks Victoria for one year. He is currently a Director of the Victorian Fisheries Authority and also sits on the National Parks and Wildlife Advisory Council, and has previously held directorships of Alpine Tourism (Deputy Chair), Destination Gippsland, the Gippsland Coastal Board, and the Alpine Resorts Coordinating Council. Chris holds a Bachelor of Forest Science. He is a Graduate of the Australian Institute of Company Directors and a Fellow of the Williamson Community Leadership Program.



**Susan Friend**  
*Appointed 1st October 2017*

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



**Jennifer Ryan – BEng(Civil), MBA, GAICD**  
*Appointed 1st October 2019*

Jennifer Ryan is a Civil Engineer, and has more than 25 years' experience in the water and civil infrastructure industries.

She has held senior leadership positions in both government utility and private construction sectors, delivering multi-million dollar capital works programs throughout Victoria and ACT.

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



**Geoff Lake**  
*Appointed 1st October 2015*

Geoff is a practising barrister at the Victorian Bar. He is the Chair of Vision Super and a councillor and former Mayor of Monash City Council. Geoff is also a director of the Australian Institute of

Superannuation Trustees and has previously served as president of the Australian Local Government Association and the Municipal Association of Victoria and as a board member of the Metropolitan Fire Brigade.



**Kate Young**  
*Appointed 1st October 2015*

Kate Young is a town planner at Crowther & Sadler. Kate is currently on the Board at Gippsland Grammar, chairing the Governance Committee, and is a former Director of the East

Gippsland Catchment Management Authority. Kate also served on the Gippsland Lakes Ministerial Advisory Committee and East Gippsland Shire Inundation and Adaption Management Project Steering Group Committee. Kate has a Bachelor of Arts (Psychology), post graduate qualifications in Planning and Environment, Arts (Criminology) and is a graduate of the Australian Institute of Company Directors course.



**Nick Fleming – BE(Hons) PhD FIEAust GAICD**  
*Appointed 1st October 2019*

Nick is a chartered engineer, management consultant and executive educator. He brings to the board 28 years professional experience working with the private and public sectors across Australia, New

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



**Nicola Hepenstall**  
*Appointed 1st October 2019*

Nicola Hepenstall is a highly skilled strategist with extensive experience in C-suite leadership roles, holding Executive Director and Non-executive Director positions spanning marketing services,

research, education and member organisations. With over 25 years experience in evidence-based consulting, she has worked with State and Federal Government departments and many of Australia's largest companies helping them navigate the complexity of the communications environment and develop strategies to enhance business and social outcomes.

Nicola is currently a Director of The Front Project and has previously held directorships of Haileybury College, Clemenger Group Limited and Chair of the Association of Market & Social Research Organisations.

Nicola holds a Bachelor of Arts (Honours in Psychology) and is a Graduate of the Australian Institute of Company Directors. She was the Australian Marketing Institute's Certified Practising Marketer of the Year 2018.

# The Executive Team

## Managing Director

### Philippe du Plessis

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

## General Manager Corporate Services

### Jessica Armstrong

Jessica manages financial services including economic regulation, information technology and the risk, governance and compliance function. The key responsibility of the General Manager Corporate Services is that of custodian of the Corporation's assets and financial resources on behalf of all stakeholders.

## General Manager Infrastructure and Planning

### Mark Lynch

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

## General Manager Operations

### Ravi Raveendran

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

## General Manager People, Culture and Customer

### Annette Katiforis

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



# South Gippsland – The Region

South Gippsland is located around two hours' drive from Melbourne. The region has a key focus on the natural environment with two internationally recognised National Parks, Wilsons Promontory and Tarra Bulga, north east of Yarram. South Gippsland is a popular tourist destination, well known for its coastal resorts such as Inverloch, Cape Paterson, Waratah Bay, Sandy Point and Port Albert. The tourism, retail and hospitality industries have all been economically impacted by the December 2019 bushfires and coronavirus (COVID-19) during 2020.

*The South Gippsland Region has experienced social and economic impacts of bush fires and coronavirus (COVID-19) over the 2019/20 period.*

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

As a regional service provider South Gippsland Water supports economic development with the aim of enabling strong communities. The Corporation is proactive in providing environmentally sustainable water and wastewater services to benefit our customers and the wider community.

## Nature and Range of Services Provided

Our service area covers 4,000 square kilometres and its total operation in 2019/20 comprised:

### Headworks

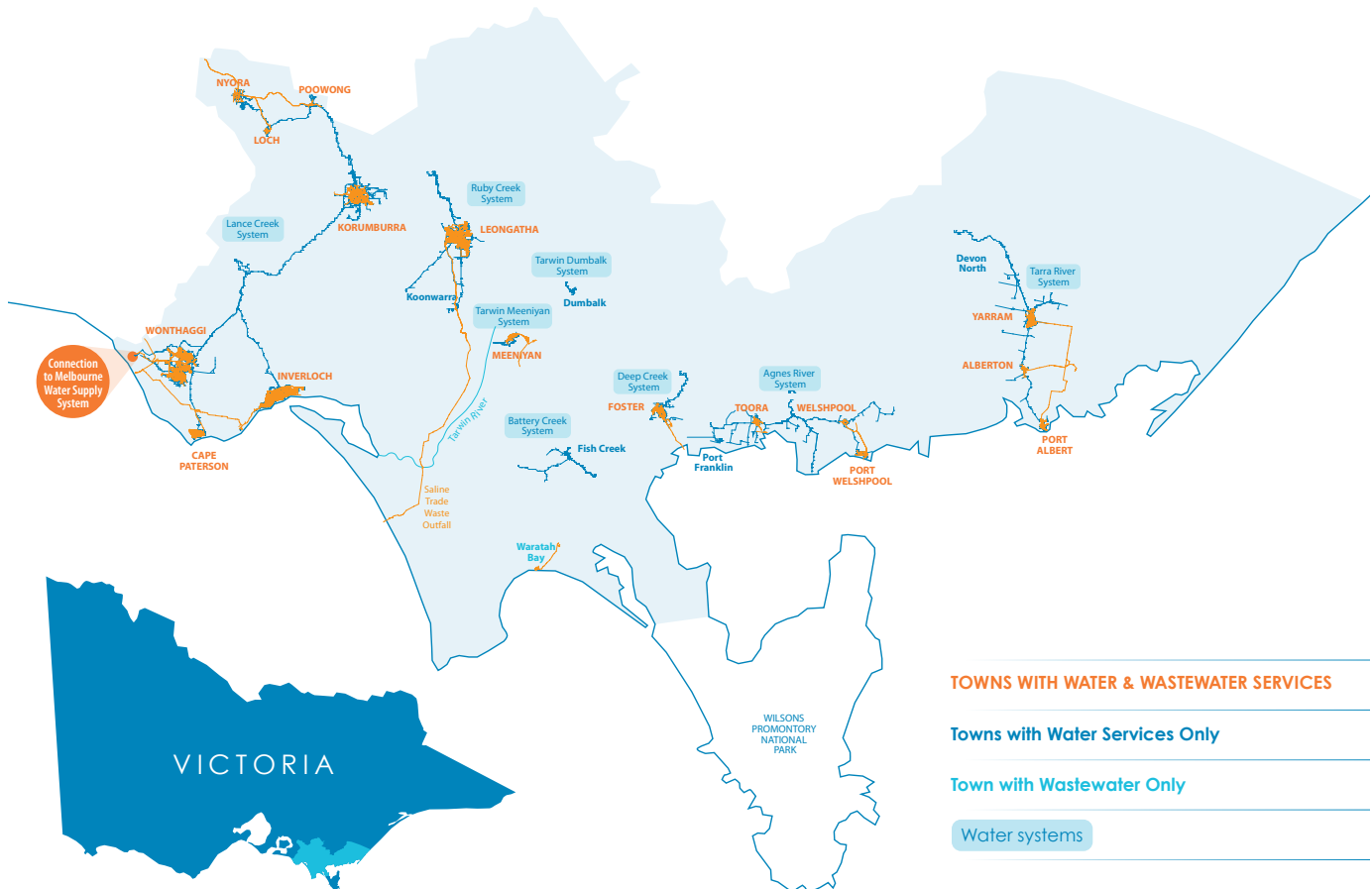
- Water catchments with a total area of 1,234 square kilometres

### Water Services

- 8 separate water supply systems
- 8 water treatment plants
- 725km of water mains
- 13 reservoirs and 18 service storages
- 4,689 million litres (ML) annual volume of water supplied to customers
- servicing 21,928 water assessments (accounts) over 22 rural centres.

### Sewerage (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
- 500km of wastewater mains
- 5 marine environment outfalls
- 3 inland water discharge points
- collecting 4,696 ML and treating around 3,635 ML of wastewater
- Servicing 19,697 wastewater assessments (including trade waste) in over 16 towns





# The Region

## South Gippsland Water and Sewerage Service Localities

Table 1. SGW localities and Services

Centres	Population Served (Permanent)	Water		Sewerage Customers Billed
		Customers Billed	Supplied From	
Port Franklin	135	108	Agnes River	Not serviced
Port Welshpool	210	289	Agnes River	271
Toora, Agnes, Bennison	787	523	Agnes River	289
Welshpool, Hedley	333	206	Agnes River	123
Fish Creek	833	210	Battery Creek	Not serviced
Korumburra	4,504	2,348	Coalition Creek	2,030
Foster	1,856	924	Deep Creek / Foster Dam	839
Inverloch, Wattle Bank	5,529	4,830	Lance Creek	4,802
Cape Paterson	906	1,243	Lance Creek	1,226
Wonthaggi, South Dudley, Glen Alvie, Kongwak, Lance Creek	8,878	4,891	Lance Creek	4,666
Loch	643	156	Little Bass	119
Nyora	1,539	363	Little Bass	198
Poowong	648	213	Little Bass	148
Koonwarra	407	82	Ruby Creek	Not serviced
Leongatha, Kardella, Leongatha South, Ruby	5,699	3,282	Ruby Creek	3,100
Alberton	264	147	Tarra River	104
Devon North, Tarra Valley	346	125	Tarra River	Not serviced
Port Albert, Langsborough	295	400	Tarra River	337
Yarram	2,147	1,202	Tarra River	1,085
Dumbalk	416	109	Tarwin River	Not serviced
Meeniyan	777	277	Tarwin River	245
Waratah Bay	217	Not serviced	N/A	115
<b>Total</b>	<b>37,369</b>	<b>21,928</b>		<b>19,697</b>

**Notes:**

1. Population Served based on ABS 2017 Census data. The ABS method of calculation of population is based on State Suburbs (SSC) and may not always reflect the exact sewer/water district.
2. Growth calculation based on Victoria in Future 2019 Population Projections: Bass Coast 1.7%, South Gippsland 0.8% and Wellington 0.6%
3. Water and Sewerage Assessments = Number of Rated Properties at July 2020.

## Our Purpose

### Our Purpose and Vision to 2023

#### Purpose

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

#### Vision

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

#### To fulfil our 2023 Vision

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



## Our Customer Outcomes

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

# Water Services

## Water quality

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

Drinking Water Regulations 2015 in the period 1st July 2019 to 30th June 2020. Further details of drinking water compliance for each distribution system are reported annually to the Department of Health and Human Services and are available on South Gippsland Water's website.

## Compliance with Safe Drinking Water Regulations 2015

Table 2. SGW 2019/20 Safe Drinking Water Compliance

Parameter	Water Quality Standard	Percentage of localities receiving compliant water in 2019/20
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 or equal to 5.0 Nephelometric Turbidity Units	100%
Trihalomethanes (Total)	Less than or equal to 0.25mg/L of drinking water	100%
All other parameters as detailed in South Gippsland Water's drinking water monitoring program	Drinking water is not to contain an algal toxin, pathogen, or any substance or chemical in such amounts as may pose a risk to human health	100%

## Water Consumption 2019/20

2019/20 water consumption for a range of users and localities is provided in the following section.

### Corporate water consumption

Corporate water consumption for 2019/20 is based on the Foster head office and annex, accommodating 60 full-time equivalent staff (including contractors) and includes Foster head office and annex consumption only.

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

*Corporate Water consumption for 2019/20 variance is due to work from home orders put in place March 2020 as a result of coronavirus (COVID-19)*

Table 3. Foster office water consumption (kL) 2019/20

Indicator	Target	Actual 2019/20	Variation %	Actual 2018/19	Actual 2017/18
Consumed [Kilolitre (kL) = 1,000 litres]	260kL	<b>149kL</b>	-52%	286kL	212kL
Kilolitres consumed per full-time equivalent staff member	4.8kL	<b>2.48kL</b>	-52%	4.4kL	4.3kL

### Water Consumed Per Unit of Office Space

Water consumed per unit of office space for 2019/20 was 133.87 litres.

### Regional water consumption

Table 4. Average Annual Drinking Water Consumption by location (ML) 2019/20

	2019/20	2018/19	2017/18	2016/17	2015/16
Alberton/Port Albert Yarram/Devon North	369	393	351	347	356
Dumbalk	15	15	16	15	15
Fish Creek	60	64	57	70	75
Foster	131	136	130	125	137
Korumburra	666	641	661	628	577
Wonthaggi/Cape Paterson/Inverloch	1354	1,372	1,384	1,354	1,487
Leongatha/Koonwarra	1458	1,433	1,350	1,556	1,478
Meenyan	48	46	54	49	47
Poowong/Loch/Nyora	180	174	197	159	173
Waratah Bay	0	0	0	0	0
Toora/Welshpool/Port Welshpool/Port Franklin	305	316	283	280	323
<b>Total</b>	<b>4,587</b>	<b>4,590</b>	<b>4,483</b>	<b>4,583</b>	<b>4,668</b>

# Water Services

## Water Consumption Summary

Table 5. Water consumption by locality (ML) 2019/20

District Name	Residential Customers				Non-residential Customers				Total number of customers	Total potable water volume (ML)	Total recycled water volume (ML)	Total Consumption (ML)	Average Annual Consumption (ML)	Weekly residential potable water consumption (ML)	Non-revenue Water			Total non-revenue water (ML)	Total all water sources (ML)
	Number	Potable water volume (ML)	Recycled wastewater volume (ML)	Recycled stormwater volume (ML)	Number	Potable water volume (ML)	Recycled wastewater volume (ML)	Recycled stormwater volume (ML)							Leakage (ML)	Firefighting (ML)	Other (ML)		
Devon North Alberton Yarram Port Albert	1,302	153	N/A	N/A	470	209	110	N/A	1,772	362	110	472	472	3	13	N/A	10	23	495
Dumbalk	79	9	N/A	N/A	19	4	N/A	N/A	98	13	N/A	13	15	0	0	N/A	1	1	14
Fish Creek	103	11	N/A	N/A	99	48	N/A	N/A	202	59	N/A	59	60	0	54	N/A	2	56	115
Foster	654	76	N/A	N/A	175	52	N/A	N/A	829	128	N/A	128	131	1	46	N/A	3	50	178
Korumburra	1,911	257	N/A	N/A	295	441	0	N/A	2,206	698	0	698	667	5	61	N/A	23	84	782
Wonthaggi Inverloch Cape Paterson	9,639	979	N/A	N/A	838	328	0	N/A	10,477	1,307	0	1,307	1,354	19	237	N/A	44	282	1,589
Leongatha Koonwarra	2,645	381	N/A	N/A	565	1,212	0	N/A	3,210	1,593	0	1,593	1,459	7	111	N/A	39	150	1,743
Meeniyan	214	29	N/A	N/A	48	15	2	N/A	262	44	2	46	50	1	4	N/A	1	5	51
Loch Poowong Nyora	567	80	N/A	N/A	144	88	N/A	N/A	711	168	N/A	168	180	2	112	N/A	10	122	290
Waratah Bay	0	0	N/A	N/A	0	0	9	N/A	0	0	9	9	7	0	na	N/A	na	na	9
Toora Port Franklin Welshpool Port Welshpool	657	68	N/A	N/A	408	248	1	N/A	1,065	317	2	319	316	1	147	N/A	12	159	478
<b>Total</b>	<b>17,771</b>	<b>2,044</b>	<b>-</b>	<b>-</b>	<b>3,061</b>	<b>2,645</b>	<b>122</b>	<b>-</b>	<b>20,832</b>	<b>4,689</b>	<b>122</b>	<b>4,812</b>	<b>4,661</b>	<b>39</b>	<b>785</b>	<b>-</b>	<b>146</b>	<b>931</b>	<b>5,743</b>

Note: Average annual demand is calculated as a rolling 3 year average.

## Major Non-Residential Water Users

Two organisations have been identified with water consumption in excess of 200ML as Major customers.

Table 6. Major Customers

Name of Customer	Information as to customer participation in water conservation programs
Saputo Dairy Australia Ltd (Leongatha)	Active in water conservation
Burra Foods Pty Ltd (Korumburra)	Active in water conservation

## Customers by Volume/Range for 2019/20

Table 7. Major customers by volume / range 2019/20

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

# Water Services

## Bulk Entitlement Compliance

South Gippsland Water holds Bulk Water Entitlements for surface water in the South Gippsland Basin that define the Corporation's legal right to extract water to supply its water supply systems.

**Table 8. Bulk Water Entitlement Compliance 2019/20**

Bulk Entitlement	Water supply	Towns serviced	Bulk Entitlement ML/year	Raw water volume taken ML <sup>1</sup>	Storages <sup>2</sup>	Volume in storages at 30/06/20 ML	Entitlement transfer from ML/y	Entitlement transfer to ML/y
Devon North Alberton-Yarram and Port Albert	Tarra River	Devon Nth, Alberton, Yarram, Port Albert.	853	407	N/A	N/A	Nil	Nil
Dumbalk	Tarwin River East	Dumbalk	100	14	N/A	N/A	Nil	Nil
Fish Creek	Battery Creek	Fish Creek	251	115	Battery Creek Reservoir	123	Nil	Nil
Foster	Deep Creek	Foster	326	186	Deep Creek Reservoir	238	Nil	Nil
Korumburra	Coalition Creek	Korumburra	1,000	03	No. 1	69	Nil	Nil
	Ness Creek				No. 2	17		
	Bellview Creek				No. 3	250		
	Tarwin River				N/A	N/A		
Leongatha	Ruby Creek	Leongatha, Koonwarra	2,476	1,800	Reservoir 1	18	Nil	Nil
					Reservoir 2	83		
					Hyland Reservoir	671		
					Western Reservoir	1137		
	Coalition Creek				N/A	N/A		
Loch, Poowong, Nyora	Little Bass River	Loch, Poowong, Nyora.	420	0 <sup>3</sup>	Little Bass Reservoir	185	Nil	Nil
Meeniyon	Tarwin River	Meeniyon	200	49	N/A	N/A	Nil	Nil
Toora, Port Franklin-Welshpool and Port Welshpool	Agnes River	Toora, Port Franklin, Welshpool, Port Welshpool	1,617	553	Cooks Dam	58	Nil	Nil
Wonthaggi-Inverloch	Lance Creek	Wonthaggi, Inverloch, Cape Paterson	5,600	1436	Lance Creek Reservoir	4200	Nil	1223 <sup>4</sup>
Greater Yarra System-Thomson River Pool-South Gippsland Water	Greater Yarra System-Thomson River Pool	Wonthaggi, Inverloch, Cape Patterson	1,000	1,238 <sup>5</sup>	NA	NA	1223 <sup>4</sup>	Nil

## General Reporting Requirements

**Table 9. Bulk Entitlement reporting requirements 2019/20**

Amendments to bulk entitlements	No amendments to bulk entitlements in 2019/20.
New bulk entitlements	No new bulk entitlements in 2019/20.
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.

Notes:

1. Annual amount of water taken in ML for 2019/20 reporting period.

2. Storages included under each Bulk Entitlement.

3. These water storages are no longer in use for supplying raw water. Water is supplied from the Lance Creek Reservoir.

4. See Reciprocal Water Trading between South Gippsland Water and South East Water

5. Total includes 1,222.824345 desalinated water and 15.609038 reverse flow water

# Water Services

## Reciprocal Water Trading between South Gippsland Water and South East Water

In 2019-20, South East Water and South Gippsland Water undertook reciprocal trades of 1223 ML of water allocation. This is part of an ongoing administrative process to enable South Gippsland Water to continue to access, by substitution, its water from the Melbourne surface water system via its offtake on the transfer pipeline while the transfer pipeline is pumping desalinated water from the Victorian Desalination Project to Cardinia Reservoir.

South East Water trades the required volume of desalinated water allocation to South Gippsland Water and South Gippsland Water trades the same volume of Melbourne surface water allocation (under its Greater Yarra System – Thomson River pool bulk entitlement) back to South East Water resulting in a net 0 ML trade. This is required because South Gippsland Water does not hold an entitlement to desalinated water. This ongoing administrative process was agreed between South East Water, South Gippsland Water, Melbourne Water, Westernport Water and DELWP.

## Use of Alternate Water Sources

Use of alternative water source for the 2019/20 reporting period was 5ML of groundwater from the Devon North Groundwater bore to supply Alberton, Devon Nth, Yarram and Port Albert.

## Catchment Risk Management

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

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

## Regional Catchment Management Strategy

The West Gippsland Regional Catchment Strategy 2013 - 2019 continues to be the main strategic framework for land, water, and biodiversity management in our region. Development of a revised strategy is underway to continue the collaborative strategic approach to catchment management and will be finalised in 2021. South Gippsland Water continues to support the principles and the implementation of strategic objectives.

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

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

## Victorian Waterway Management Strategy

### Catchment Partner Plan

South Gippsland Water partnership with the West Gippsland Catchment Management Authority continue to proactively ensure that compliance with its Bulk Entitlements and Environmental Watering Programs is consistent with the Victorian Waterway Management Strategy and the West Gippsland Waterway Strategy 2014-2022.

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

Night works to upgrade 100 year old water main.  
Sep 2019 - Graham St, Wonthaggi



# Wastewater Services

## Wastewater Management

During 2019/20, South Gippsland Water was compliant with Environment Protection Authority Licence requirements at six of its ten wastewater systems. The details of the non-compliance to the EPA waste discharge licence is shown in the table below.

**Table 10. Analysis of performance against EPA Licence 74240 environmental performance conditions 2019/20**

Condition area	Condition reference	Condition description	Condition complied with?
General	G1	Waste from the premises must not be discharged to the environment except in accordance with this licence.	No <sup>1</sup>
	G2	You must immediately notify EPA of non-compliance with any condition of this licence.	Yes
	G3	By 30 September each year you must submit an annual performance statement to EPA for the previous financial year in accordance with the <i>Annual Performance Statement guidelines</i> (EPA Publication 1320).	Yes
	G4	Documents and monitoring records used for preparation of the annual performance statement must be retained at the premises for seven years from the date of each statement.	Yes
	G5	You must implement a monitoring program that enables you and EPA to determine compliance with this licence.	Yes
Amenity	A1	Offensive odours must not be discharged beyond the boundaries for the premises.	Yes
Water Discharges	DW1	Stormwater discharged from the premises must not be contaminated with waste.	No <sup>2,3</sup>
	DW2	Discharge of waste to surface waters must be in accordance with the 'Discharge to Water' table.	No <sup>4,5,6</sup>
	DW2.8	Discharge of treated wastewater during wet weather conditions must be in accordance with specifications in "Discharge to Water" section of EPA Publication 1322 'Licence Management Guidelines'.	No <sup>7</sup>
	DW3	The mixing zone extends as defined in the 'Mixing Zone' table.	Yes
	DW4	You must install and maintain signage at the discharge point showing, (a) the extent of the mixing zone, (b) your name, (c) the EPA licence number, and (d) the discharge point number.	Yes
Land discharges	DL1	You must not contaminate land or groundwater	Yes
	DL2	Discharge of wastewater to land must not adversely affect the land.	Yes
	DL4	Deposit of biosolids to land must not adversely affect the land.	Yes

Note 1: The Leongatha WWTP discharged partially treated wastewater from the emergency storage lagoon, which had filled due to very high rainfall, along with diversion of non-compliant effluent.

Note 3: In May 2020 the Foster WWTP experienced high inflows due to a significant rainfall event. The final lagoon filled to capacity and an emergency discharge was conducted into the adjacent stormwater drain. EPA considered the emergency discharge non-compliant with DW2.8 (see note 7), therefore it is considered that the stormwater flowing offsite was contaminated with treated effluent.

Note 4: The Foster WWTP exceeded the mean daily flow limit for 2019/20.

Note 5: The Baxter's Beach wastewater system exceeded the mean daily flow limit for 2019/20. A licence amendment is being sought to increase the licensed flow limit.

Note 6: The Leongatha WWTP exceeded its maximum ammonia limit for 2019/20.

Note 7: The Foster WWTP experienced high inflows in May 2020 due to a significant rainfall event. The final lagoon filled to capacity and an emergency discharge was conducted into the adjacent stormwater drain due to 90th percentile rainfall being received. EPA considered the emergency discharge was not compliant due to slightly elevated Biochemical Oxygen Demand.

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

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

the Wonthaggi and Foster wastewater treatment plants to improve reliability, along with remote monitoring and operation of the treatment plants.

- Replacement of a surface aerator at Wonthaggi Wastewater Treatment Plant has increased reliability of aeration and treatment. This asset renewal has also improved safety at the site by significantly reducing the frequency that the aerator requires preventive maintenance, which is undertaken via boat access.
- A review of the treatment process at Leongatha Wastewater Treatment Plant has been commenced to address recent licence non-compliances.
- The Corporation practices are in compliance with the State Environment Protection Policy (Waters of Victoria).



# Environmental Sustainability

## Treated Effluent & Sustainable Water Re-Use

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

Eight of the Corporations Wastewater treatment systems re-use treated water. Two systems achieve 100% reuse.

Treated effluent re-use systems are in place at Tarraville, Welshpool, Toora, Inverloch, Waratah Bay, Meeniyah, Leongatha and Korumburra. A total of 122 ML (2.6%) of treated effluent was re-used during 2019/20.

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

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

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

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

## Biosolids

The total of biosolids transferred for re-use in 2019/20 represents 355% of the Corporation's biosolids production for the year.

The Corporation produced 273 dry tonnes of biosolids for 2019/20 which were stockpiled at the Biosolids Management Facility at the Leongatha Wastewater Treatment Plant. From this, 174 dry tonnes was transferred to the Pinegro Composting Facility at Bacchus Marsh to be processed for re-use. A further 796 dry tonnes was transferred from a stockpile of stored biosolids at the Leongatha Waste Water Treatment Plant to a private landowner for beneficial reuse on their property.

## Corporate Sustainability Strategy

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

### Water and wastewater services

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

### Water and wastewater quality

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

### Natural environment

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

### Greenhouse Gases

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

## Environment and Sustainability

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

## Environmental Management System

South Gippsland Water's commitment to responsible environmental management is also reflected in the Environmental Management System (EMS) which has been certified to the Australian Standard AS/NZS ISO 14001. The role of the EMS is to identify, manage and reduce impacts to the environment from the Corporation's activities. Key areas of the EMS continuing over 2019/20 include:

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

## Water Supply Adaptation to Climate Change Variability

South Gippsland Water integrates climate change adaptation into organizational decision-making including all sources of water and wastewater treatment. A wide range of existing business process and initiatives are being used to identify and manage risks utilising the risks, consequences and controls for potential climate change impacts listed in the WSAA Climate Change Adaptation Guidelines (2016).

### Drought Preparedness Plan

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

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

# Environmental Sustainability

develop the 2022 Drought Preparedness Plan is complex due to the nature of South Gippsland Water's localized 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 DRP post-drought.*

There were no staged water restrictions across the South Gippsland Region for the period from July 2019 to June 2020.

## Urban Water Strategy

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

Development of the Urban Water Strategy for a March 2022 submission is underway and includes thorough analysis of the Corporations Service Levels, yield, demand, and system capacity. The process includes collaboration with customer and existing partnerships such as the Integrated Water Management (IWM).

## Source waters and demand

The Urban Water Strategy, Drought Preparedness Plans and Annual Water Security Outlook documents forecast potential changes to regional water supplies under a range of climate change scenarios. A number of initiatives have been progressed during 2019/20 adapting to forecast changes:

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

## Built assets

The business has completed or is progressing a number of projects and programs over the year that have accommodated potential climate change impacts on built assets such as sewers, sewer pumps stations, dams, etc. These include:

- *Upgrade of the taste and odour control process at Lance Creek Water treatment plant to accommodate a forecast increase in demand from the storage and a potential increase in the frequency of the algal blooms that cause taste and odour events;*
- *Assessed the risk and consequence of power supply interruptions at key sites and has continued to install and renew emergency generators to mitigate the risk of power supply interruptions. Emergency generators have been installed at the Wonthaggi Wastewater Treatment Plant and Lawler Street Sewer Pump Station (Yarram) this year and a new installation at the Wonthaggi Low Level Basin late in 2020.*
- *Hydraulic models have been developed for all sewerage systems over the past two years and masterplans have been completed for key towns to accommodate current and future flows including inflow and infiltration. Upgrade projects will be implemented progressively in future years;*
- *Sewerage system condition assessment work has been accelerated to determine where sewer condition is contributing to infiltration. Condition assessment work is being used to determine where rehabilitation is needed;*
- *All water and wastewater treatment plants have had assets condition and risk assessed to guide renewal works and improvements to critical spares planning to improve resilience and reduce the risk of future service interruptions.*

## Natural environment

South Gippsland water has focused on forecast changes to catchment yield and water resources to plan for climate change impacts using a range of projects described previously. Over the past year the business has started work with State Government and other agencies to study the impacts of coastal erosion that is impacting some areas in South Gippsland, primarily around Inverloch. The potential impact of coastal erosion on the business existing assets will be considered in a regional plan.

## People and workplace

The business has yet to formally assess climate change risks to our staff and workplaces. A number of relevant initiatives have been completed or are in progress during 2019/20:

- *An after-hours review has been completed that will determine how the resilience of rosters can be increased to accommodate either workload peaks or staff absences / turnover*
- *A range of control system and communication improvements have been completed or are in progress that will reduce the need for staff to visit sites during extreme events*

## Interdependencies

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

- *Vulnerability to power supply interruptions has been addressed by purchasing or renewing a number of emergency generators and installation of automatic change-over switches*
- *Load on the grid has been reduced by installation of behind the meter solar installations at several sites with further projects started during the 2019/20 financial year*

## Customer and product delivery

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

## Biodiversity

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

Accordingly, South Gippsland Water:

- *integrate social, environmental and economic factors into decision-making and seek to maximise net beneficial outcomes*
- *apply the precautionary principle in evaluating the decisions and policies we make*
- *act to conserve or reinstate the biodiversity and ecological integrity of land, aquatic and other natural assets that we manage*
- *maintain biodiversity registers for land and aquatic systems in the vicinity of our operating areas and take these into account during planning and approval processes*
- *ensure staff appreciate and respect biodiversity values and recognise their role in protecting biodiversity from detrimental impacts as a result of their work activities*
- *co-operate with other agencies in the development and implementation of biodiversity conservation initiatives.*

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

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

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

- *Undertaking environmental risk assessment for all capital works projects to ensure the protection of biodiversity.*



# Environmental Sustainability

- Detailed assessments and management plans developed to avoid impact to the endangered species' Gippsland Giant Earthworm and *Eucalyptus strzeleckii* during the Lance Creek Water Connection project.
- Comprehensive environmental monitoring of the Lance Creek Water Connection project, along with implementation of the Gippsland Giant Earthworm management plan.

## Carbon Emissions Reduction Pledge

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

Energy efficiency and solar programs continue to be delivered during 2019/20, the longer-term strategy will evaluate options to include a combination of the following:

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

## Greenhouse Gas Emissions

The following table sets out Corporate Greenhouse Gas Emissions results.

**Table 11. Greenhouse gas emissions projections and results 2019/20**

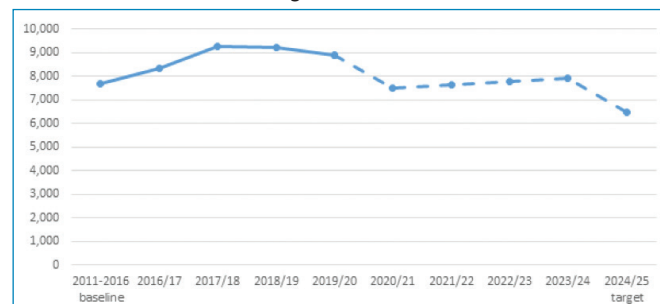
Performance Indicator	Greenhouse gas emissions in tonnes of CO <sub>2</sub> -e				Variance
	2019-20 Projected	19-20 Result			
		Scope 1 Emissions	Scope 2 Emissions	Total Emissions	
Water Treatment & Supply	2,409	19	2,321	2,340	-2.9%
Sewerage Collection, Treatment & Recycling	6,096	3,129	2,657	5,786	-5.1%
Transport	664	585	-	585	-11.9%
Other	195	-	164	164	-15.9%
<b>Total Emissions</b>	<b>9,364</b>	<b>3,733</b>	<b>5,142</b>	<b>8,875</b>	<b>-5.2%</b>
Offsets Retired	-	-	-	-	-
<b>Net Emissions</b>	<b>9,364</b>	<b>3,733</b>	<b>5,142</b>	<b>8,875</b>	<b>-5.2%</b>

The variances to the 2019/20 projected greenhouse gas emissions are due to:

- A reduction in Scope 1 (fugitive) emissions (methane and nitrous oxide) released from wastewater treatment due to less tonnes of Chemical Oxygen Demand treated at Wonthaggi, Leongatha, Korumburra and Tarraville Wastewater Treatment Plants
- Soda ash usage for water and wastewater treatment resulted in less emissions
- A reduction in Scope 2 (direct) emissions from electricity usage due to a change of the electricity grid emission factor (tCO<sub>2</sub>e/kWh)
- South Gippsland Water transport and electricity use at office and depot impacted by remote working restrictions during 2019/20 resulted in less emissions

Coronavirus (COVID-19) restrictions resulted in lower use of transport and office electricity usage

**Table 12. SGW Greenhouse gas emissions**



## Net Energy

### Net Energy Consumption

Net energy consumption was 1,411 MJ/ML for potable water and 1,997 MJ/ML wastewater.

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

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

**Table 13. Energy Consumption and Generation Reporting**

Total electricity use	18-19 Result (MWh)	19-20 Result (MWh)	Commentary
Water treatment and supply	2,182.6	2,275.6	More electricity used at Lance Creek Water Treatment Plant pump station.
Sewerage collection, treatment and recycling	2,514.2	2,605.0	More electricity used at Korumburra Wastewater Treatment Plant and Yarragon Road pump station.
Other (office, workshops, depots etc.)	179.4	161.0	Less electricity used due to coronavirus (COVID-19) remote working.
<b>TOTAL</b>	<b>4,876.2</b>	<b>5,041.6</b>	

**Table 14. Renewable electricity reporting 2019/20**

Performance Indicator	18-19 Renewable Electricity Used (MWh)	19-20 Renewable Electricity Used (MWh)	Commentary
1. Solar	57.07	82.57	Greater generation and behind the meter usage at Wonthaggi WWTP and Lohr Avenue Sewer Pump Station systems.
2. Hydroelectric	N/A	N/A	
3. Wind	N/A	N/A	
4. Biogas	N/A	N/A	
5. Greenpower	N/A	N/A	
6. Other	N/A	N/A	
<b>TOTAL</b>	<b>57.07</b>	<b>82.57</b>	
<b>Percentage Renewable Electricity (%)</b>	<b>1.2%</b>	<b>1.6%</b>	

# Social Sustainability

## Social Sustainability

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

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

## Aboriginal Cultural Values

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

Through the Gippsland Environmental Agencies (GEA) Partnership Agreement, agencies have activated the start of what will become a three tier Cultural Awareness and Training Program in conjunction with GLaWAC.

*Cultural Awareness training and shared programs were deferred during 2019/20 due to the impact of coronavirus (COVID-19)*

**Tier 1:** Internal training delivered by partner organization through staff induction and basic knowledge of traditional owner groups, including state and national legal recognition of traditional owners and their lands.

**Tier 2:** In person, training provided by GLaWAC providing historical and cultural context.

**Tier 3:** In person, on country, to deliver a deeper understanding of culture and practices.

Two South Gippsland Water staff members completed tier 2 training with GLaWAC during 2019/20. A further 16 employees were scheduled to participate in tier 2, in-person training during April and June 2020, however these sessions were postponed due to the coronavirus (COVID-19) pandemic.

A South Gippsland Water representative attended six GEA-GLaWAC meetings during 2019/20 as well as attending events to celebrate NAIDOC week and National Reconciliation Week. Through the GEA-GLaWAC collaboration a number of initiatives for Board and management mentoring programs or a rotating traineeship have been explored. These will not progress at this time, due to cultural safety concerns and South Gippsland Water's remote location from GLaWAC offices.

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

South Gippsland Water attended a meeting of the Bass Coast Reconciliation Network for which the BLCAC is a founding member since its inception during 2019. In future, South Gippsland Water aspires to be able to join the membership in an ongoing capacity.

The BLCAC participated in the community engagement program for the Rethinking Reservoirs project, which seeks to understand the broader communities future preferences for four reservoirs which are no longer required as water supply storages. The submission from the Bunurong has been taken into consideration as part of this on-going project.

In the last five years 23 employees have completed cultural and heritage awareness training. Social procurement practices are being strengthened and opportunity being given for indigenous groups and organisations to be included in contractor panels.



*Members of the GEA-GLaWAC organisations during Tier 2: Cultural Awareness Training on-country at Legend Rock, Metung Dec 2019.*

## Collaboration Within the Water Sector

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

The GRWA commenced an Information, Communications and Technologies (ICT) shared benefits review during 2019/20. The robust review process will result in a framework for achieving shared ICT benefits for participating organisations. Further review of programs and an implementation plan to be completed in 2020/21.

## Water Utility Improvement Program

*Planned partnership collaboration opportunities including site visits have been postponed due to coronavirus (COVID-19) travel restrictions*

In 2018 South Gippsland Water joined the Australian Water Association (AWA) Water Utility Improvement

Program. The program partners Australian and Indonesian water utilities together, with the objective of advancing key water reforms for the Indonesian government as well as working towards the sustainable development goal of universal access to safe, clean water by offering Australian expertise to Indonesian water professionals.

South Gippsland Water's sister Corporation is PD PAL Jaya (Jakarta) who visited the region in November 2019. The four-day program had a focus on shared knowledge and experience with respect to all aspects of the business including:

- *Asset Management*
- *Human Resources*
- *Communication*
- *Information, Communication & Technology platforms such as SCADA and GIS*
- *General operations and maintenance of our sewer networks and plants.*

The emergence of coronavirus (COVID-19) has postponed a planned project and return visit to Jakarta. The visit was to coincide with a SCADA upgrade to automate PD PAL Jaya's Sewer Pump Stations. These works will recommence once PD PAL Jaya are in a place to complete the project in the second half of 2020.

In the interim period, we have been collaborating with the AWA in developing webinars to deliver online training.

# Social Sustainability

## Community Partnerships

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

*All regional events were postponed in March 2020. An abridged program of community partnerships and events has been adopted due to the impacts of coronavirus (COVID-19).*

Table 15. 2019/20 Community partnership summary

Name	Activities	Type of Support	
		Financial	In-kind
National Water Week (NWW)	Local primary schools participated in the NWW Poster Competition with all families of participating schools receiving a calendar of posters promoting water conservation and raising awareness about water sources	-	✓
H4O – Help For Water Efficient Organisations Grants	Community grants for water efficiency, community strengthening or encouraging water consumption projects	\$1,000	-
H2O – Hills To Oceans Grants	Landholder and community grants to improve catchment health and environment	\$500	-
Public Water Bottle and Drinking Water Fountains or Water Trailer	Loan of portable water bottle refill stations, drinking fountains, or water trailer to community events as part of the Choose Tap Coalition. 12 Community events supported with an estimated 17,000 liters of water supplied and reaching an estimated 21,000 people. A further 7 community events were booked, but cancelled due to the coronavirus (COVID-19) pandemic.	-	✓
Public Water Bottle Refill and Drinking Fountain	Donation of permanent refill stations to community groups and public facilities.	\$10,000	
South Coast Water Partnership	A partnership of 9 health and community based organisations that aim to improve health outcomes for local communities by promoting the health benefits of drinking water over sugar sweetened beverages.	-	✓

## Choose Tap Coalition

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

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

## Case Study: Be A Refiller - Supporting Smoke Affected Communities

Following extensive bushfires in the North and far East of Victoria during the summer, a number of homes and communities across our region, that are not serviced by the Corporation's treated water supplies, experienced smoke tainted tank water.

Whilst not South Gippsland Water customers, these homes do fall within our wider community for which South Gippsland Water wanted to offer assistance. To help support these towns and homes which rely on tank water, South Gippsland Water established and ran a program called "Be a Refiller" to provide free access to tap water from publicly accessible taps in serviced towns.

As part of this program, South Gippsland Water called on local businesses and community spaces to help provide free access to tap water and become a 'Refiller Point'. We were thankful to have the support and participation of South Gippsland Shire Council who made 10 taps at public facilities and reserves available across the region. In total there were 18 Refiller Points at 12 towns across South Gippsland. As part of the Be a Refiller program, South Gippsland Water had 2 Refiller Points at the Foster and Leongatha offices, these were fitted with flow meters and recorded some 1,500 Litres of water provided to the community.

In addition, the coastal township of Venus Bay, which was particularly hard hit by the smoke tainted tank water, was provided a water trailer with drinking water supplies. South Gippsland Water carted some 17,000 litres of water into Venus Bay during January and February 2020 to support this community and help keep plastic waste off local beaches.

Whilst the majority of Refiller Points involved in the program did not have flow meters or a way to record the volume of water given away, from the points of data we have, the program delivered in excess of 18,500 litres to the wider South Gippsland community.

That equates to 30,833 600ml plastic bottles, or the equivalent of 462 kilograms of plastic kept out of waste streams. It will have saved somewhere in the vicinity of \$12,000 to \$25,000 from people unnecessarily purchasing bottled water.

The "Be a Refiller" program was an adaptation of Choose Tap's pilot program "Be a Refiller, Not a Landfill" which will be implemented nationally in future. With the learnings gained by the pilot program and South



Gippsland Water's smoke tainted tank water "Be a Refiller" program, South Gippsland Water will take up the challenge to make free tap water more available to people whilst out and about, within South Gippsland and Bass Coast.

# Social Sustainability

## Community Service Obligations - Financial Assistance

The Corporation's Customer Service Team includes a dedicated officer to identify and assist customers who may be experiencing circumstances that mean additional support is required, including financial assistance. Financial assistance is provided to individuals, businesses and organisations as part of the Government's Community Service Obligations. South Gippsland Water has 655 customers with instalment plans in place.

**Table 16. Community Service 2019/20**

Value of Community Service Obligation Provided	2019/20	2018/19
Provision of concessions to pensioners	\$1,729,782	\$1,652,103
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	\$148,345	\$148,188
Utility Relief Grants Scheme payments <i>(11 cancelled customers due to information not being returned)</i>	\$18,830	\$14,238
Hardship Grants applied	\$0	\$1,000
Water concessions on Life Support Machines – Haemodialysis	\$410	\$710
Community Rebate Program	\$ 6,662	\$14,833
Hardship Relief Grant Scheme (Sewerage Connection Scheme) <i>*No access to information</i>	Unknown*	Unknown*

## Customer Consultation

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

As such, the Corporation has in place an engagement strategy that sets out that all major projects are required to have a communications and engagement plan prepared in accordance to the International Association for Public Participation's Framework (IAP2) for Effective Public Participation.

During 2019/20 we sought customer's views on areas they value with respect to South Gippsland Water services and to assists us in finding the correct balance between price, service and being sustainable into the future. This work formed the basis for our 2020 Price Submission to the Essential Services Commission.

A range of consultative activities were completed over the period to ensure a wide range of customers were reached and the plan reflected customer preference. Three stages of the process were:

- Testing our 2018 understanding of what customers valued and their expectations with respect to price versus service
- Further analysis including direct conversations with representative customer groups and stakeholders to ensure their voices and values were reflected
- Testing the engagement findings to ensure key themes were understood and included in the 2020 Price Submission

A qualitative study to understand the needs and expectations of customers who may have difficulty interacting with the organisation was completed to compliment the work, to inform our Customer Support Program and how we interact with customers.

Community and stakeholder are assisting in the decision process for the uses and future capital work on four reservoirs that are no longer required for drinking water purposes. Currently two Angling Clubs utilise the sites for recreational fishing purposes. The Korumburra Golf club adjacent to the Coalition Creek Reservoir access raw water for irrigation and the open catchment allows members recreational use. The Rethinking Reservoirs process has also explored future alternate uses of the four sites and saw two significant milestones with the Coalition Creek and Ness Gully catchment areas lease via public, private partnerships.

South Gippsland Water are continuing to work with the Meeniyian community and the Great Southern Rail Trail Committee to construct a bird hide at the Meeniyian Waste Water Treatment Plant.

South Gippsland Water's Engagement Strategy is available via [www.sgwater.com.au/about-us/publications](http://www.sgwater.com.au/about-us/publications)

## Schools Education & Water Efficiency Programs

### Education

South Gippsland Water has continued to facilitate school education programs throughout 2019/20, including:

- Visits to/from secondary and primary schools in support of the water related aspects of their curriculum and hosting excursions at a variety of locations.
- Celebrating National Water Week through a school poster competition and related activities with local primary schools.
- The South Gippsland Water website includes a dedicated education section featuring teaching resources and activities.

*Due to remote learning and the coronavirus (COVID-19) pandemic, several scheduled excursions were necessarily cancelled or postponed. The education programs have continued, supported by online resources.*

### Water Efficiency

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

- Completed a social media campaign "Summer Savers" which featured water efficiency messages and links to the Smart Approved Water Mark website.
- Promoted Permanent Water Saving Rules and Target your Water Use via traditional and social media.
- Participation with the Schools Water Efficiency Program (SWEP). Since 2012, 23 registered SWEP schools in South Gippsland Water's region have saved a total of 85,821,942 litres of water at a cost of \$267,226.00. For the 2019/20 financial year these schools saved 12,478,603 litres of water at a cost of \$41,452.15

### Social Media and the South Gippsland Water Website

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

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

# Social Sustainability

## Coronavirus (COVID-19)

In response to the wider economic impacts of the coronavirus (COVID-19) pandemic on customers South Gippsland Water has:

- *suspended legal action and debt collection processes*
- *suspended interest charges on debts*
- *increased instalment plan options*
- *offer a dedicated customer support officer*

## Management of Social and Economic Impacts

South Gippsland Water offers a wide range of assistance programs to customers facing financial difficulties and other circumstances that impact on their ability to maintain payment of accounts and access to services, such as those experiencing family violence and those affected by coronavirus (COVID-19). These include a dedicated support officer, referral to an independent financial counsellor, and the provision of extended payment options with increased instalment plan options to ease the payment path for customers. Features of the program include:

- *Engaging in discussions with the customers to determine suitable payment options available.*
- *Treating all customers with sensitivity and without making value judgments;*
- *Always respecting customer privacy in personal communications and in Corporation databases;*
- *Using communication methods that are appropriate to the needs of the customer including all resources being fully accessible to those with a disability, limitations in using or accessing digital technology, or social factors that impact how a customer interacts;*
- *Providing interpreter services on request.*
- *Making all effort to identify any need for additional support early and prior to accounts moving into arrears;*
- *Reaching agreement with eligible customers on the most appropriate support for their circumstances recognising financial pressures may be short or long term, and including information about or referral to relevant regional support agencies;*
- *Not engaging in legal action, restriction of water supply, and additional debt recovery actions against customers who meet the necessary criteria and continue to make payments according to an agreed schedule.*
- *Monitoring the operation of customer support agreements to proactively identify any issues as early as possible, and communicate with customers to establish alternative arrangements if necessary;*
- *Detailing the circumstances in which access to supports will cease;*
- *Ensuring employees receive regular and broad training in working effectively with the range of customer circumstances and communication needs;*
- *Providing customers with information about assistance programs and government concessions, including the Utility Relief Grant Scheme and Community Rebate program.*
- *Providing information and assistance to reduce water consumption.*
- *Advising customers about their right to lodge a complaint with the Energy and Water Ombudsman if their affordability issue is not resolved with the Corporation.*



The Corporation continue to follow the guidelines adopted by the Victorian Water Industry, under its "Industry Guide on Residential Hardship". Important relationships are maintained with government departments, voluntary support agencies and counselling services in the region in order to assist with referrals and support services for customers.

Corporation received further funds for the establishment of the Community Water Rebate program. The \$50,000 funding to support a water efficiency program designed to target hardship customers and provide no or low cost water efficiency improvements such as fixing leaks, replacing inefficient or faulty toilet cisterns and hot water systems has been partially rebated over the last few years.

The program has provided assistance to 9 customers and continues to support customers regarding water efficiency improvements and to identify possibly eligible customers to contact to assist with this program.

# Our People

## Our People

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

Investment in the management of corporate facilities amenity, health and safety upgrades across physical work environments, and investment in employee Learning and Development continued, including the second iteration of the South Gippsland Water Leadership Program. Investment also continued in development of science, engineering, and plant and network operations and maintenance skills through support for Certificate II and III TAFE courses, study assistance for University study, and a wide range of attendance at specialist training programs and sector networks and conferences.

An increase in skills and capacity of the ICT team enabled progress in data analytics, performance of the Corporation's SCADA and telecommunication networks and investment in business applications including a major project to implement a Payroll and Human Resource Information system, a Learning Management System, improvements to the Geographical Information System and an upgrade to the Asset Management System.

The Corporation continued with a second All-Staff Event held in October where all staff participated in or listened to a range of initiatives presented by staff groups across all areas of the business as well as a keynote speaker.

### Employment and Conduct Principles

South Gippsland Water is committed to applying merit and equity principles to its recruitment processes and in staff management practices. Selection processes ensure applicants are assessed and evaluated fairly and equitably on the basis of the key selection

criteria and other accountabilities, without discrimination. South Gippsland Water communicates its adherence to employment and conduct principles by issuing all new employees with a copy of the Code of Conduct for Victorian Public Sector Employees, induction processes that reinforce many elements of the Code of Conduct, and by having an aligned set of policies.

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

Employees have been correctly classified in workforce data collections.

### Diversity and Inclusion

South Gippsland Water recognises a diverse and inclusive workforce brings skills, experiences, backgrounds and attitudes that encourages innovation and better decision making. South Gippsland Water is committed to an equitable, inclusive workplace that reflects the diversity of communities served. This commitment is demonstrated in targets being set mid-2016, with progress against them as set out in the table below. Data enabling reporting is drawn from the annual People Matter Survey, the last having been completed during May 2019.

South Gippsland Water continues to seek collaboration opportunities with Gunaikurnai Land and Waters Aboriginal Council (GLaWAC) and Bunurrg Land Council Aboriginal Corporation (BLCAC) with respect to participation on organisational Board and committees.

South Gippsland Water's Diversity and Inclusion Plan is available via [www.sgwwater.com.au/about-us/corporate-policy-legislation](http://www.sgwwater.com.au/about-us/corporate-policy-legislation).

Workforce Inclusion Policy Initiative	Target (% FTE)	2019/20	Baseline 2015-16 <sup>1</sup>
Gender diversity	General Managers and Executive Officers <sup>2</sup>	<ul style="list-style-type: none"> <li>67% male</li> <li>33% female</li> </ul>	<ul style="list-style-type: none"> <li>80% male</li> <li>20% female</li> </ul>
	All staff	<ul style="list-style-type: none"> <li>67% male</li> <li>33% female by Dec 2018</li> </ul>	<ul style="list-style-type: none"> <li>73% male</li> <li>27% female</li> </ul>
Cultural and linguistic diversity	One Aboriginal trainee by Dec 2018	Nil	Nil
	2.5% of workforce will identify as Aboriginal or Torres Strait Islander by 2020	Nil based on staff responses to People Matter Survey 2019	1% of staff responding to People Matter Survey May 2016
	20% of workforce will speak a language other than English by 2020	11% of staff responding to People Matter Survey May 2019	13% of staff responding to People Matter Survey May 2016
Age diversity	7% of staff under age 25 by Dec 2018	5.6%	3.8%
Flexible work arrangements	25% of workforce will work flexibly by 2020 <sup>3</sup>	100%	Data not available
Caring responsibilities	35% of the workforce will have caring responsibilities outside of workplace by 2020	Data not available	Data not available
LGBTI diversity	7% of the workforce will identify as belonging to LGBTI communities by 2020	2% of staff responding to People Matter Survey 2019. 10% preferred not to say	6% of staff responding to People Matter Survey 2016
All abilities	10% of the workforce will have an identified disability by 2020	1% of staff responding to People Matter Survey 2019.	2% of staff responding to People Matter Survey May 2016

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

<sup>2</sup> Relates to all senior executive officers contracted as SEO including senior technical positions not holding management responsibilities (senior engineer)

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

# Our People

## Workforce Data

All Employees					Fixed Term & Casual Employees	
	Employees (Headcount)	Full Time (Headcount)	Part Time (Headcount)	FTE	Headcount	FTE
June 2020	128	102	26	118.61	31	26.57
June 2019	125	101	24	116.1	26	22.4

	June 2019/20				June 2018/19			
	Ongoing		Fixed Term and Casual Employees		Ongoing		Fixed Term and Casual Employees	
	Employee (Headcount)	FTE	Employee (Headcount)	FTE	Employee (Headcount)	FTE	Employee (Headcount)	FTE
<b>Gender</b>								
Male	66	64.58	17	15.42	69	67	12	11.7
Female	31	27.46	14	11.15	30	26.7	14	10.7
Self-described	0	0	0	0	0	0	0	0
<b>Age</b>								
Under 25	3	2.63	3	3	3	2.6	4	4
25-34	20	19.05	6	4.84	22	21	5	4.6
35-44	21	19.63	3	2.84	22	20.6	3	2.6
45-54	31	30.47	11	8.89	33	31.8	10	7.9
55-64	21	19.26	8	7	16	15.2	4	3.3
Over 64	1	1	0	0	3	2.5	0	0
<b>Classification</b>								
Trainee	0	0	3	3	0	0	4	4
Band 3	4	3.42	1	1	2	2	2	2
Band 4	16	14.47	4	2.52	15	14	6	4.1
Band 5	22	20.94	4	2.68	23	21.6	5	4.4
Band 6	16	15.63	8	7.58	20	18.5	1	0.2
Band 7	15	14.42	0	0	15	14.5	0	0
Band 8	15	14.63	2	1.42	14	13.5	0	0
SEO	9	8.53	4	3.37	10	9.6	3	2.7
Executives	0	0	4	4	0	0	4	4
Managing Dir	0	0	1	1	0	0	1	1
	<b>97</b>	<b>92.04</b>	<b>31</b>	<b>26.57</b>	<b>99</b>	<b>93.7</b>	<b>26</b>	<b>22.4</b>
			<b>128</b>	<b>118.61</b>				<b>116.1</b>

### Employee Assistance Program (EAP)

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

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

### Enterprise Agreement

The current enterprise agreement came into effect December 2016 and has a nominal expiry of 19 June 2020. The Corporation has operated consistent with its conditions throughout the year, including implementing policy and procedures to bring into effect a new set of clauses aimed at supporting employees experiencing family violence. The Corporation is currently finalising a new Enterprise Agreement.

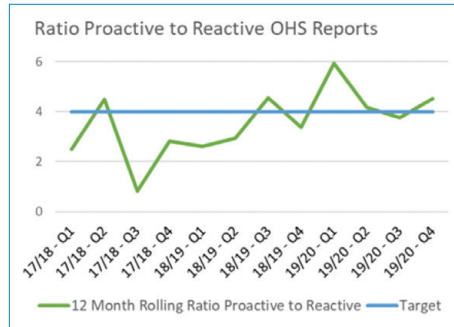
# Our People

## Health, Safety & Wellbeing

South Gippsland Water's Health, Safety and Wellbeing unit has augmented its strong focus on improving Occupational Health and Safety (OH&S) by implementing a new strategic plan, revising procedures and refining systems.

Early in 2020, as coronavirus COVID-19 placed restrictions on how we do business, South Gippsland Water established a Crisis Management Team to rapidly and effectively respond to the pandemic. Staff adopted the requirements around increased levels of personal and workplace hygiene. When transitioning to remote working, office staff were equipped to work from home and outdoor staff provided the tools and resources to work safely from the field.

A coronavirus COVID-19 response hub was established, and regular emails sent to all staff to provide information in a consistent and timely manner. This helped safeguard the health, safety and wellbeing of our employees, contractors and community.



South Gippsland Water continues to build and promote high performance safety values through our Strategic Plan. The plan draws on the recommendations of a health, safety and wellbeing review, internal consultation and best practice guidance from leading Health, Safety and Wellbeing organisations.

The Strategic Plan delivered during 2019/20 has an overarching Vision and is underpinned by four focus areas, Leadership, Effective Systems, Critical Risk Management, and Governance, which form a comprehensive system for ensuring effective Health, Safety and Wellbeing management.

**Table 17. South Gippsland Water Health, Safety and Wellbeing Values.**

<b>Vision</b>	Clear future state vision Align and engage across the organisation Make the vision and safety performance visible Celebrate success
<b>Leadership</b>	Build safety leadership capability Effective safety interactions Responsibility and accountability for safety
<b>Effective Systems</b>	Continuous improvement of all systems Standardised processes aligned to best practice Value is gained from time spent on safety
<b>Critical Risk Management</b>	Critical risk and control focus Verify control effectiveness "in practice" Static and dynamic risk management
<b>Governance</b>	Robust audit and assurance framework Measure, monitor and report performance Effective use of Health, Safety and Wellbeing resources

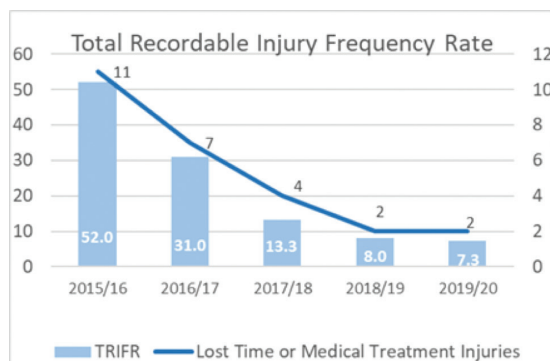
Accreditation of Occupational Health and Safety management systems has been updated to the latest standard, ISO45001:2018, ensuring ongoing alignment to best practice.

## Lost Time Injury & Medical Injury Frequency Rate

### Lost Time Injury & Medical Injury Frequency Rate

The Corporation has seen a positive trend in reduced injuries and recorded two Medical Treatment Injuries (MTI) during 2019/20.

**Table 18. 2019/20 Injury Frequency Rates**



## Case Study: Coronavirus (COVID-19) - Health, Safety & Wellbeing

South Gippsland Water made the safety and wellbeing of SGW employees, contractors and consultants during coronavirus (COVID-19) its highest priority. While introducing measures aimed at slowing the spread of coronavirus (COVID-19), SGW maintained its commitment to deliver essential services to the South Gippsland community.

Maintaining communication within teams was of fundamental importance during the response to coronavirus (COVID-19). Effective communication assisted with decision-making and the mitigation of health and wellbeing impacts that isolation can cause.

A work from Home Workplace Induction information package was created and distributed to all staff. During coronavirus (COVID-19) a planned approach to team and inter-team communications and wellbeing was applied.

### Home Workplace Induction

The induction was two-fold. It highlighted the differences in how health and safety obligations and practices look in the home and provided the organisation with invaluable feedback on how to help make everyone's workplace safe.

The package consisted of the Legal Obligations and advice on Health and Safety in the Home Workplace. This advice included information on electricity, ergonomics, taking break workplace setup, how to feel productive, and, work/life separation. Staff were given the tools to undertake a workstation Ergonomic Assessment. If a workstation could not meet the recommendations, a hazard report could be lodged through an app on work-issued mobile phones. Staff had to take a photo of their home workstations. When all of this was completed, each staff member submitted an online form. This verified that each staff had a safe workplace.

### Staff wellbeing

During April, South Gippsland Water began its "Active April" campaign. Active April encouraged staff to work together in teams to promote physical and mental wellbeing. Teams were awarded daily points for physical activity, nutrition, and mental wellness. Weekly points were awarded for completing a positive change in their life such as quitting smoking, giving up alcohol and catching up on life-administration like writing a will, examining their superannuation or undertaking that long avoided home project. The incentive behind this was to promote action that benefited health and wellbeing beyond coronavirus (COVID-19).

60 staff took part in Active April with incredible results. In their downtime, individual staff were part of an on-line team that were walking, riding, doing push-ups, taking part in yoga, doing jigsaw puzzles and generally improving their physical and mental wellbeing.

By living the South Gippsland Water values of "Start Safe. Work Safe. Home Safe." the organisation cultivates a culture where safety is the foundation of everything we do. Going beyond just compliance, our corporate ethos is reflected in not just our reduction of injuries, but also in reporting and resolving hazard before they cause incidents.



# Corporate Information

## Role of the Board and Membership

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

Responsibility for the ongoing operation and implementation of strategy is delegated to the Managing Director and Executive Management Team. The Board comprises of a non-Executive Chair, the Managing Director and seven non-Executive Directors.

## Remuneration of Directors and Executive Officers

Refer to the Notes to Accounts within the Financial Report.

## Meetings, Committees and Composition of Committees

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

*The Board and Committee conducted virtual meetings from March 2020 due to the impacts of coronavirus (COVID-19)*



1st July 2019 - 30th June 2020
<p><b>Audit and Risk Management Committee</b></p> <p>The Audit and Risk Management Committee is an advisory committee of the Board. The primary objectives of the Committee is to assist the Board in discharging its responsibilities for financial and non-financial reporting, maintaining a reliable system of internal controls, risk management systems, and fostering the organisation's ethical environment. The Committee exercises independent judgement and is objective in its deliberations, decisions and advice.</p> <p>For the period 1st July 2019 to 30th September 2019 the Committee comprised of five non-executive independent Directors – Sue Friend (Chair), Jim Fawcett, Anna Kilborn, Geoff Lake and David Schultz.</p> <p>For the period 1st October 2019 to 30th June 2020 the Committee comprised of five non-executive independent Directors - Sue Friend (Chair), Geoff Lake, Nick Fleming, Nicola Hepenstall and David Schultz.</p> <p>Vito Giudice has held the position of independent external member from the 22nd June 2017. The Committee meets periodically with the internal and external auditors.</p>
<p><b>Engagement and Planning Committee</b></p> <p>The primary objective of the Engagement and Planning Committee is to assist the Board to fulfil its duties and oversee the strategic context, planning, development and delivery of the Corporation's community and stakeholder management. The Committee provides oversight to the Capital Works Plan including asset management and delivery of services to South Gippsland Water customers.</p> <p>For the period 1st July 2019 to 30th September 2019 the Committee comprised of four non-executive independent Directors – Geoff Lake (Chair), Kate Young, Jim Fawcett and David Schultz.</p> <p>For the period 1st October 2019 to 30 June 2020 the Committee comprised of four non-executive independent Directors – Geoff Lake (Chair), Kate Young, Jennifer Ryan and David Schultz.</p>
<p><b>People Safety and Culture Committee</b></p> <p>The primary objective of the People, Safety and Culture Committee is to assist the Board to fulfil its governance responsibilities in relation to organisational development, corporate culture and to provide a safe and healthy workplace at South Gippsland Water. It also manages executive remuneration and performance management review processes.</p> <p>For the period 1st July 2019 to 30th September 2019 the Committee comprised of five non-executive independent Directors – Kate Young (Chair), Chris Rose, Sue Friend, Irene Irvine and David Schultz.</p> <p>For the period 1st October 2019 to 30th June 2020 the Committee comprised of five non-executive independent Directors - Kate Young (Chair), Chris Rose, Nicola Hepenstall, Jennifer Ryan and David Schultz.</p>
<p><b>Innovation, Disruption, Efficiency and Sustainability Committee</b></p> <p>The primary objective of the Innovation, Disruption and Environmental Sustainability Committee is to assist the Board to focus on the major changes and disruptors that may and perhaps should impact South Gippsland Water in the short, medium and long term future. The Committee also assists the Board to fulfil its duties and discharge its Corporate Governance responsibilities.</p> <p>For the period 1st July 2019 to 30th September 2019 the Committee comprised of four non-executive independent Directors - Anna Kilborn (Chair), Irene Irvine, Chris Rose and David Schultz. The Board decided to finalise this committee.</p>
<p><b>Corporate Governance Committee</b></p> <p>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.</p> <p>For the period 1st October 2019 to 30th June 2020 the Committee comprised of four non-executive independent Directors - Chris Rose (Chair), Nick Fleming, Sue Friend and David Schultz.</p>

# Corporate Information

## Director Attendance at Board and Committee Meetings

1st July 2019 to 30th June 2020

Table 19 Director Board and Committee meeting attendance 2019/20

Director	Board	Audit and Risk Management Committee	Engagement and Planning	Innovation, Disruption, Efficiency and Sustainability Committee	People Safety and Culture Committee	Corporate Governance Committee
<b>David Schultz</b> Chair of Board	10 of 11	5 of 5	3 of 3	1 of 2	2 of 2	1 of 1
<b>Anna Kilborn</b> Chair of Innovation, Disruption, Efficiency and Sustainability Committee from October 2017	3 of 3	3 of 3		2 of 2		
<b>Chris Rose</b> Chair of Corporate Governance Committee from October 2019	10 of 11			1 of 2	2 of 2	1 of 1
<b>James Fawcett</b>	3 of 3	2 of 3				
<b>Irene Irvine</b>	3 of 3			0 of 2	1 of 1	
<b>Geoff Lake</b> Chair of Engagement and Planning Committee from October 2017	9 of 11	5 of 5	2 of 3			
<b>Kate Young</b> Chair of People, Safety and Culture Committee from October 2017	9 of 10		3 of 3		2 of 2	
<b>Susan Friend</b> Chair of Audit and Risk Management Committee from October 2018	11 of 11	5 of 5			1 of 1	1 of 1
<b>Nicola Hepenstall</b>	7 of 8	2 of 2			1 of 1	
<b>Nicholas Fleming</b>	7 of 8	1 of 2				1 of 1
<b>Jennifer Ryan</b>	7 of 8		2 of 2		1 of 1	

## Statement of Availability of Other Information

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

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

j. a general statement on industrial relations with the Corporation and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the Report of Operations

k. a list of major committees sponsored by the Corporation, the purposes of each committee and the extent to which the purposes have been achieved.

The information is available on request from:

South Gippsland Region Water Corporation, Company Secretary  
PO Box 102, Foster, VIC, 3960

Phone: 03 5682 0444

Email: [sgwater@sgwater.com.au](mailto:sgwater@sgwater.com.au)

## Declaration of Pecuniary Interests

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

## External Auditors

Crowe Australasia, an affiliate of Findex (Aust) Pty Ltd, as an agent for the Auditor-General Victoria, undertook the external audit for 2019/20.

## Manner of Establishment and the Relevant Minister

South Gippsland Region Water Corporation (trading as South Gippsland Water) was constituted on 22nd December 1994, under the *Water Act 1989*, by order of the Hon. Geoff Coleman, Minister for Natural Resources (Order No S102 published in the Government Gazette). The order took effect from 1st January 1995.

The responsible Minister from 1st July 2019 to 30th June 2020 the Hon. Lisa Neville MP, Minister for Water.

# Corporate Information

## Objectives, Functions, Powers and Duties

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

### Water Supply

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

### Wastewater

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

## Freedom of Information (Fol)

### Operation

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

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

### Applications

There were no applications received by South Gippsland Water under the *Freedom of Information Act 1982* during 2019/20.

### Contact for Requests

Requests under the Freedom of Information Act 1982, describing the documents requested, must be made in writing. A Freedom of Information (Fol) application fee of \$29.60 from 1st July 2019 is payable. Depending on the circumstances, further charges may also be payable. Fol fees and charges are not subject to GST.

Requests should be addressed to:

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

## Compliance with the Building Act 1993

The Corporation is substantially compliant with the *Building Act 1993*, some inspections due in the 3rd quarter of 2019/20 were deferred due to coronavirus (COVID-19). All fourth quarter inspections were completed.

## Events Subsequent to Balance Date

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

## Public Interest Disclosure Act 2012

### Compliance with the Public Interest Disclosures Act 2012

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

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

### What is a public interest disclosure?

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

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

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

### How do I make a public interest disclosure?

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

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

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

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

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

Mail: IBAC, GPO Box 24234, Melbourne Victoria 3001

Internet: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

Phone: 1300 735 135

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

## Jobs First: Victorian Industry Participation Policy – Implementation

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

Contracts awarded during 2019/20 that exceeded the threshold for the VIPP and updated Local Jobs First Act were the Disinfection upgrades at water and wastewater treatment plants, Powdered Activated Carbon upgrade at Lance Creek Water Treatment Plant, Wonthaggi Low Level Basin and the Carbon emission reduction projects. The objectives and fundamentals of Local Jobs First Act (2018) were applied to the tender and contract for these projects.

# Corporate Information

One active contract, for renewal of two sewer pump stations with a total tender amount of approximately \$5M was completed in 2019/20. The objectives and fundamentals of VIPP (2003) were applied to the tender and contract for this project.

The sewer relining and rehabilitation contract which was awarded in 2017/18 is a three year contract with an option for a further three years available. The initial term of this contract is nearing completion. The tender and contract for sewer relining was also managed in accordance with VIPP (2003) requirements.

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

## Details of Consultancies

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

In 2019/20, there were 46 consultancies where the total fees payable to each consultant was \$10,000 or greater. The total expenditure incurred during 2019/20 in relation to these consultancies was \$1,962,932 (excl. GST).

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

In 2019/20, there were 30 consultancies engaged during the year, where the total fees payable to each consultant was less than \$10,000. The total expenditure incurred during 2019/20 in relation to these consultancies was \$113,944 (excl. GST).

A consultant is a particular type of contractor that is engaged primarily to perform a discrete task for an entity that facilitates decision making through: Provision of expert analysis and advice; and/or Development of a written report of another intellectual output.

## Disclosure of Major Contracts

South Gippsland Water did not award any major contracts (valued at \$10 million or more) during 2019/20. A major contract is a contract entered into during the reporting period valued at \$10 million or more.

The design and construction contract for the Sewer Pump Station Renewals at Lawler St, Yarram and the inlet pump station at the Wonthaggi Wastewater Treatment Plant was successfully completed during 2019/20 for an approximate value of \$5M.

*Additional controls have been put in place to mitigate the risks presented by coronavirus (COVID-19) resulting in minor delays to the capital works program.*

### Major Projects 2019/20

The following summarises the major projects undertaken by South Gippsland Water during 2019/20, 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 and Wastewater Treatment Plants

- To improve drinking water quality and safety, a range of disinfection upgrades are in progress at three water treatment plants;
- Disinfection upgrades are also in progress at two wastewater treatment plants to improve effluent discharge quality
- A design and construct contract has been awarded and detailed design is nearly completion. Procurement is in progress. Works on site are to commence early in 2020/21;
- The project is expected to cost approximately \$3.5M.

### Powdered Activated Carbon upgrade at Lance Creek Water Treatment Plant

- The project will help improve taste and odour caused by algae in the Lance Creek Reservoir;
- Work will increase the capacity and efficiency of the existing system while reducing safety risks for plant operators;
- Design work has been completed and a construction contract awarded. Construction work is planned for early 2020/21;
- The upgrade is expected to cost about \$1.5M.

### Water Main Renewals Bair St, Leongatha & Graham St, Wonthaggi

- Significant water main renewal projects to replace and upsize aging water mains for future demands within busy commercial precincts
- The construction works was completed on two separate contracts within the busy commercial precincts of Leongatha & Wonthaggi
- Construction in both towns was completed by December 2020
- The combined value of both projects is some \$14M.



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

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

- Objectives of the project are threefold, to support growth of the towns by expanding the wastewater systems, to renew aging assets that are increasingly in need of repair and to better protect the environment from sewage spills;
- Work at two sites includes installation of new pump stations and expansion of the sewage storage capacity for high flow (wet weather) events or for breakdowns;
- Construction and commissioning of both pump stations has been successfully completed;

The investment is about \$5M.

### Wonthaggi Sewer Augmentation Works

Significant sewer augmentation projects to upgrade sewer rising mains and gravity mains in Wonthaggi

Objectives of the project are to improve performance on the network and increase capacity for future demands

One contract complete. Two other contracts in progress and planned for completion prior to December 20.

The combined value of projects is some \$1.8M.



## 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 can grow into cracked and broken pipework;
- There is an ongoing program of cleaning, inspection by Closed Circuit Television (CCTV) and relining; Sewer manhole inspection and repair is part of the program of works. This year 5.4km of sewer has been inspected and 1.6km has been relined.

*South Gippsland Water has adopted additional considerations in delivering rehabilitation projects as a result of coronavirus (COVID-19). For staff and customers safety, planned works were programmed to be completed in shorter timeframes, reducing supply interruptions and increased safety and physical distancing requirements put in place*

# Corporate Information

## Wonthaggi Low Level Basin

- Water supply to Wonthaggi is pumped from a low level basin to a high level tower before flowing to customers by gravity;
- The pump station has numerous aged components that need repair more and more often;
- The project aims to renew key mechanical, electrical and control components and build more resilience into the system in the event of breakdowns or power supply interruptions;
- A construction contract has been awarded and procurement is in progress. Construction is planned to commence early in 2020/21.

## Asset Management Improvement Projects

- In partnership with the Department of Environment, Land, Water and Planning, the business has been investing in improved asset management practices;
- Four projects have been completed or progressed to better plan future renewal investment so that customer service standards can be maintained at the lowest whole of life cost.
- More than 10 of the Corporation's Asset Class Plans were updated and significantly enhanced in 2019/20.



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

## Carbon emission reduction projects

To meet a pledge to reduce emissions by 15% by 2025, the business is investing in a range of projects;

Design work has been completed and a construction contract awarded to construct four behind the meter solar power installations in 2020/21;

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 will purchase solar energy from Kiamal Solar Farm in north-east Victoria.

## Integrated Water Management (urban)

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

The Gippsland IWM Forum has a Strategic Directions Statement that was published in 2018/19 that describes the forums objectives, regional opportunities and flagship projects. Two of the flagship projects are in the South Gippsland Water region, Repurposing Reservoirs and Integrated Service Enhancement for Korumburra and Leongatha and the business has progressed both projects during 2019/20.

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

## Details of Information and Communication Technology Expenditure

For the 2019/20 reporting period, South Gippsland Water spent \$3,861,070 on Information Communication and Technology (ICT), with the details shown below.

2019			
Business As Usual (BAU) ICT Expenditure	NonBusiness As Usual (nonBAU) ICT Expenditure	Operational Expenditure	Capital Expenditure
	(Total = Operational Expenditure and Capital Expenditure)		
\$3,390,534	\$2,066,811	\$0	\$2,066,811

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

*The Introduction of remote working as a result of coronavirus (COVID-19) saw a number of ICT programs being escalated. Provisioning of equipment including laptops, phones and monitors was brought forward to cater for the needs of staff being mobilised. New tools to enable remote management of IT systems as well as enhancements to our telephony, data and backup system have added additional expenditure to the 2019/20 ICT budget. ICT resources and service levels have been impacted as the complexity of providing support to predominantly mobilised staff working remotely.*

## 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.

# 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 2019/20 and beyond via a Letter of Expectations (LOE) for water corporations. The Corporation is committed to delivering upon the seven policy areas set out in the Minister's Letter of Expectations:

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

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

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

### Climate Change

KPI	Measure	Further Information, refer to section(s)	Page #
E2 Emissions Reduction	E2 Total net CO <sub>2</sub>	Environmental Sustainability Carbon Emissions Reduction Pledge Greenhouse Gas Emissions	15-17 16 17
E3 Adaption to climate change variability	E3 WSA Climate Change Guidelines: a. Qualitative description how guidelines will be used b. Qualitative description how adaptation will be undertaken c. Qualitative description of contribution/participation	Water Services Adaptation to Climate Change Variability	15-16

### Customer & Community Outcomes

KPI	Measure	Further Information, refer to section(s)	Page #
C2 Customer and community engagement	C2 Develop & Deliver engagement strategy/plan/policy via corporations website	Social Sustainability Customer Consultation South Gippsland Water's Engagement Strategy is available via <a href="http://www.sgwater.com.au/about-us/publications">www.sgwater.com.au/about-us/publications</a>	20

### Water for Aboriginal Cultural, Spiritual and Economic Values

KPI	Measure	Further Information, refer to section(s)	Page #
AC1 Engagement of Aboriginal Communities	AC1 AC1.1 A strategy demonstrating how corporation will build procurement capacity/address inclusion barriers AC1.2 # of sponsorships of Aboriginal people in study or traineeships AC1.3 # of staff who have undertaken cross cultural training in last 5 years.	Corporate Information Aboriginal Cultural Values	18
AC2 Engagement of traditional owners	AC2.1 # of engagements with Traditional Owners and report on outcomes	Corporate Information Aboriginal Cultural Values	18
AC3 Aboriginal Inclusion Plan/ Reconciliation Action	AC3 Development of either Aboriginal Inclusion Plan or RAP reflecting AC1 – AC2.	South Gippsland Water's Diversity Inclusion Plan is available via <a href="http://www.sgwater.com.au/about-us/corporate-policy-legislation">www.sgwater.com.au/about-us/corporate-policy-legislation</a> .	18

# Letter of Expectations Reporting

## Resilient and Liveable Cities and Towns

KPI	Measure	Further Information, refer to section(s)	Page #
L1 Integrated Water Management	L1 Progress towards: <i>a. Participation in/est' of IWM forums in region.</i> <i>b. Contribution to develop/Implementation of Strategic Direction Statements</i> <i>c. Implementation of priority IWM projects/plans</i> <i>d. Delivering IWM outcomes for region.</i>	Corporate Information Integrated Water Management	29
L2 Water Efficiency (Urban)	L2 Collaborate on Vic Water Efficiency Strategy <i>a. Corporation working together to deliver statewide initiatives</i> <i>b. Reporting number of customers assisted by Community Rebate Program</i>	Social Sustainability Community Partnerships Community Service Obligations – Financial Assistance to Eligible Customers	18-19 20-21
L3 Water Bills (Urban)	L3 Total residential bill based on: <i>a. Avg consumption</i> <i>b. 200 kL consumption</i>	MRD01 Performance Report	34-35
L4 Payment management and hardship	L4 <i>a. # Installment plans</i> <i>b. # Hardship grants awarded</i>	Social Sustainability Community Service Obligations – Financial Assistance to Eligible Customers	20-21

## Recognising Recreational Values

KPI	Measure	Further Information, refer to section(s)	Page #
Rec1 Recreational Values	Rec1 Consideration of recreational values <i>1. # projects delivered to improve recreational enjoyment of water storages.</i> <i>2. A) # of engagements that considered recreational objectives. B) # of online updates to information sources to help visitors plan activities. C) Collaboration with other orgs/agencies to explore opportunities to support recreational objectives.</i> <i>3. # of accessible major water storages with land and recreation plans in place.</i>	Customer Consultation	20

## Leadership & Culture

KPI	Measure	Further Information, refer to section(s)	Page #
G1 Diversity & Inclusion	G1.1 development of inclusion plan, G1.2 Number of females in Snr exec positions, G1.3 1% target for aboriginal people in the business	Our People Diversity and Inclusion South Gippsland Water's Diversity Inclusion Plan is available via <a href="http://www.sgwater.com.au/about-us/corporate-policy-legislation">www.sgwater.com.au/about-us/corporate-policy-legislation</a> .	22-24 22-23
	G1.4 Actions taken to improve participation by Traditional owners Board committees and other org committees	Our People Diversity & Inclusion	22
G2 Board Performance Review	G2 Board performance report submitted and monitoring actions for continuous improvement.	Board Performance	25
G3 Health & Safety	G3 –OHS performance indicators in line with FRD 22H section 5.10	Our People Health Safety & Wellbeing	24

## Financial Sustainability

KPI	Measure	Further Information, refer to section(s)	Page #
F1-F8 Financial Indicators	F1 Interest cover F2 Gearing ratio F3 Internal financing ratio F4 Current ratio F5 Return on Assets F6 Return on equity F7 EBITDA Margin As per MRD 01	Performance Report	34-35

# Report of Operations

## South Gippsland Region Water Corporation Financial Management Compliance Attestation Statement

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

I am pleased to present South Gippsland Water's Annual Report for the year ending 30 June 2020.



**David Schultz**

*Chair*

South Gippsland Water

Dated: 29th October 2020

## 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 2020



**David Schultz**

*Chair*

South Gippsland Water

Dated: 29th October 2020

## Summary of Financial Results

The full year operating result for 2019/20 was a loss before tax of \$3.4M. This result is an improvement on the prior period which incurred expenditure associated with transactions relating to replaced water assets in the Corporation's northern region. The current period loss was favourable to the budgeted loss of \$5.7M due to lower depreciation and interest costs associated with funding the capital program.

Cashflow from operations for the period financed 38% of the net capital expenditure (\$18.9M for the period) with the remainder of the program funded by increased debt. Financial performance and

cashflow from operations will improve over the next 3 years as tariffs increase, a result of the 2020 Essential Services Commission Price Determination. This will result in a reduced reliance on debt to fund future investment activity.

Total revenue received for the period was \$33.1M, an increase on the prior year by \$0.8M which is largely driven by new customer contributions and gifted assets associated with land development activities and CPI of 1% applied to tariffs. Major customer water consumption returned to demand levels more reflective of the 10-year average (following 2 years of decline). Other revenue comprises unregulated income which includes rental income, profit from sale of assets and external cost recovery associated with project works. Unregulated income fluctuates across the years due to external cost recoveries associated with capital works activities undertaken in the period.

Total expenditure for the year decreased by \$4.2M to \$36.5M. The prior period expenditure was high due to impairment of reservoirs and water treatment plants and a decommissioning provision associated with the construction of a pipeline (commissioned in 2018/19) that now delivers water from the Lance Creek system to the Korumburra, Poowong, Loch and Nyora townships.

Total assets have increased by \$9.0M in the period due to growth in infrastructure assets. This trend is anticipated to continue as approximately 40% of the capital program is required to meet growth or compliance expectations. Total liabilities have increased by \$5.8M from the prior year. This is driven by increased debt (\$11.6M), developer deposits and contractor retention (\$0.9M) and a reduction in the deferred tax liability (\$7.2M).

A decision was made at year end to repay long term debt and hold this as current variable loans until the new financial year, thereby taking advantage of a lower cost of borrowings that would apply to new long-term debt (financial accommodation levy) from 1 July 2020. As a result, a movement between current and long-term liabilities has occurred, causing an aberration of the current ratio reducing from 0.8 times in 2018/19 to 0.5 times in 2019/20. This result is temporary and will improve as current loans are refinanced in the new financial year. The strategy was communicated to stakeholders and has resulted in savings to the Corporation.

In accordance with the requirement to disclose events occurring after the balance sheet date, a financial assessment of the impact of coronavirus (COVID-19) on the operations of the Corporation has been undertaken and deemed not material. As at 30 June 2020 there has been no material change to our revenue or cash receipts position due to COVID-19.

The impact of COVID-19 Stage 3 restrictions in South Gippsland and Stage 4 restrictions in Melbourne have slowed the delivery of some capital projects and supply of some operational equipment however the Corporation has maintained service delivery by activating business continuity plans where needed. Whilst we continue to monitor the impact of COVID-19 and anticipate some difficulty in payment of bills for customers in hardship, we do not expect that this will have a material impact to the Corporation or the current provisions.





# Report of Operations

Financial Result	2019-20 \$'000	2018-19 \$'000	2017-18 \$'000	2016-17 \$'000	2015-16 \$'000
<b>Profit &amp; Loss - Summary</b>					
Core revenue	28,561	27,836	26,615	25,491	26,156
Developer contributions and gifted assets	4,353	3,487	997	1,414	605
Other revenue	172	933	1,550	1,043	2,288
<b>Total revenue</b>	<b>33,086</b>	<b>32,256</b>	<b>29,162</b>	<b>27,948</b>	<b>29,049</b>
Operating expenditure	21,711	23,052	18,176	17,946	18,035
Depreciation	11,528	14,379	11,112	11,684	9,311
Finance costs	2,744	2,608	2,586	2,861	2,873
Other	538	714	732	685	603
<b>Total expenditure</b>	<b>36,521</b>	<b>40,753</b>	<b>32,606</b>	<b>33,176</b>	<b>30,822</b>
<b>Net profit before tax</b>	<b>(3,435)</b>	<b>(8,497)</b>	<b>(3,444)</b>	<b>(5,228)</b>	<b>(1,773)</b>
<b>Balance Sheet - Summary</b>					
Current assets	6,930	6,713	6,020	9,755	10,187
Non-current assets	438,572	429,775	433,297	410,800	413,943
<b>Total assets</b>	<b>445,502</b>	<b>436,488</b>	<b>439,317</b>	<b>420,555</b>	<b>424,130</b>
Current liabilities	17,522	10,722	18,021	9,837	8,945
Non-current liabilities	137,158	138,115	129,290	134,826	141,484
<b>Total liabilities</b>	<b>154,680</b>	<b>148,837</b>	<b>147,311</b>	<b>144,663</b>	<b>150,429</b>
<b>Net Assets</b>	<b>290,823</b>	<b>287,652</b>	<b>292,006</b>	<b>275,892</b>	<b>273,701</b>
Net cash flows from operations	7,786	9,765	9,039	7,996	5,045
Payments for infrastructure, property, plant and equipment	18,924	17,734	33,468	10,124	8,180

## Summary of Financial Performance

Performance indicator	2019-20	2018-19	2017-18	2016-17	2015-16
Internal financing ratio	38.0%	53.1%	26.9%	81.5%	48.7%
Gearing ratio	15.4%	13.1%	12.5%	12.7%	13.3%
Interest cover (cash) - times	4.0	4.9	4.6	3.9	2.8
Return on assets	-0.2%	-1.3%	-0.2%	-0.6%	0.3%
Return on equity	-0.9%	-2.1%	-0.5%	-1.4%	-0.4%
Current ratio - times	0.5	0.8	0.4	1.2	1.3



# Performance Report

For the year ended 30 June 2020

**TABLE 1 - FINANCIAL PERFORMANCE INDICATORS**

KPI No.	Key Performance Indicator	2018/19 Result	2019/20 Result	2019/20 Target	Variance to prior year %	Notes	Variance to Target %	Notes
F1	<b>Cash Interest Cover</b> Net operating cash flows before net interest and tax / net interest payments	4.9	4.0	3.3	-18.4%	1 (a)	21.2%	1 (b)
F2	<b>Gearing Ratio (%)</b> Total debt (including finance leases) / Total assets x 100	13.1%	15.4%	16.7%	17.6%	2	-7.8%	-
F3	<b>Internal Financing Ratio (%)</b> (Net operating cash flow less dividends) / Net capital expenditure x 100	53.1%	38.0%	31.0%	-28.4%	3 (a)	22.6%	3 (b)
F4	<b>Current Ratio</b> Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	0.8 times	0.5 times	0.7 times	-37.5%	4 (a)	-28.6%	4 (a)
F5	<b>Return on Assets (%)</b> Earnings before net interest and tax / average assets x 100	-1.3%	-0.2%	-0.5%	84.6%	5 (a)	60.0%	5 (b)
F6	<b>Return on Equity (%)</b> Net profit after tax / average total equity x 100	-2.1%	-0.9%	-1.3%	57.1%	6 (a)	30.8%	-
F7	<b>EBITDA Margin (%)</b> Earnings before interest, tax, depreciation and amortisation / Total revenue x 100	26.4%	32.7%	32.1%	23.9%	7 (a)	1.9%	-

**Notes:**

- 1 (a) The unfavourable variance compared to the prior period is due to both lower net cash flows from operations and higher interest expense. Net cash flows from operations has reduced due to higher cash outflows associated with suppliers and employees. Interest payments have increased due to a higher debt position compared to the prior year.
- 1 (b) The favourable variance compared to target is a result of lower interest expense resulting from a reduction in loans required to support investment activities.
- 2 The unfavourable variance in the gearing ratio, compared to the prior year, is due to higher loans required to support investment activities.
- 3 (a) The unfavourable variance compared to the prior period is largely due to a reduction in net cash flows from operations (\$2.0M), with the capital program increasing over the prior period but by a lesser degree (increase of \$2.1M).
- 3 (b) The favourable variance compared to target is due to lower expenditure resulting from timing of delivery for the capital program. Several large projects have been delayed and are anticipated to be carried out in the first half of 2020/21.
- 4 (a) The unfavourable variance compared to the prior period and target is due to higher current liabilities resulting from an increase in short term loans held at year end. A decision was made at year end to repay long term debt and hold this as current variable loans until the new financial year, thereby taking advantage of a lower cost of borrowings that would apply to new long term debt (financial accommodation levy) from 1 July 2018. This result is temporary and will improve as current loans are refinanced in the new financial year.
- 5 (a) The favourable variance compared to the prior period is due to an improvement in the net operating deficit before tax. The prior period result is driven by an asset impairment and make good provision associated with the decommissioning of two water treatment plants and three reservoirs. The impairment and decommissioning cost is associated with a one-off event (this is non-recurring) therefore resulting in an improved result in the current period.
- 5 (b) The favourable variance compared to the target is due to an improved net operating deficit before tax result. This is driven by lower depreciation expense associated with the capital delivery program and lower average assets than target which resulted from the prior period asset impairment associated with the decommissioning of two water treatment plants and three reservoirs.
- 6 (a) The favourable variance compared to the prior period is due to an improvement in the net operating deficit after tax. The prior period result is driven by an asset impairment and make good provision associated with the decommissioning of two water treatment plants and three reservoirs. The impairment and decommissioning cost is associated with a one-off event (this is non-recurring) therefore resulting in an improved result in the current period.
- 7 (a) The favourable variance compared to the prior period is due to an improvement in EBITDA. The prior period result was driven by the make good provision associated with the decommissioning of two water treatment plants and three reservoirs. The decommissioning costs are associated with a one-off event (this is non-recurring) therefore resulting in an improved EBITDA position in the current period.

# Performance Report

For the year ended 30 June 2020

TABLE 2 - WATER AND SEWERAGE SERVICE PERFORMANCE INDICATORS								
KPI No.	Key Performance Indicators	2018/19	2019/20	2019/20	Variance to	Notes	Variance to	Notes
		Result	Result	Target	prior year %		Target %	
WS1	<b>Unplanned Water Supply Interruptions</b> No. of customers receiving 5 or more unplanned interruptions in the year / total number of water (domestic and non-domestic) customers * 100.	0.0%	0.0%	0.0%	0.0%	-	0.0%	-
WS2	<b>Interruption Time</b> Average duration of unplanned water supply interruptions (minutes).	120 minutes	90 minutes	100 minutes	-25.0%	8	-10.0%	8
WS3	<b>Restoration of Unplanned Water Supply</b> Unplanned water supply interruptions restored within five hours / total unplanned water supply interruptions * 100.	96.0%	98.9%	99.0%	3.0%	-	-0.1%	-
SS1	<b>Containment of sewer spills</b> Sewer spills from reticulation and branch sewers contained within five hours / total sewer spills from reticulation and branch sewers.	100.0%	94.0%	100.0%	-6.0%	-	-6.0%	-
SS2	<b>Sewer Spills Interruptions</b> No. of residential sewerage customers affected by sewerage interruptions restored within five hours. (i)	98.0%	99.4%	100.0%	1.40%	-	-0.6%	-

**Notes:**

8 The average interruption time varies according to the specific circumstances of each water interruption event. A favourable variance compared to the prior period and the target, is a result of an improvement in managing reactive works, specifically addressing a direct dispatch to field staff response.

TABLE 3 - CUSTOMER RESPONSIVENESS INDICATORS								
KPI No.	Key Performance Indicators	2018/19	2019/20	2019/20	Variance to	Notes	Variance to	Notes
		Result	Result	Target	prior year %		Target %	
CR1	<b>Water quality complaints</b> No. of complaints per 1,000 customers.	4.1	3.3	6.0	-19.5%	9	-45.0%	9
CR4	<b>Billing complaints</b> No. of complaints per 1,000 customers.	1.0	1.0	2.0	0.0%	-	-100.0%	10

**Notes:**

9 A favourable variance compared to the prior period and the target is a result of improvements in the management of large scale water issues within the reticulation system. In particular, improvements have occurred in the Lance Creek water supply system (which has expanded to include residents in Korumburra and Poowong) due to the utilisation of Melbourne water supply during algal outbreaks.

10 A favourable result in the number of billing complaints compared to target is due to lower complaints overall, i.e. only 1 for the period. This is a result of proactive billing enquiry management that sees billing issues are resolved at first point of contact.

TABLE 4 - ENVIRONMENTAL PERFORMANCE INDICATORS								
KPI No.	Key Performance Indicators	2018/19	2019/20	2019/20	Variance to	Notes	Variance to	Notes
		Result	Result	Target	prior year %		Target %	
E1	<b>Effluent reuse volume</b> Percentage recycled for each category.	3.2%	2.7%	4.0%	-15.6%	11	-32.5%	11
E2	<b>Total net CO<sub>2</sub> emissions</b> Net tonnes CO <sub>2</sub> equivalent.	9,224	8,875	8,700	-3.8%	-	2.0%	-

**Notes:**

11 The reduction in effluent reuse volume in the current year, compared to prior period and the target, is due to an increase in the total outflow of wastewater, thereby reducing the relative proportion of re-use water purchased by the customer.



## Statutory Certification

### SOUTH GIPPSLAND REGION WATER CORPORATION

Certification of Performance Report for 2019/20

We certify that the accompanying Performance Report of South Gippsland Water Region Water Corporation in respect of the 2019/20 financial year is presented fairly in accordance with the Financial Management Act 1994.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the 2019/20 Corporate Plan, the actual comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

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

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

David Schultz  
Chairman

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

Philippe du Plessis  
Managing Director

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

Jessica Armstrong  
Chief Financial Officer

Dated this day the 29<sup>th</sup> of October 2020



Victorian Auditor-General's Office

## Independent Auditor's Report

### *To the Board of the South Gippsland Region Water Corporation*

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<b>Opinion</b>	<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"><li>• balance sheet as at 30 June 2020</li><li>• comprehensive operating statement for the year then ended</li><li>• statement of changes in equity for the year then ended</li><li>• cash flow statement for the year then ended</li><li>• notes to the financial statements, including significant accounting policies</li><li>• accountable officer's and chief finance and accounting officer's declaration.</li></ul> <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2020 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>
<b>Basis for Opinion</b>	<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>
<b>Board's responsibilities for the financial report</b>	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

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# Independent Audit Report

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

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

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

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

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

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MELBOURNE  
30 October 2020



Paul Martin  
*as delegate for the Auditor-General of Victoria*

# Financial Report

For The Year Ended 30 June 2020

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## Comprehensive Operating Statement

For the Financial Year Ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>Revenue</b>			
Revenue from contracts with customers	2.1	32,914	31,843
Government grants and contributions	2.2	15	163
Interest income		25	30
Net gain on disposal of non-financial assets		(75)	(4)
Other income		207	224
<b>Total revenue</b>		<b>33,086</b>	<b>32,256</b>
<b>Expenses</b>			
Finance cost	6.1.2	2,744	2,608
Depreciation and impairment	4.1.1	11,293	14,191
Amortisation	4.2	235	188
Environmental contribution	8.2	1,230	1,230
Employee benefits	3.1.1	10,701	9,938
Direct operating expenses	3.2	5,552	8,439
Administrative and other operating expenses	3.3	4,766	4,159
<b>Total expenses</b>		<b>36,521</b>	<b>40,753</b>
Net result before tax		(3,435)	(8,497)
Income tax benefit	8.1.1	782	2,550
<b>Net result for the period</b>		<b>(2,653)</b>	<b>(5,947)</b>
<b>Other comprehensive income</b>			
Changes in asset revaluation surplus	9.1.2	1,300	-
Income tax relating to revaluation surplus		(357)	-
Impairment adjustment on previously revalued non-current assets		-	(7,868)
Income tax relating to other comprehensive income	9.1.2	4,880	2,361
<b>Total other comprehensive income for the period</b>		<b>5,823</b>	<b>(5,507)</b>
<b>Comprehensive result</b>		<b>3,170</b>	<b>(11,454)</b>

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



## Balance Sheet

As at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6.2	509	682
Receivables	5.1	2,830	4,876
Contract assets	2.1.4	2,100	-
Inventories		1,135	739
Assets held for sale	4.3	46	46
Prepayments		310	371
<b>Total current assets</b>		<b>6,930</b>	<b>6,714</b>
<b>Non-current Assets</b>			
Receivables	5.1	303	402
Infrastructure, property, plant and equipment	4.1	410,807	401,233
Intangible assets	4.2	4,670	3,473
Deferred tax assets	8.1.2	22,792	24,667
<b>Total non-current Assets</b>		<b>438,572</b>	<b>429,775</b>
<b>TOTAL ASSETS</b>		<b>445,502</b>	<b>436,489</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	5.2	4,635	4,015
Contract liabilities	2.1.4	994	-
Interest bearing liabilities	6.1	6,298	762
Employee benefits	3.1.2	3,211	2,934
Other provisions	5.4	2,306	2,951
Prepaid income		78	60
<b>Total current liabilities</b>		<b>17,522</b>	<b>10,722</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	6.1	62,520	56,420
Employee benefits	3.1.2	603	481
Deferred tax liabilities	8.1.2	74,035	81,214
<b>Total non-current liabilities</b>		<b>137,158</b>	<b>138,115</b>
<b>TOTAL LIABILITIES</b>		<b>154,680</b>	<b>148,837</b>
<b>NET ASSETS</b>		<b>290,822</b>	<b>287,652</b>
<b>EQUITY</b>			
Contributed capital	9.1.1	95,333	95,333
Asset revaluation reserve	9.1.2	142,490	136,667
Accumulated surplus	9.1.3	52,999	55,652
<b>TOTAL EQUITY</b>		<b>290,822</b>	<b>287,652</b>

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

## Statement of Cash Flows

For the Financial Year Ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts			
Service and usage charges/Revenue from Contracts with Customers		27,758	27,123
Receipts from other sources		3,386	3,086
Goods and services tax received from the ATO <sup>1</sup>		2,506	2,535
Payments			
Payments to suppliers and employees		(22,352)	(19,143)
Interest paid		(2,642)	(2,535)
Goods and services tax paid to the ATO <sup>1</sup>		(50)	(71)
Environmental contribution levy paid		(820)	(1,230)
<b>Net cash inflow from operating activities</b>	6.2.1	<u>7,786</u>	<u>9,765</u>
<b>Cash flows from investing activities</b>			
Payments for infrastructure, property, plant and equipment		(18,924)	(17,734)
Payments for intangible assets		(1,591)	(680)
Proceeds from sale of infrastructure, property, plant and equipment		32	35
<b>Net cash outflow from investing activities</b>		<u>(20,483)</u>	<u>(18,379)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		19,535	17,500
Repayment of borrowings		(7,900)	(15,039)
Proceeds from contributions by State in its capacity as owner		-	7,100
Net movements in contractor deposits		888	(567)
<b>Net cash inflow from financing activities</b>		<u>12,523</u>	<u>8,994</u>
<b>Net (decrease) increase in cash and cash equivalents</b>		(174)	380
<b>Cash and cash equivalents at the beginning of the year</b>		<u>682</u>	<u>302</u>
<b>Cash and cash equivalents at the end of the year</b>	6.2	<u><u>509</u></u>	<u><u>682</u></u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

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

## Statement of Changes in Equity

### For the Financial Year Ended 30 June 2020

	Notes	Contributed Capital \$'000	Asset Revaluation Reserve \$'000	Accumulated Surplus \$'000	Total Equity \$'000
<b>Balance as at 1 July 2018</b>		<b>88,233</b>	<b>142,174</b>	<b>61,599</b>	<b>292,006</b>
Total comprehensive income for the year					
- Net result for the period	9.1.3	-	-	(5,947)	<b>(5,947)</b>
- Impairment adjustment on previously revalued non-current assets		-	(7,868)	-	<b>(7,868)</b>
- Income tax relating to other comprehensive income		-	2,361	-	<b>2,361</b>
Transactions with the State in its capacity as owner:					-
- Contributed capital	9.1.1, 9.4	7,100	-	-	<b>7,100</b>
<b>Balance as at 30 June 2019</b>		<b>95,333</b>	<b>136,667</b>	<b>55,652</b>	<b>287,652</b>
Total comprehensive income for the year					
- Net result for the period	9.1.3	-	-	(2,653)	<b>(2,653)</b>
- Revaluation - Land	9.1.2		943		<b>943</b>
- Income tax relating to other comprehensive income	9.1.2	-	4,880	-	<b>4,880</b>
<b>Balance as at 30 June 2020</b>		<b>95,333</b>	<b>142,489</b>	<b>52,999</b>	<b>290,821</b>

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

## NOTE 1. ABOUT THIS REPORT

### Basis of accounting

The financial report includes separate financial statements for South Gippsland Region Water Corporation (the Corporation) as an individual reporting entity. This financial report is general purpose financial report, that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes Equity, Cash Flow Statement and notes accompanying these statements for the period ending 30 June 2020. The general purpose financial report and notes accompanying these Australian Accounting Standards (AASs), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. The Corporation is a not for profit entity for the purpose of preparing the financial statements.

Where appropriate, those AASs paragraphs are applicable to not-for-profit entities have been applied.

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

The annual financial statements were authorised for issue by the Board on the 24<sup>th</sup> September 2020.

The principal address is:

South Gippsland Region Water Corporation

14 – 18 Pioneer Street  
Foster Vic 3960

### Accounting policies

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

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

The following standard has been adopted by the Corporation:

- **AASB 15 Revenue from Contracts with Customers**

AASB 15 Revenue from contracts with customers, which replaces AASB 118 Revenue AASB 111 Construction Contracts and related interpretations requires the Corporation to recognise revenue when the Corporation satisfies a performance obligation by transferring a promised good or service to a customer. The Corporation has adopted AASB 15 as at 1 July 2019 and has applied the new rules on a modified retrospective basis as mandated by the DTF through FRD 121 Transitional requirements on the application of AASB 15 Revenue from Contracts with Customers. There was no impact on transition. Further disclosures in relation to AASB15 are at note 2.1 and 9.10 of this report.

- **AASB 16 Leases**

AASB 16 Leases was issued in February 2016 and replaces AASB 117 Leases. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed for lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay the obligation for lease payments are recognised. The Corporation has adopted AASB 16 as at 1 July 2019 and has applied the new rules on a modified retrospective basis as mandated by the DTF through FRD 123 Transitional requirements on the application of AASB 16 Leases. There was no impact on transition.

- **AASB 1058 Income for Not-for-Profits**

AASB 1058 Income for Not-for-Profits replaces requirements of income transactions previously accounted for under AASB 1004 Contributions. It establishes principles for not-for-profit entities that apply to (a) transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit Corporation to further its objectives; and (b) the receipt of volunteer services. It will apply to capital grants from government and grants with no sufficiently specific performance obligation. Corporation needs to determine whether a transaction falls under AASB 1058 or actually a contract with a customer under AASB 15. The Corporation has adopted AASB 1058 as at 1 July 2019 and has applied the new rules on a modified retrospective basis as mandated by the DTF through FRD 122 Transitional requirements on the application of AASB 1058 Income of Not-for-Profit Entities. There was no impact on transition.

Where appropriate, comparative figures have been amended to align with current presentation and disclosure. As AASB 15, AASB 16 and AASB 1058 have been adopted on modified retrospective basis, no third balance sheet has been presented for the adoption of these standards.

**NOTE 1. ABOUT THIS REPORT (CONTINUED)****Functional and presentation currency**

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

**Classification between current and non-current**

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

**Rounding**

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

**Historical cost convention**

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

**Accounting estimates**

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

- Accrued water usage charges (Note 2.1)
- The fair value of land, buildings, infrastructure, plant and equipment (Note 4.1.2);
- Estimation of useful life (Note 4.1.3);
- Impairment of assets (Note 4.1.3);
- Deferred tax assets and liabilities (Note 8.1.2);
- Employee benefit provisions (Note 3.1); and
- Actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to (Note 3.1).
- Determining whether the performance obligations are sufficiently specific so as to determine whether the arrangement is within the scope of AASB 15 or AASB 1058; refer note 2.1 and 2.2
- The timing of satisfaction of performance obligations; refer note 2.1.1
- Determining transaction price and amounts allocated to performance obligations; refer note 2.1.1

Management have considered the impacts of coronavirus (COVID-19) on the judgements and assumptions applied to accounting policies, estimates that may result in a decline of the carrying amounts for assets and liabilities. Whilst we continue to monitor the impact of COVID-19 and anticipate some difficulty in payment of bills for customers in hardship, we do not expect that this will have a material impact to the Corporation or the current provisions. As at the date of this report there has been no material change to our revenue or cash receipts position due to COVID-19, refer to note 9.2.

**NOTE 2. FUNDING DELIVERY OF OUR SERVICES**

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

**Structure**

2.1	Revenue from contracts with customers
2.1.1	Service and usage charges
2.1.2	Developer contributions
2.1.3	Other revenue

**2.1 Revenue from contracts with customers**

The Corporation derives revenue from the transfer of goods and/or services over time and at a point in time in the following revenue streams. Revenue is recognised when, or as, the performance obligations to the customer are satisfied. Consideration received in advance of recognising the associated revenue from the customer is recorded as a contract liability (refer Note 2.1.4). Where the performance obligations are satisfied but not yet billed, a contract asset is recorded (refer Note 2.1.4).

**2.1.1 Service and usage charges**

	2020 \$'000	2019 \$'000
Service charges		
Water service charges	6,506	6,412
Wastewater service charges	9,035	8,923
Trade waste service charges	264	250
<b>Total service charges</b>	<b>15,805</b>	<b>15,585</b>
Usage charges		
Water usage charges	9,000	8,859
Wastewater usage charges	319	405
Trade waste usage charges	2,654	2,742
<b>Total usage charges</b>	<b>11,973</b>	<b>12,006</b>

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

Water and sewage service charges are recognised over time as the customer simultaneously receives and consumes the services provided by the Corporation. Water and sewage service charges are recognised evenly throughout the financial year to reflect the pattern of revenue being earned. Service charges are based on a fixed fee and represent charges for access to water and sewage.

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

Where payments are made in advance by customers to unbilled accounts at reporting date, these payments are classified as contract liabilities as the Corporation has yet to provide the service. AASB 15 usually requires the disclosure of the aggregate amount of revenue expected to be derived from performance obligations which are unsatisfied as at the end of the reporting period. Management consider that such an amount cannot be reliably estimated, primarily because the Corporation's obligation to supply customers with major services will continue in perpetuity. As a result, the Corporation has applied the practical expedient given in AASB 15, paragraph 121(b), not to disclose this amount in relation to service charges.

Usage charges are billed on a tri-annual basis in arrears and revenue is recognised over time as the Corporation has the right to receive an amount of consideration based on the unit of water consumed by and sewage, recycled water and trade waste disposed of during the financial year and the regulated price. An estimation, calculated by multiplying the number of days since the last reading by each customer's average service usage, is made at the end of each accounting period in respect of meters which have not been read at balance date. Usage charges are accrued, and contract assets for accrued revenue are booked.

**NOTE 2. FUNDING DELIVERY OF OUR SERVICES (CONTINUED)**

The Corporation has applied the practical expedient given in AASB 15, paragraph B16, where revenue can be recognised in the amount which it has a right to invoice, since the amount is considered by Corporation to correspond directly with the value to the customer of the Corporation's performance to date. The amount of right to invoice is based on meter readings. As meter reading is cyclical, an estimate is made at the end of the accounting period for water usage and sewerage and trade waste disposal by customers and recycled water produced. The estimate is made by multiplying the number of days since the last reading by daily average water consumption for that period. Any difference between the amount invoiced and actual consumption is adjusted in the period in which the meter readings are finalised and are recovered or paid as part of the next period's charges. Further, this revenue stream includes an estimate of the amount of water consumed by, and sewage disposed, and trade waste disposed and recycled water for customers that are not yet billed at the end of the period. This amount is included in contract assets.

**2.1.2 Developer contributions**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Developer contributed assets	2,678	1,848
New customer contributions	1,675	1,519
<b>Total developer contributions</b>	<b>4,353</b>	<b>3,367</b>

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.

Revenue from developer contributed assets is recognised at a point in time when the Corporation has satisfied its performance obligation. Depending on the type of developer application, this can result in the performance obligation being satisfied:

- when the Statement of Compliance is issued to the customer, or
- when the customer is connected to the Corporation's infrastructure network for the provision of water and sewerage services when no Statement of Compliance is required to be issued.

Revenue is recognised at the fair value of the gifted assets by assessing the value of the works using schedule of rates.

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.

Revenue from new customer contributions is recognised at a point in time when the Corporation has satisfied its performance obligation.

Depending on the type of new customer contribution application, this can result in the performance obligation being satisfied when:

- the Statement of Compliance is issued to the customer, or
- the customer is connected to the Corporation's infrastructure network for the provision of water and sewerage services when no Statement of Compliance is required to be issued, or
- the customer receives consent from the Corporation to proceed with their application.

The rates applied to calculate the new customer contributions are regulated by the Essential Services Commission

**2.1.3 Other Revenue**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue from other services rendered	783	885
	<b>783</b>	<b>885</b>

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

**NOTE 2. FUNDING DELIVERY OF OUR SERVICES (CONTINUED)**

**2.1.4 Contract assets and contract liabilities**

	<b>2020</b>
	<b>\$'000</b>
Current contract asset relating to:	
Accrued revenue	2,100
<b>Total contract assets</b>	<b>2,100</b>
Contract liabilities - customers paid in advance	436
Unearned income	558
<b>Total contract liabilities</b>	<b>994</b>

**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 invoiced. Usage charges are all recognised as revenue when the service has been provided. An accrual is done to account for water and sewage services provided for but not billed at the end of the reporting period.

An estimation, calculated by multiplying the number of days since the last reading, by each customers' average service usage, is made at the end of each accounting period in respect of meters which have not been read at balance date.

**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 required to be performed by the Corporation to settle the terms of receipt of income is considered as customers paid in advance. The Corporation will recognise these advance payments as revenue, once it has performed the performance obligations associated with the payments.

**Contract liabilities relating to developer contributions:**

**Unearned Income**

Unearned income represents developer contributed assets, new customer contributions, application fees and rental received in the reporting period, but the performance obligations are outstanding at balance date.

**Disclosure of significant changes in contract assets and liabilities are required by Corporation.**

Contract assets have decreased as the Corporation has provided fewer services ahead of the agreed payment schedules for fixed price contracts.

The increase in 2020 contract liability was due to the negotiation of larger prepayments and an increase in overall contract activity.

**Revenue recognised in relation to contract liabilities**

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	<b>2020</b>
	<b>\$'000</b>
Contract liability opening balance	\$457
Revenue recognised that was included in the contract liability balance at the beginning of the period	(\$389)
Cash received during the year	\$926
Contract liability closing balance	<b>\$994</b>



**NOTE 2. FUNDING DELIVERY OF OUR SERVICES (CONTINUED)****2.2 Government grants and contributions**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Government grants	15	163
<b>Total government grants and contributions</b>	<b>15</b>	<b>163</b>

The Corporation applies AASB 1058 when the grants received by the Corporation are not enforceable and doesn't have sufficiently specific performance obligations. The Corporation also applies AASB 1058 to capital grants that are controlled by the Corporation.

Under AASB 15 income will only be recognised when or as the performance obligations under the contract are satisfied, potentially resulting in a deferral of income as compared to accounting under AASB 1004.

### NOTE 3. THE COST OF DELIVERING SERVICES

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

#### Structure

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

#### 3.1 Our People

##### 3.1.1 Employment benefits – Comprehensive Operating Statement

	2020	2019
	\$'000	\$'000
Employee benefits - Comprehensive Operating Statement		
Salaries and wages	8,501	7,667
Annual leave	696	727
Long service leave	345	463
Employer superannuation contributions	846	780
Other employee	313	301
<b>Total</b>	<b>10,701</b>	<b>9,938</b>

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

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

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

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

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current provisions:</b>		
<i>Rostered Days Off</i>	111	92
Annual Leave		
Unconditional and expected to settle within 12 months	688	680
Unconditional and expected to settle after 12 months	303	242
 <i>Long Service Leave</i>		
Unconditional and expected to settle within 12 months	161	162
Unconditional and expected to settle after 12 months	1,590	1,433
	<b>2,853</b>	<b>2,609</b>
 <i>Provision for On-costs</i>		
Unconditional and expected to be settled within 12 months	110	107
Unconditional and expected to be settled after 12 months	248	218
	<b>358</b>	<b>325</b>
<b>Total current provisions for employee benefits</b>	<b>3,211</b>	<b>2,934</b>
 <b>Non-current provisions</b>		
Long service leave (conditional)	533	425
On-costs	70	56
<b>Total non-current employee benefits</b>	<b>603</b>	<b>481</b>
 <b>Total provision for employee benefits</b>	<b>3,814</b>	<b>3,415</b>
 Reconciliation of movement in provision for on-costs		
Opening balance	381	331
Additional provisions recognised	104	106
Amount utilised during the period	(123)	(122)
Effect of changes in the discount rate	66	66
<b>Closing balance</b>	<b>428</b>	<b>381</b>
Current	358	325
Non-current	70	56
<b>Closing balance</b>	<b>428</b>	<b>381</b>

### NOTE 3. THE COST OF DELIVERING SERVICES (CONTINUED)

#### 3.1 Our people (continued)

##### 3.1.2 Employee benefits – Balance Sheet (continued)

###### Wages and salaries, annual leave and sick leave

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

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

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

###### On-costs

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

###### Long Service Leave

Long Service Leave (LSL) is recognised in the provision for employee benefits. Unconditional LSL is disclosed as a current liability, even where the Corporation does not expect to settle the liability within 12 months. The Corporation does not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

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

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

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised in the operating statement.

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

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

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

Contributions by South Gippsland Water (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2020 are detailed below:

Scheme	Type of Scheme	Rate 2020	2020 \$'000	Rate 2019	2019 \$'000
Vision Super	Defined Benefits	15.50%	36	15.50%	37
Vision Super	Accumulation	9.50%	456	9.50%	470
Other	Accumulation	9.50%	434	9.50%	440

South Gippsland Water was not required to pay for any unfunded liability payments to Vision Super in 2020 (2019: Nil).

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2020 (2019: Nil).

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020 is \$61,000 (2019: \$61,000).

**Accumulation**

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

**Defined benefit**

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

**Funding arrangements**

On the basis of the results of the 2020 interim actuarial investigation conducted by the fund actuary, 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, Corporation reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

**The 2020 interim actuarial investigation surplus amounts**

As at 30 June 2020, a full investigation was held. The vested benefit index (VBI) of the defined benefit category of which South Gippsland Water is a contributing employer was 104.6%. Because the VBI was above 100%, the 2020 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

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

=> Net investment returns 7% pa

=> Salary information 4.25% pa

=> Price inflation (CPI) 2.5% pa.

Vision Super has advised that the estimated VBI at 30 June 2020 was 104.6%.

### **NOTE 3. THE COST OF DELIVERING SERVICES (CONTINUED)**

#### **3.1 Our people (continued)**

##### **3.1.3 Superannuation (continued)**

###### **Funding arrangements (continued)**

The Fund's full actuarial investigation as at 30 June 2019 identified the following in the Defined Benefit category of which South Gippsland Water is a contributing employer:

=> VBI surplus of \$151.3 million; and  
=> A discounted accrued benefits surplus of \$256.4 million

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2020.

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

###### **The 2020 full triennial actuarial investigation**

A full actuarial investigation is being conducted for the Fund's position as at 30 June 2020. It is anticipated that this actuarial investigation will be completed in October 2020.

###### **Funding calls**

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

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

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

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

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

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

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Decommissioning expenses	-	2,951
Repairs and maintenance	1,435	1,599
Electricity	1,082	1,090
Melbourne Water bulk entitlement	942	811
Chemicals	899	841
Testing and sampling	540	477
Other direct costs	654	670
<b>Total</b>	<b>5,552</b>	<b>8,439</b>

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

Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, (\$1,000 refer Note 4), the cost is capitalised and depreciated. The carrying amounts of any inventories held for distribution are expensed when the inventories are distributed.

**3.3 Other operating expenses**

	<b>2019</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Administration expenses	2,718	2,256
Customer services expenses	248	195
Training and travel	399	412
Vehicle and fleet costs	544	582
Facility expenses	319	252
Miscellaneous expenses	538	462
<b>Total</b>	<b>4,766</b>	<b>4,159</b>

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

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

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

**Structure**

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

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

	Land	Buildings	Water distribution	Water harvesting and major transfer	Water quality	Sewer collection	Sewer treatment and disposal	Plant equipment and other	Capital works in progress	Total
<b>At 1 July 2018</b>										
Cost or fair value	11,909	1,489	113,852	70,860	31,454	104,018	56,086	7,651	33,154	430,473
Accumulated depreciation	-	(158)	(6,591)	(2,198)	(2,831)	(5,584)	(2,601)	(3,891)	-	(23,854)
<b>Carrying amount</b>	<b>11,909</b>	<b>1,331</b>	<b>107,261</b>	<b>68,662</b>	<b>28,623</b>	<b>98,434</b>	<b>53,485</b>	<b>3,760</b>	<b>33,154</b>	<b>406,619</b>
<b>Year ended 30 June 2019</b>										
Opening net book amount	11,909	1,331	107,261	68,662	28,623	98,434	53,485	3,760	33,154	406,619
Additions	-	-	613	-	-	1,229	-	601	14,293	16,736
Disposals (net)	-	-	-	-	-	-	-	(17)	-	(17)
Transfer between asset classes	(12)	-	(442)	(7,486)	(2,973)	-	-	(17)	-	(10,930)
Impairment of assets	-	231	34,605	50	365	2,243	1,020	1,314	(39,828)	-
Depreciation	-	(86)	(3,547)	(1,065)	(1,411)	(2,725)	(1,267)	(1,075)	-	(11,176)
<b>Closing carrying amount</b>	<b>11,897</b>	<b>1,476</b>	<b>138,490</b>	<b>60,161</b>	<b>24,604</b>	<b>99,181</b>	<b>53,238</b>	<b>4,567</b>	<b>7,618</b>	<b>401,233</b>
<b>At 30 June 2019</b>										
Cost or fair value	11,897	1,720	148,568	63,156	28,165	107,490	57,104	9,508	7,618	435,227
Accumulated depreciation	-	(244)	(10,078)	(2,995)	(3,561)	(8,309)	(3,866)	(4,941)	-	(33,994)
<b>Carrying amount</b>	<b>11,897</b>	<b>1,476</b>	<b>138,490</b>	<b>60,161</b>	<b>24,604</b>	<b>99,181</b>	<b>53,238</b>	<b>4,567</b>	<b>7,618</b>	<b>401,233</b>
<b>Year ended 30 June 2020</b>										
Opening net book amount	11,897	1,476	138,490	60,161	24,604	99,181	53,238	4,567	7,618	401,233
Additions	-	-	780	-	-	1,897	-	-	16,993	19,670
Disposals (net)	-	(58)	-	-	-	-	-	(45)	-	(103)
Revaluation	1,300	-	-	-	-	-	-	-	-	1,300
Transfer between asset classes	-	385	2,725	136	267	1,136	516	2,380	(7,544)	-
Depreciation	-	(88)	(3,851)	(989)	(1,195)	(2,796)	(1,273)	(1,101)	-	(11,293)
<b>Closing carrying amount</b>	<b>13,197</b>	<b>1,715</b>	<b>138,144</b>	<b>59,308</b>	<b>23,676</b>	<b>99,418</b>	<b>52,481</b>	<b>5,801</b>	<b>17,067</b>	<b>410,807</b>
<b>At 30 June 2020</b>										
Cost or fair value	13,197	2,031	152,073	63,292	28,432	110,523	57,621	11,757	17,067	455,993
Accumulated depreciation	-	(316)	(13,929)	(3,984)	(4,756)	(11,105)	(5,140)	(5,956)	-	(45,186)
<b>Carrying amount</b>	<b>13,197</b>	<b>1,715</b>	<b>138,144</b>	<b>59,308</b>	<b>23,676</b>	<b>99,418</b>	<b>52,481</b>	<b>5,801</b>	<b>17,067</b>	<b>410,807</b>



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

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

Items of infrastructure, property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for zero or nominal cost, the cost is its fair value at the date of acquisition.

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

The cost of a leasehold improvements is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful lives. At balance date, leasehold improvements are amortised over a 5 year period.

**Subsequent measurement**

Infrastructure, property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset). Refer to Note 4.1.1 for fair value disclosures.

**Revaluation of infrastructure property plant and equipment**

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

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

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

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

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

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

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

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

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

**Fair value hierarchy**

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

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

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

**Non-financial physical assets**

2020	Carrying amount as at 30 June 2020 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Land at fair value</b>				
Non Specialised Land	1,377	-	1,377	-
Specialised Land	11,820	-	-	11,820
<b>Total land at fair value</b>	<b>13,197</b>	<b>-</b>	<b>1,377</b>	<b>11,820</b>
<b>Buildings at fair value</b>				
Specialised Buildings	1,715	-	-	1,715
<b>Total buildings at fair value</b>	<b>1,715</b>	<b>-</b>	<b>-</b>	<b>1,715</b>
<b>Infrastructure at fair value</b>				
Infrastructure - water distribution	138,144	-	-	138,144
Infrastructure - water harvesting and major transfers	59,308	-	-	59,308
Infrastructure - water quality	23,676	-	-	23,676
Infrastructure - sewer collection	99,418	-	-	99,418
Infrastructure - sewer treatment and major disposal	52,481	-	-	52,481
<b>Total infrastructure at fair value</b>	<b>373,027</b>	<b>-</b>	<b>-</b>	<b>373,027</b>
<b>Plant and equipment at fair value</b>				
Plant and Equipment at fair value	5,801	-	-	5,801
<b>Plant and equipment at fair value</b>	<b>5,801</b>	<b>-</b>	<b>-</b>	<b>5,801</b>
<b>Total of infrastructure at fair value</b>	<b>393,741</b>	<b>-</b>	<b>1,377</b>	<b>392,363</b>

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

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

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

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

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

**Non-specialised land**

Non-specialised land is valued using the market approach, whereby assets are compared to recent comparable sales or sales of comparable assets that are considered to have nominal value.

An independent valuation was performed by Eagan National Valuers (Vic) to determine fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From this analysis, an appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation was 30 June 2016.

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

The Corporation conducted an assessment at 30 June 2020 using land indices issued by the VGV and identified a 10.8% movement identified since the 2016 valuation. This assessment has resulted in a management revaluation for non-specialised land. Management recognises that there are uncertainties inherent in the land indices in the COVID-19 environment and could see further increase (or decrease) to the rural land indices applied.

**Specialised land and buildings**

The market approach is also used for specialised land, although is adjusted for the Community Service Obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

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

For the majority of the Corporation's specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciation. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

The Corporation conducted an assessment at 30 June 2020 using land and building indices issued by the VGV and identified a 10.8% movement for land and no material movement for buildings, identified since the 2016 valuation. This assessment has resulted in a management revaluation for specialised land.

**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 2020.

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

**Water and sewer infrastructure**

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

An independent valuation of the Corporation's water and sewer infrastructure was carried out by the Valuer General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation was 30 June 2017. These assets are classified as Level 3 fair value as the lowest level input, the absence of an active market, has a significant impact on the fair value which is unobservable.

The Corporation conducted an assessment at 30 June 2020 with no material movement identified since the 2016 valuation.

**Reconciliation of Level 3 fair value movements**

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

2020 \$'000								
	Land - Specialised	Buildings - Specialised	Water distribution	Water harvesting and major transfer	Water quality	Sewer collection	Sewer treatment and disposal	Plant equipment and other
Opening Balance	10,574	1,476	138,490	60,161	24,604	99,181	53,238	4,567
Additions	-	385	3,505	136	267	3,033	516	2,380
Disposals	-	(58)	-	-	-	-	-	(45)
Revaluation	1,300	-	-	-	-	-	-	-
Depreciation	-	(88)	(3,851)	(989)	(1,195)	(2,796)	(1,273)	(1,101)
<b>Closing Balance</b>	<b>11,874</b>	<b>1,715</b>	<b>138,144</b>	<b>59,308</b>	<b>23,676</b>	<b>99,418</b>	<b>52,481</b>	<b>5,801</b>

2019 \$'000								
	Land - Specialised	Buildings - Specialised	Water distribution	Water harvesting and major transfer	Water quality	Sewer collection	Sewer treatment and disposal	Plant equipment and other
Opening Balance	10,586	1,331	107,261	68,662	28,624	98,434	53,485	3,760
Additions	-	231	35,218	50	365	3,472	1,020	1,915
Disposals	-	-	-	-	-	-	-	(17)
Impairment	(12)	-	(442)	(7,486)	(2,973)	-	-	(17)
Depreciation	-	(86)	(3,547)	(1,065)	(1,411)	(2,725)	(1,267)	(1,075)
<b>Closing Balance</b>	<b>10,574</b>	<b>1,476</b>	<b>138,490</b>	<b>60,161</b>	<b>24,604</b>	<b>99,181</b>	<b>53,238</b>	<b>4,567</b>

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

Significant unobservable inputs in Level 3 valuations

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

**NOTE 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)****4.3 Infrastructure, property, plant and equipment at carrying amount (continued)****4.1.3 Depreciation and impairment**

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

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

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

<b>Asset</b>	<b>Useful Life</b>
<b>Corporate</b>	
Buildings	50 years
Furniture and equipment	10 years
Plant and machinery	7 -10 years
Motor Vehicle	4 Years
<b>Water Infrastructure</b>	
Water harvesting	100 to 350 years
Water quality	10 to 350 years
Mains and reticulation	40 to 110 years
Pump Stations	18 to 75 years
Water Meters	15 years
<b>Wastewater Infrastructure</b>	
Sewer collection	50 to 100 years
Pump stations	10 to 75 years
Sewer treatment plants	5 to 350 years

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

**Indefinite life assets**

Land assets, which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

**Impairment**

Non-financial assets, including items of Infrastructure, Property, Plant and Equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

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

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

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

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. As a consequence, that AASB 136 does not apply to such assets that are regularly revalued.

**NOTE 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)****4.3 Intangible assets**

\$'000	Software	Access rights	Water entitlements	Work in progress	Total
<b>At 1 July 2018</b>					
Cost	3,585	3,200	563	353	7,701
Accumulated amortisation	(3,550)	(515)	-	-	(4,065)
<b>Carrying amount</b>	<b>35</b>	<b>2,685</b>	<b>563</b>	<b>353</b>	<b>3,636</b>
<b>Year ended 30 June 2019</b>					
Opening net book amount	35	2,685	563	351	3,635
Additions	-	-	-	26	26
Transfer between asset classes	338	-	-	(338)	-
Amortisation	(46)	(142)	-	-	(188)
<b>Closing carrying amount</b>	<b>327</b>	<b>2,543</b>	<b>563</b>	<b>40</b>	<b>3,473</b>
<b>At 30 June 2019</b>					
Cost	3,922	3,200	563	42	7,727
Accumulated amortisation	(3,597)	(657)	-	-	(4,254)
<b>Carrying amount</b>	<b>325</b>	<b>2,543</b>	<b>563</b>	<b>42</b>	<b>3,473</b>
<b>Year ended 30 June 2020</b>					
Opening net book amount	325	2,543	563	42	3,473
Additions	-	-	-	1,432	1,432
Transfer between asset classes	772	-	-	(772)	-
Amortisation	(92)	(143)	-	-	(235)
<b>Closing carrying amount</b>	<b>1,005</b>	<b>2,400</b>	<b>563</b>	<b>702</b>	<b>4,670</b>
<b>At 30 June 2020</b>					
Cost	4,693	3,200	563	702	9,158
Accumulated amortisation	(3,688)	(800)	-	-	(4,488)
<b>Carrying amount</b>	<b>1,005</b>	<b>2,400</b>	<b>563</b>	<b>702</b>	<b>4,670</b>

**Recognition**

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

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

- 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.

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

Intangible Asset	Water Share Entitlements	Access Rights	Software Costs
<b>Useful lives</b>	Indefinite	Finite	Finite
<b>Amortisation method used</b>	Not amortised or revalued	22 years straight line	3 and 7 years – straight line
<b>Internally generated / acquired</b>	Acquired	Acquired	Internally generated / acquired
<b>Impairment test / Recoverable amount testing</b>	Tested annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end / Reviewed annually for indicators of impairment	Amortisation method reviewed at each financial year-end / Reviewed annually for indicators of impairment

**NOTE 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)****4.3 Intangible assets (continued)****Permanent Water Entitlements**

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

**Access Rights**

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

**Amortisation**

Intangible assets with finite useful lives are amortised as an expense on a systematic basis (typically straight-line), commencing from the time the asset is available for use. The amortisation periods are reviewed and adjusted if appropriate at each balance date. Intangible assets with indefinite useful lives are not amortised. However, all intangible assets are assessed for impairment annually as outlined below.

**Impairment of intangible assets**

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

The policy in connection with testing for impairment is outlined in note 4.1.1.

**4.3 Assets classified as held for sale**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Land held for sale	12	12
Plant and equipment held for sale	34	34
<b>Total</b>	<b>46</b>	<b>46</b>

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



## 5 OTHER ASSETS AND LIABILITIES

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

### Structure

5.1	Receivables
5.1.1	Movement in the provision for doubtful debts
5.1.2	Ageing analysis of contractual receivables
5.2	Payables
5.2.1	Ageing analysis of contractual payable
5.3	Fair value determination of financial assets and liabilities
5.4	Other Provisions

### 5.1 Receivables

	2020 \$'000	2019 \$'000
<b>Current</b>		
<b>Contractual</b>		
Service and usage charges	2,480	2,341
Allowance for expected credit losses	(38)	(35)
Sewer scheme receivables	39	62
Accrued revenue	-	2,200
<b>Total contractual current receivables</b>	<b>2,481</b>	<b>4,568</b>
<b>Statutory</b>		
GST recoverable	349	308
<b>Total current receivables</b>	<b>2,830</b>	<b>4,876</b>
<b>Non-current</b>		
<b>Contractual</b>		
Sewer scheme receivables	345	435
Allowance for expected credit losses	(42)	(33)
<b>Total contractual non-current receivables</b>	<b>303</b>	<b>402</b>
<b>Total receivables</b>	<b>3,133</b>	<b>5,278</b>

Receivables consist of:

- Contractual receivables classified as financial instruments and categorised as 'Financial asset at amortised cost'. They are initially recognised at fair value plus any directly attributable transaction costs. The Corporation holds contractual receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less any impairment.
- Trade receivables are initially measured at transaction price, unless they contain a significant financing component, when they are recognised at fair value. 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. As a consequence, Corporation does not adjust any of the transaction prices for the time value of money.
- Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables initially. Subsequent to initial measurement these are tested for expected credit loss as per AASB 9.
- Receivables arise from unconditional multi-year grants accounted for under AASB 1058 are recognised upfront.
- The carrying amount at amortised cost is the reasonable approximation of fair value.

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

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

On that basis, the loss allowance as at 30 June 2020 was determined as follows for receivables – service and usage charges and other receivables:

<b>1 July 2020</b>	<b>Current</b>	<b>More than 30 days past due</b>	<b>More than 180 days past due</b>	<b>More than 365 days past due</b>	<b>Total</b>
Expected loss rate		0%	10%	90%	
Gross carrying amount – receivables from service and usage charges	2,276	159	382	47	2,864
Gross carrying amount - other receivables	1	-	-	-	1
<b>Total</b>	<b>2,277</b>	<b>159</b>	<b>382</b>	<b>47</b>	<b>2,865</b>
<b>Loss Allowance</b>		<b>-</b>	<b>38</b>	<b>42</b>	<b>80</b>

<b>1 July 2019</b>	<b>Current</b>	<b>More than 30 days past due</b>	<b>More than 180 days past due</b>	<b>More than 365 days past due</b>	<b>Total</b>
Expected loss rate		0%	10%	90%	
Gross carrying amount – receivables from service and usage charges	2,157	130	347	37	2,671
Gross carrying amount - other receivables	167	-	-	-	167
<b>Total</b>	<b>2,324</b>	<b>130</b>	<b>347</b>	<b>37</b>	<b>2,838</b>
<b>Loss Allowance</b>		<b>-</b>	<b>35</b>	<b>33</b>	<b>68</b>

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 [120] days past due.

It is anticipated that the impact of COVID-19 will result in some difficulty in payment of bills for customers in hardship however we do not expect that this will have a material impact to the Corporation or the current provisions.

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 4.0% per cent on the outstanding balance. The average credit period for sales of goods / services and for other receivables is 30 days. There are no material financial assets that are individually determined to be impaired.

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

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
<b>Contractual</b>		
Trade creditors	1,665	2,357
Accrued expenses	1,249	909
Accrued borrowing expense	352	250
Security deposits / retentions	1,250	362
<b>Total</b>	<b>4,516</b>	<b>3,878</b>
<b>Statutory</b>		
Taxes payable	119	137
<b>Total payables</b>	<b>4,635</b>	<b>4,015</b>

Payables consist of:

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

Payables for supplies and services have an average credit period of 30 days, (2019: 30 days). No interest is charged on the 'other payables'.

**5.2.1 Ageing analysis of contractual payables**

\$'000	Carrying amount	Nominal amount	Maturity dates				Total
			Less than 1 month	1-3 months	3 months -1 year	Over 1 year	
<b>2020</b>							
Supplies and services	1,665	1,665	1,570	95	-	-	1,665
Other payables	2,851	2,851	1,601	-	1,250	-	2,851
<b>Total</b>	<b>4,516</b>	<b>4,516</b>	<b>3,171</b>	<b>95</b>	<b>1,250</b>	<b>-</b>	<b>4,516</b>
<b>2019</b>							
Supplies and services	1,900	1,900	1,788	112	-	-	1,900
Other payables	1,521	1,521	909	-	612	-	1,521
<b>Total</b>	<b>3,421</b>	<b>3,421</b>	<b>2,697</b>	<b>112</b>	<b>612</b>	<b>-</b>	<b>3,421</b>

**5.3 Other provisions**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current</b>		
Asset decommissioning costs	2,306	2,951
<b>Total other provisions</b>	<b>2,306</b>	<b>2,951</b>

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

The Lance Creek Pipeline project was fully commissioned during 2019 financial year. The project supplies water from the Lance Creek Reservoir to Korumburra and the northern towns of Loch Poowong and Nyora. The pipeline bypasses existing infrastructure of four dams and two water treatment plants. These assets are now out of service and partially decommissioned. While the majority of these dams have been derecognised, some have been held for potential alternate use.

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

**5.3 Other provisions (continued)**

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.

**5.3.1 Reconciliation of movements in other provisions**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	2,951	-
Additional provisions recognised	-	2,951
Reductions arising from payments/other sacrifices of future economic benefits	(645)	-
<b>Closing balance</b>	<b>2,306</b>	<b>2,951</b>
Current	2,306	2,951
Non-current	-	-

## 6 HOW WE FINANCED OUR OPERATIONS

### Introduction

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

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

### Structure

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

### 6.1 Interest bearing liabilities

	2020 \$'000	2019 \$'000
Current loans from Treasury Corporation Victoria	6,298	762
Non-current loans from Treasury Corporation Victoria	62,520	56,420
<b>Total interest bearing liabilities</b>	<b>68,818</b>	<b>57,182</b>

The borrowings are secured by a guarantee signed by the Treasurer of Victoria in favour of Treasury Corporation Victoria (TCV) as lender in respect to financial accommodation obtained by the Corporation under Section 8 of the Borrowings and Investment Powers Act 1987.

There were no defaults of principal or interest payments on any outstanding loans during the period.

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

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

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

#### 6.1.1 Maturity analysis of interest-bearing liabilities

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

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

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

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

	2020 \$'000	2019 \$'000
Interest on government loans	1,986	1,980
Financial accommodation levy	758	628
<b>Total interest expense</b>	<b>2,744</b>	<b>2,608</b>
	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Cash at bank and on hand	509	182
Deposits at call - TCV	-	500
<b>Balance as per cash flow statement</b>	<b>509</b>	<b>682</b>

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

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

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

**6.2 Cash flow information**

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

	2020 \$'000	2019 \$'000
Cash at bank and on hand	509	182
Deposits at call - TCV	-	500
<b>Balance as per cash flow statement</b>	<b>509</b>	<b>682</b>

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

	2020 \$'000	2019 \$'000
<b>Net result for the period</b>	<b>(2,653)</b>	<b>(5,947)</b>
<b>Non-cash movements:</b>		
Income tax expense	(782)	(2,550)
Depreciation and amortisation expense	11,527	11,364
Gain on sale of non-current assets	75	3
Contributed assets	(2,678)	(1,848)
Provision for bad debts	45	(54)
Impairment loss	-	3,015
<b>Movements in assets and liabilities:</b>		
Decrease in receivables and contract assets	2,568	1,546
Increase in inventory	(396)	(100)
Decrease in prepayments	61	46
Increase in payables and contract liabilities	300	792
(Decrease) / increase provision for impairment expense	(645)	2,951
Increase in employee benefits	400	316
(Decrease) / increase in accrued expenses	(36)	230
<b>Net cash inflows from operating activities</b>	<b>7,786</b>	<b>9,765</b>

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

Commitments for future expenditure include operating and capital commitments arising from contracts. Commitments included in this section are as follows:

- 6.3.1 Total commitments payable
- 6.3.2 Capital commitments
- 6.3.4 Other commitments

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

Please refer to Note 8.2 for details on environmental commitments.

**6.3.1 Total commitments payable**

Total commitments payable comprise of low value leases that are attributable to short-term rental of an office and storage facility.

2020 \$'000	Less than 1 year	Between 1-5 years	Over 5 years	Total
Lease commitments payable	54	-	-	54
<b>Total commitments (inclusive of GST)</b>	<b>54</b>	<b>-</b>	<b>-</b>	<b>54</b>
Less GST recoverable	(5)	-	-	(5)
<b>Total commitments exclusive of GST</b>	<b>49</b>	<b>-</b>	<b>-</b>	<b>49</b>

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

**6.3.2 Capital commitments**

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

2020 \$'000	Less than 1 year	Between 1-5 years	Over 5 years	Total
Infrastructure (inclusive of GST)	11,340	-	-	11,340
Less GST recoverable	(1,031)	-	-	(1,031)
<b>Total commitment exclusive of GST</b>	<b>10,309</b>	<b>-</b>	<b>-</b>	<b>10,309</b>

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

## 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

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

### Structure

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

### 7.1 Financial instruments specific disclosures

#### Introduction

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

These financial instruments include:

Financial Assets	Financial Liabilities
Cash and deposits	Payables:
Receivables:	For supplies and services
Sale of goods and services	Other payables
Other receivables	Interest bearing liabilities:
Term deposits	Bank overdraft
Investment in Zero Emission Water (ZEW)	

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

#### Classification of financial instruments

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. Financial assets are initially measured at fair value plus or minus any direct transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The following assets are held with the objective to collect the contractual cash flows:

- cash and deposits;
- receivables;
- term deposits; and
- certain debt securities.

Financial liabilities are initially recognised at fair value, plus or minus subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the profit and loss, over the period of the interest-bearing liability using the effective interest rate method. The Corporation recognises the following liabilities:

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

#### Offsetting financial instruments

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

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



**NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)****Derecognition of financial assets**

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

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

**7.1 Financial instruments specific disclosures (continued)**

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

**Impairment of financial assets**

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

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

**7.1.1 Financial instruments: Categorisation**

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

**7.1.2 Financial risk management objectives and policies**

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

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

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

**Credit risk**

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

The Corporation's exposure to credit risk is influenced by the individual characteristics of each customer. The receivable balance consists of a large number of residential and business customers which are spread across a diverse range of industries. Receivable balances are monitored on an on-going basis to ensure that exposure to bad debts is not significant. The Corporation has in place a policy and procedure for the collection of overdue receivables.

The group 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.

**Liquidity risk**

Liquidity risk arises from being unable to meet financial obligations as they fall due. The Corporation's policy is to settle financial obligations within 30 days and in the event of dispute make payments within 30 days from the date of resolution. The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

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

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

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

**a) Interest rate risk**

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

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

**b) Foreign exchange risk**

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

**c) Other price risk**

The Corporation has no significant exposure to other price risks.

**Interest rate exposure of financial instruments**

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

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

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

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

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

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

<b>2020 \$'000</b>	<b>Carrying Amount</b>	<b>Net Result (+100) basis points</b>	<b>Equity (+100) basis points</b>	<b>Net Result (-100) basis points</b>	<b>Equity (-100) basis points</b>
Cash and Cash Equivalents	509	5	5	(5)	(5)
Interest Bearing Liabilities - Variable	6,298	(63)	(63)	63	63
<b>Total</b>	<b>6,807</b>	<b>(58)</b>	<b>(58)</b>	<b>58</b>	<b>58</b>

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

**7.2 Contingent assets and contingent liabilities**

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

The Corporation was not aware of any contingent assets or contingent liabilities at the time of finalising the financial report (2019: \$Nil).

## 8 STATUTORY OBLIGATIONS

### Introduction

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

### Structure

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

### 8.1 Tax

#### 8.1.1 Income tax

The Corporation is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office. The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 27.5% (2019: 30%), adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Change in accounting estimate tax rate:

The standard corporate income tax rate applicable to entities meeting the definition of base rate entities changed from 30% to 27.5% effective from 1 July 2018. During the financial year, the National Tax Equivalent Regime (NTER) Administrator at the Australian Taxation Office amended the NTER manual to clarify how the rules apply to NTER entities. Based on the clarified position, the company has assessed that it is eligible to apply the lower corporate income tax rate from 1 July 2018. From 1 July 2020, the corporate tax rate is further reduced to 26%.

For the 2019/20 period, the Corporation has applied the change in the tax rate from 30% to 27.5% as a change in accounting estimate as per AASB 108. The NTER administrator's confirmation of the application of the reduced tax rate for NTER entities represents new information that was not available at the time of preparation of the 2018/19 financial report. Therefore, a change in accounting estimate is applied in the current financial report and retrospective re-statements of comparative information is not required.

The difference resulting from the change in tax rate will flow through the current year's income tax expense / (benefit). From 1 July 2020, the corporate tax rate is further reduced to 26%, and the Corporation has determined that it's impracticable to estimate its financial effect.

As components of income tax expense:

The amount of deferred tax expense (income) relating to change in tax rate, \$168,612.

The balances may need to be adjusted for the restatement of the closing deferred tax balances as at 30 June 2020 resulting from a further reduction of the corporate income tax rate to 26% from the 2021 income year.

We note that the above amounts will also appear as reconciliation items in the income tax reconciliation note (see below). The income tax expense for the financial year differs from the amount calculated on the net result. The differences are reconciled as follows:

	2020 \$'000	2019 \$'000
<b>Income Statement</b>		
Adjustments to prior years		
<b>Deferred income tax expense</b>	(792)	2,550
Temporary differences		
Adjustments to prior years	10	-
<b>Income tax benefit reported in the income statement</b>	<u>(782)</u>	<u>2,550</u>
<b>Statement of changes in equity</b>		
Net deferred tax - credited directly to equity	4,523	-
Net deferred tax - credited directly to equity – Current year	357	2,361
<b>Income tax reported in equity</b>	<u>4,880</u>	<u>2,361</u>
<b>Tax reconciliation:</b>		
Net result before income tax	(3,435)	(8,497)
Tax at the Australian tax rate of 27.5% (2019: 30%)	(945)	(2,549)
Tax effect amount - Non-deductible expenses	3	4
Tax effect amount - Current year capital losses recognised	(6)	-
Tax effect amount - Under-Over Change in Tax Rate	169	-
Temporary difference on Property, Plant & Equipment not affecting Profit (Loss)	(3)	(4)
<b>Income tax on profit before tax</b>	<u>(782)</u>	<u>(2,550)</u>

**NOTE 8. STATUTORY OBLIGATIONS (CONTINUED)****8.1.2 Deferred tax assets and liabilities**

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Amounts recognised in Comprehensive Operating Statement</b>		
Doubtful debts	2	-
Employee benefits	25	995
Tax losses	(1,776)	1,049
Other	(126)	-
<b>Total deferred tax assets</b>	<b>(1,875)</b>	<b>2,044</b>
<b>Movements</b>		
Opening balance at 1 July	24,667	22,623
Credited/(debited) to other comprehensive income	(1,875)	2,044
<b>Closing balance at 30 June</b>	<b>22,792</b>	<b>24,667</b>
Deferred tax asset to be recovered after more than 12 months	21,018	23,803
Deferred tax asset to be recovered within than 12 months	-	-
Tax losses	1,776	864
<b>Ending balance at 30 June</b>	<b>22,792</b>	<b>24,667</b>
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Amounts recognised in Comprehensive Operating Statement</b>		
Prepayments	5	-
Depreciation	2,651	506
Other deferred tax liabilities	4,880	2,361
Amounts recognised directly in equity	(357)	-
<b>Total deferred tax liabilities</b>	<b>7,179</b>	<b>2,867</b>
<b>Movements</b>		
Opening balance at 1 July	(81,214)	(84,081)
Credited/(debited) to the net result	2,295	506
Credited/(debited) to other comprehensive income	4,880	1,361
<b>Closing balance at 30 June</b>	<b>(74,035)</b>	<b>(81,214)</b>
Deferred tax liabilities to be recovered after more than 12 months	(74,035)	(81,214)
<b>Ending balance at 30 June</b>	<b>(74,035)</b>	<b>(81,214)</b>

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

	2020 \$'000	2019 \$'000
Environmental contribution levy	1,230	1,230

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

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

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

**8.2.1 Environmental commitments**

At 30 June 2020, the Corporation had outstanding environmental contribution commitments, to be paid is follows:

2020 \$'000	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Environmental contribution levy commitments	1,369	4,107	-	5,476
<b>Total commitments (inclusive of GST)</b>	<b>1,369</b>	<b>4,107</b>	<b>-</b>	<b>5,476</b>
Less GST recoverable	-	-	-	-
<b>Total commitments (exclusive of GST)</b>	<b>1,369</b>	<b>4,107</b>	<b>-</b>	<b>5,476</b>

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

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

2020 \$'000	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Environmental contribution levy commitments	1,230	-	-	1,230
<b>Total commitments (inclusive of GST)</b>	<b>1,230</b>	<b>-</b>	<b>-</b>	<b>1,230</b>
Less GST recoverable	-	-	-	-
<b>Total commitments (exclusive of GST)</b>	<b>1,230</b>	<b>-</b>	<b>-</b>	<b>1,230</b>

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

**8.3 Dividends**

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer. The Corporation's preliminary estimate for the reporting period is no dividend being payable, (2019: Nil).

## 9 OTHER DISCLOSURES

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

### Structure

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

### 9.1 Equity

#### 9.1.1 Contributed capital

	2020 \$'000	2019 \$'000
Opening balance	95,333	88,233
Capital contributions	-	7,100
<b>Closing balance</b>	<b>95,333</b>	<b>95,333</b>

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

#### 9.1.2 Asset revaluation surplus

	2020 \$'000	2019 \$'000
Opening balance	136,667	142,174
Revaluation increment for year		
- Land	1,300	-
Income tax relating to revaluation	(357)	-
Impairment adjustment on previously revalued non-current assets	-	(7,868)
Effect on tax rate change	4,880	2,361
<b>Closing balance</b>	<b>142,490</b>	<b>136,667</b>

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

#### 9.1.3 Accumulated surplus

	2020 \$'000	2019 \$'000
Opening balance	55,652	61,599
Profit after income tax expense	(2,653)	(5,947)
<b>Closing balance</b>	<b>52,999</b>	<b>55,652</b>

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

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

This assessment has taken into consideration the impact of coronavirus (COVID-19) on the operations of the Corporation. Whilst we continue to monitor the impact of COVID-19 and anticipate some difficulty in payment of bills for customers in hardship, we do not expect that this will have a material impact to the Corporation or the current provisions. As at the date of this report there has been no material change to our revenue or cash receipts position due to COVID-19.

The impact of COVID-19 Stage 3 restrictions in South Gippsland and Stage 4 restrictions in Melbourne have slowed the delivery of some capital projects and supply of some operational equipment however the Corporation has maintained service delivery by activating business continuity plans where needed.

We will continue to monitor the impact COVID-19 is having on our customers and any possible increase in customer debt and hardship cases. Other key areas we are monitoring are for any decrease in developer activity and impact on our suppliers, contractors and other stakeholders.

**9.3 Responsible persons**

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

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

The Hon. Lisa Neville MP	Minister for Water	1 July 2019 - 30 June 2020
Mr David Schultz	Chairman	1 July 2019 - 30 June 2020
Ms Anna Kilborn	Deputy Chair	1 July 2019 - 30 September 2019
Mr Philippe du Plessis	Managing Director	1 July 2019 - 30 June 2020
Mr Jim Fawcett	Director	1 July 2019 - 30 September 2019
Dr Irene Irvine	Director	1 July 2019 - 30 September 2019
Mr Geoff Lake	Director	1 July 2019 - 30 June 2020
Ms Kate Young	Director	1 July 2019 - 30 June 2020
Mr Chris Rose	Director	1 July 2019 - 30 June 2020
Ms Susan Friend	Deputy Chair	1 July 2019 - 30 June 2020
Mr Nick Fleming	Director	1 October 2019 - 30 June 2020
Ms Nicola Hepenstall	Director	1 October 2019 - 30 June 2020
Ms Jennifer Ryan	Director	1 October 2019 - 30 June 2020

**Accountable Officer remuneration**

Remuneration received or receivable by the Accountable Officer in connection with the management of the Corporation during the reporting period was in the range: \$320,000 - \$329,999 (2019: \$320,000 - \$329,999).

**9.4 Related parties**

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

Related parties of the Corporation include:

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

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

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly, this comprises independent Directors and the Managing Director. Key management personnel (as defined in AASB 124 Related Party Disclosures) includes the Portfolio Minister and all Directors listed under responsible persons in note 9.3 who have the authority and responsibility for planning, directing and controlling the activities of the Corporation directly or indirectly, during the financial year.



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

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

	2020 \$'000	2019 \$'000
Short term employee benefits	500	495
Post-employment benefit	43	43
Other long term benefits	6	6
<b>Total remuneration <sup>(i)</sup></b>	<b>549</b>	<b>544</b>

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

**Significant transactions with government - related entities**

The Corporation received funding of \$0 million (2019: \$7.1 million), as contributed from owners. The funding was made in the form of contributed capital, refer Note 9.1.1.

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

**Government-related entity receipts**

Entity name	Brief description of main activity	2020 \$'000	2019 \$'000
Department of Environment, Land, Water and Planning	Capital contribution from owners	-	7,100
Department of Human Services	Refund of concession rebates	3,432	1,603
State Revenue Office	Refund of charities rebates	148	148
Vic Roads	Capital cost contribution	-	13
Zero Emissions Water Limited	Rates and charges	29	-

**Government-related entity payments**

Entity name	Brief description of main activity	2020 \$'000	2019 \$'000
Treasury Corporation Victoria	Interest on borrowings	1,986	1,980
Department of Environment, Land, Water and Planning	Environmental contribution	1,230	1,230
Department of Treasury and Finance	Financial accommodation levy	758	628
Environment Protection Authority	Licence fees and levies	45	96

**Transactions with key management personnel and other related parties.**

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

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

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

South Gippsland Water is one of 13 water Corporation members of Zero Emissions Water Limited (ZEW), a public company limited by guarantee. ZEW's substantial objective is to acquire electricity, contracts for difference and other derivative products in relation to electricity, and/or green products from an energy and emissions reduction facility(ies) in Victoria and in turn supply these products to its Members. This vehicle provides the opportunity for water Corporation members to collaboratively promote energy and emissions reduction initiatives in Victoria and to reduce emissions.

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

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

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

On 30 October 2018, ZEW entered into an 11-year Power Purchasing Agreement (PPA) with a solar farm energy generator. In relation to the PPA, ZEW will act as a central intermediary between the energy generator and the water corporations. The PPA contains a contract for difference (CFD) payment mechanism in respect of electricity generated by the facility and the sale and supply of large-scale generation certificates (LGCs) from the facility. The PPA contains certain conditions precedent which were due to be satisfied during the 2019/20 financial year.

The solar farm energy generator experienced a construction delay due to redesign of electrical infrastructure and a connection delay relating to generator restrictions and revised connection procedures advised by the Australian Electricity Market Operator (AEMO). Renegotiated terms have resulted in an extension of the target commercial operation date to 1 October 2020 and a compensation settlement to ZEW for the delay. The Corporation's share of the settlement is \$28,619.60 which has been recognised in the Comprehensive Operating Statement as other income.

At 30 June 2020 the conditions precedent in the PPA are not completed and ZEW does not have a contractual obligation for the CFD derivative. Therefore, there are no other transactions to be recognised. Upon satisfaction of the conditions precedent, the CFD derivative will be recognised as a financial liability and will be measured at its fair value. Subsequent changes in the fair value of the derivative will be recognised in profit and loss.

The Members' Agreement specifies that ZEW may call on Corporation to make a loan available to ZEW amounting to \$16,428.24. The loan, if requested by ZEW would meet the definition of a financial asset as it gives rise to a contractual right for Corporation to receive cash from ZEW at the end of the loan term. As at 30 June 2020, no request has been made by ZEW. Once the facility is operational, the financial impact of the members' agreement with ZEW is expected to be an increase in revenue, expenses, and recognition of LGCs as intangible assets or asset held for sale (asset).

**9.5 Remuneration of executives**

The number of executive officers, other than the Minister and Accountable Officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis. Executives are not eligible to receive non-monetary benefits.

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

Other long-term benefits only 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.

	2020 \$'000	2019 \$'000
Short term employee benefits	807	757
Post-employment benefit	67	63
Other long-term benefits	11	9
<b>Total remuneration <sup>(i)</sup></b>	<b>885</b>	<b>829</b>
Total number of executives	4	4
Total annualised employee equivalents <sup>(ii)</sup>	4	4

i) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures. KMP's are reported within the related parties note disclosure (Note 9.4).

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

**NOTE 9. OTHER DISCLOSURES (CONTINUED)****9.6 Remuneration of auditors**

		<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
Audit Services - Victorian Auditor-General's Office (VAGO)	Annual external audit fee	39	38
Non-VAGO audit and assurance services	Internal audit	<u>36</u>	<u>40</u>
<b>Total Remuneration of Auditors</b>		<b><u>75</u></b>	<b><u>78</u></b>

**9.7 Ex-gratia payments**

The Corporation did not make any ex-gratia payments during 2020, 2019: \$Nil. In accordance with FRD 11A Disclosure of Ex-Gratia Expenses the Corporation must disclose in aggregate the total amount of material (greater than \$5,000).

**9.8 Changes in accounting policies*****AASB 15 Revenue from Contracts with Customers***

The Corporation has transitioned to AASB 15 Revenue from contracts with customers from 1 July 2019 (date of initial application). In accordance with the transition provisions in AASB 15 and as mandated by FRD 121 Transitional requirements on the application of AASB 15 Revenue from Contracts with Customers, this new standard has been adopted retrospectively (under the modified retrospective method). Comparatives for the 2019 financial year have not been restated. The reclassifications and the adjustments arising from this new standard are therefore recognised in the opening balance of retained earnings on 1 July 2019 only for contracts that are not 'completed contracts' at the date of initial application.

Additionally, as mandated by the DTF, the Corporation applied the practical expedient described in AASB16.C5 (c), for contracts that were modified before the date of initial application. In applying this practical expedient, the Corporation, did not retrospectively restate the contract for those modifications in accordance with AASB15.20-21. Instead, it reflected the aggregate effect of all of the modifications that occur before the date of initial application when:

- Identifying the satisfied and unsatisfied performance obligations
- Determining the transaction price
- Allocating the transaction price to the satisfied and unsatisfied performance obligation

The Corporation has applied this practical expedient consistently to all contracts within the current reporting period

AASB 15 accounting policies are disclosed in Note 2.1.2 and 2.1.4 which includes a table showing the adjustments recognised for each individual line item on adoption of AASB 15. Under the previous accounting policy AASB 118, developer contributions in 2019/20 would have been \$4,911,000 (an increase of \$558,000) and unearned income would have been \$0 (a reduction of \$558,000).

***AASB 1058 Income for not-for-profits***

The Corporation has transitioned to AASB 1058 *Income for not-for-profits* from 1 July 2019. In accordance with the transition provisions in AASB 1058 and as mandated by FRD 122 *Transitional requirements on the application of AASB 1058 Income of Not-for-Profit Entities*, this new standard has been adopted retrospectively (under the modified retrospective method). Under this transition method, the entity has elected to apply this standard retrospectively only to contracts and transactions that are not completed contracts at the date of initial application. A completed contract is a contract or transaction for which the entity has recognised all of the income in accordance with AASB 1004 Contributions. Comparatives for the 2019 financial year have not been restated. The reclassifications and the adjustments arising from this new standard are therefore recognised in the opening balance of retained earnings on 1 July 2019.

The Corporation has not applied the fair value measurement requirements for right-of-use assets arising from leases with significantly below-market terms and conditions principally to enable the entity to further its objectives as allowed under temporary option under AASB 16 and as mandated by FRD 122.

AASB 1058 accounting policies are disclosed in Note 2.2.

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

Certain new and revised accounting standards have been issued but are not effective for the 2019-20 reporting period.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 17 Insurance Contracts	The new Australian standard seeks to eliminate inconsistencies and weaknesses in existing practices by providing a single principle based framework to account for all types of insurance contracts, including reissuance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities.  This standard currently does not apply to the not-for-profit public sector entities.	1 January 2021	The assessment has indicated that there will be no significant impact on the Corporation.
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	This Standard principally amends AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> . The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.	1 January 2020	The standard is not expected to have a significant impact on the Corporation.
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.	1 January 2022. However, ED 301 has been issued with the intention to defer application to 1 January 2023.	The standard is not expected to have a significant impact on the Corporation.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2019-20 reporting period (as listed below). In general, these amending standards include editorial and reference changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business.
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework.
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform.
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia.





## Statutory Certification

### SOUTH GIPPSLAND REGION WATER CORPORATION

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

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

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying Notes, presents fairly the financial transactions during the year ended 30 June 2020 and the financial position of the Corporation as at 30 June 2020.

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

We authorize the attached financial statements for issue on the 24<sup>th</sup> September 2020.

Handwritten signature of David Schultz.

David Schultz  
Chairman

Handwritten signature of Philippe du Plessis.

Philippe du Plessis  
Managing Director

Handwritten signature of Jessica Armstrong.

Jessica Armstrong  
Chief Financial Officer

Dated this day, the 29<sup>th</sup> October 2020



Victorian Auditor-General's Office

## Independent Auditor's Report

### To the Board of the South Gippsland Region Water Corporation

**Opinion** I have audited the accompanying performance report of the South Gippsland Region Water Corporation (the corporation) for the year ended 30 June 2020, which comprises the:

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

In my opinion, the performance report of the South Gippsland Region Water Corporation in respect of the year ended 30 June 2020, presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the *Financial Management Act 1994*.

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

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

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

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

# Auditor General's Report

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**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  
30 October 2020



Paul Martin  
*as delegate for the Auditor-General of Victoria*



# Appendix A – Disclosure index

The 2019/20 Annual Report of the South Gippsland Water is prepared in accordance with all relevant Victorian legislations. This index has been prepared to facilitate identification of the Authority's compliance with statutory disclosure requirements.

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BANKERS	Westpac Bank 28 Bair Street LEONGATHA VIC 3953
AUDITORS	Auditor General, Victoria By Crowe Australasia, an affiliate of Findex (Aust) Pty Ltd
INSURANCE BROKER	Marsh Pty Ltd in 2019
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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