



2025-26 Corporate Plan



Acknowledgement of Country

South Gippsland Water acknowledges Aboriginal and Torres Strait Islander Peoples as Australia's First Peoples. We acknowledge the local Traditional Owners, Gunaikurnai and Bunurong, as the original custodians of the land and water on which we rely. We pay our deepest respects to their Elders, past and present.

We acknowledge the continued cultural, social and spiritual connections that Aboriginal and Torres Strait Islander Peoples 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 the Gunaikurnai and Bunurong to ensure their ongoing contribution to the future of the water management landscape while maintaining their cultural and spiritual connections.

This artwork is proudly featured on our Yarram Water Tower. It was designed by Gunaikurnai Elder Sandra Patten. It is a visual expression of 'Sitting On Country' where she feels at home and connected.

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Message from the Chair and Managing Director

High quality water and wastewater systems are essential to life and the wellbeing of our communities. South Gippsland Water prides itself as a trusted partner of high-quality water services across South Gippsland and in delivering these in safe and environmentally responsible ways.

In 2025–26, South Gippsland Water will continue to deliver our commitments to our customers and communities by providing reliable, high-quality water and wastewater services. This will be achieved through strengthened customer support systems, improved responses to disruptions in our services, investments in upgrades and renewals, and in ensuring we meet our environmental and quality obligations. We are progressing towards our goal of operating from 100 per cent renewable energy in 2025–26. The finalisation of our Climate Change Strategy will provide a clear direction in how we adapt and mitigate the impacts of climate change on our operations.

Cost-of-living pressures continue to be a challenge and we have worked hard to support our customers. Over the past 12 months, customers seeking support from the utility relief grant scheme rose by 58 per cent. We introduced a 'Pay and Save' program to help support vulnerable customers with their payments. In 2025–26, we will expand our support in recognition of the challenges facing our residential and small business customers.

In 2024–25, we embarked on major investments to transform our business operations into a more modern, efficient and sustainable operation. Many of these initiatives will come online in 2025–26 and will enable us to improve the way we manage our services and engage with our customers.

Our priorities over the next 12 months carefully balance continued support for our customers and communities, investments in critical infrastructure upgrades and renewals, and continued progression towards more environmentally sustainable and modernised operations. We commit to progressing the aspirations set out in our Reconciliation Action Plan and in uplifting the skills and capabilities of our teams. We continue to focus on embedding safety principles in approaches to all our operations.

2025–26 will be the third year implementing the 2023 Price Determination and the major projects we committed to as part of the five-year pricing cycle. Projects we will continue to focus on in 2025–26 include:

- Sewer system expansions in Korumburra and Wonthaggi
- Wastewater treatment plant augmentations in Wonthaggi, Leongatha and Meeniyan
- Water main expansions and augmentations in Poowong, Loch, Nyora, Korumburra and Wonthaggi
- Water treatment system upgrades in Lance Creek and Toora

We are committed to continuing to work with the community as a trusted partner, advancing water services that support customer and community aspirations.

On behalf of the Board of Directors and the executive team, we are pleased to present South Gippsland Water's 2025–26 Corporate Plan.

Nicola Hepenstall
Acting Chair

Robert Murphy
Managing Director

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South Gippsland Water

The South Gippsland Region Water Corporation (South Gippsland Water) is a Victorian Government-owned entity. We provide water and wastewater services to communities and businesses across a 4,000 square kilometre area of south-eastern Victoria.

We operate across a region of rolling green hills, picturesque coastal areas and passionate communities. Servicing 21 townships and their residents, we manage eight separate water systems and 11 wastewater treatment plants.

Our non-residential customers consist of large and small rural industries including a range of farming and horticultural enterprises and their associated processing plants.

We have two internationally recognised national parks – Tarra-Bulga National Park and Wilsons Promontory National Park. Our coastline is one of the most highly sought-after getaway locations for tourists, resulting in our townships, parks and beaches swelling with visitors during summer and holiday periods.



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Service summary

Headworks

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

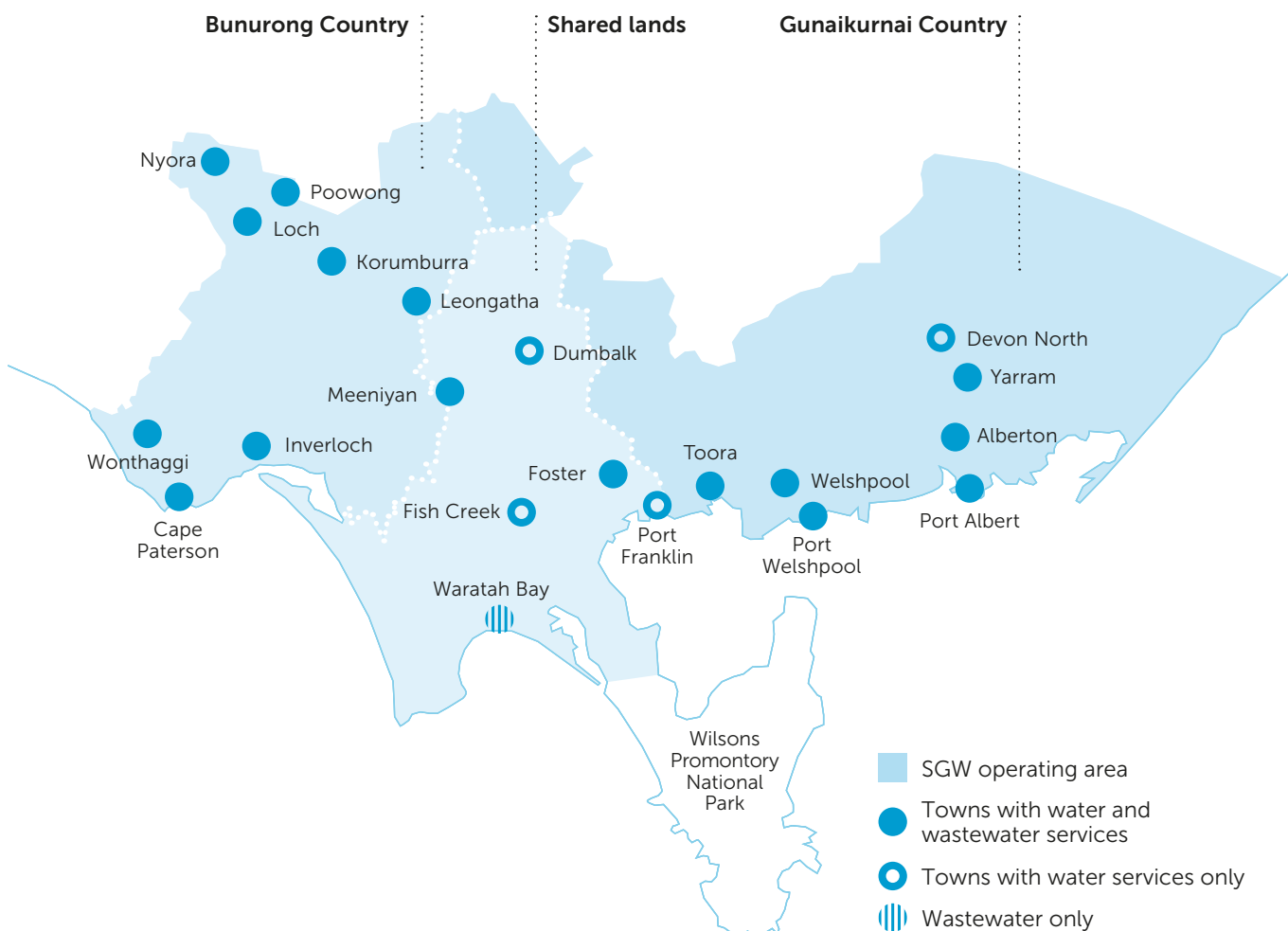
Water services

- Eight separate water supply systems
- Eight water treatment plants
- 750 km of water mains
- 13 reservoirs and 18 service storages
- 4,476 million litres (ML) annual volume of drinking water supplied to customers
- Servicing 22,361 customers over 22 rural centres

Wastewater services






- 10 conventional wastewater collection systems
- One vacuum wastewater system
- Two pressure sewer systems
- 11 sewerage treatment plants
- One dedicated saline trade waste system
- 538 km of wastewater mains
- Five marine environment outfalls
- Three inland water discharge points
- Collecting 4,550 ML and treating around 3,480 ML of wastewater
- Servicing 20,199 wastewater customers in 16 townships and surrounding districts

Our region



Customer Outcomes

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

-  **Reliability** We will plan for the future, be reliable and minimise unplanned interruptions to services
-  **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 liveability of our communities



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2040 Vision and Strategy

In 2023–24 the South Gippsland Water Board adopted a new 2040 Vision and Strategy, reinforcing our commitment to our customers and communities to provide high quality services.

Our vision

We are a trusted partner, advancing water services to support customer and community aspirations

Our purpose

Making our community and environment better together

Our role

We proudly provide safe and sustainable water and wastewater services to our community

Our values

Inclusive, respectful, reliable, innovative, sustainable
Start safe • Work safe • Home safe

Four strategic focus areas

Our strategic focus areas demonstrate our strategic priorities and the connections to the Minister for Water, the Honourable Gayle Tierney's Letters of Expectation. Together, the focus areas ensure we are delivering for our staff, customers and stakeholders.

They are:

- Affordability and financial sustainability
- Sustainable products and services
- Trusted people and partners
- A modern and future fit organisation

Trusted people and partners

Our highly capable people and strong vibrant culture

Trusted partner to community and regulators, enhancing regional value

Valued engagement with Traditional Owners

Fit for purpose, welcoming and inclusive facilities

Sustainable products and services

Balancing our water resources

Supporting a circular economy

Optimised asset management



A modern and future fit organisation

Easy to use efficient processes, systems and data

Modernised technology

Innovation and technology for growth

Improved security systems

Affordability and financial sustainability

Grow revenue streams

The value of water is reflected in our pricing

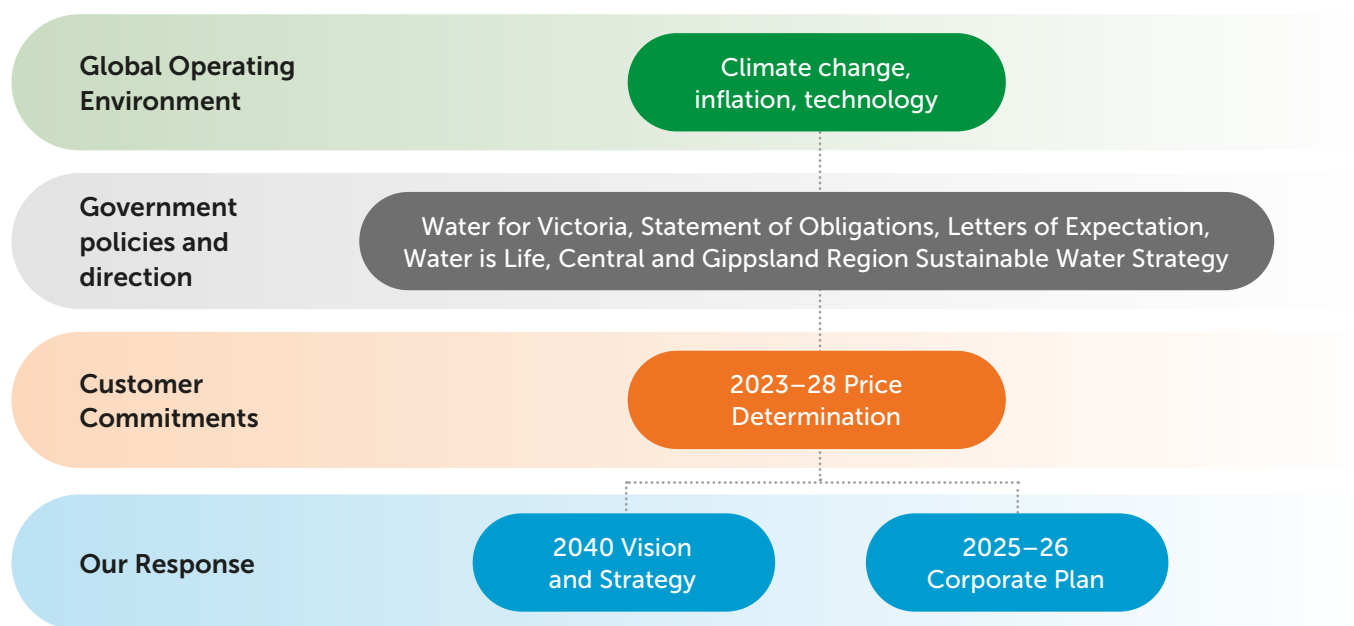
Supporting major customers

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Our operating environment

South Gippsland Water operates in a complex environment, requiring a range of solutions and capabilities to deliver a consistent, safe water supply, treat wastewater and maintain dispersed infrastructure across long distances. As a Victorian Government entity providing essential services to the community, we operate in a highly regulated environment. We are required to meet numerous legal obligations and deliver on government policies and direction.

Figure 1: Our complex and layered operation environment



Our global environment is rapidly evolving. We are constantly identifying, mitigating and monitoring our risks via our strategic and operational risk programs. Our ten strategic risks are provided on page 12.



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Strategic challenges

We have identified three key areas of our global environment that may present challenges for South Gippsland Water over the next five years.

Climate change

The South Gippsland region is experiencing impacts of climate change through the increased frequency and severity of storms, and from the increased risk of bushfires and droughts. Coastal erosion is increasing in some of our high population locations such as Inverloch.

These events threaten our infrastructure, water resources, the health and safety of our people, and, ultimately, our financial sustainability. Additional expenditure is likely to be required to both mitigate against these events, and to respond and recover when they occur. The short-term and medium-term impact is also to our catchment health and our ability to treat water to drinking level standards. The change in climate is likely to negatively impact the ecological health of our catchments, placing strain on water availability and security.

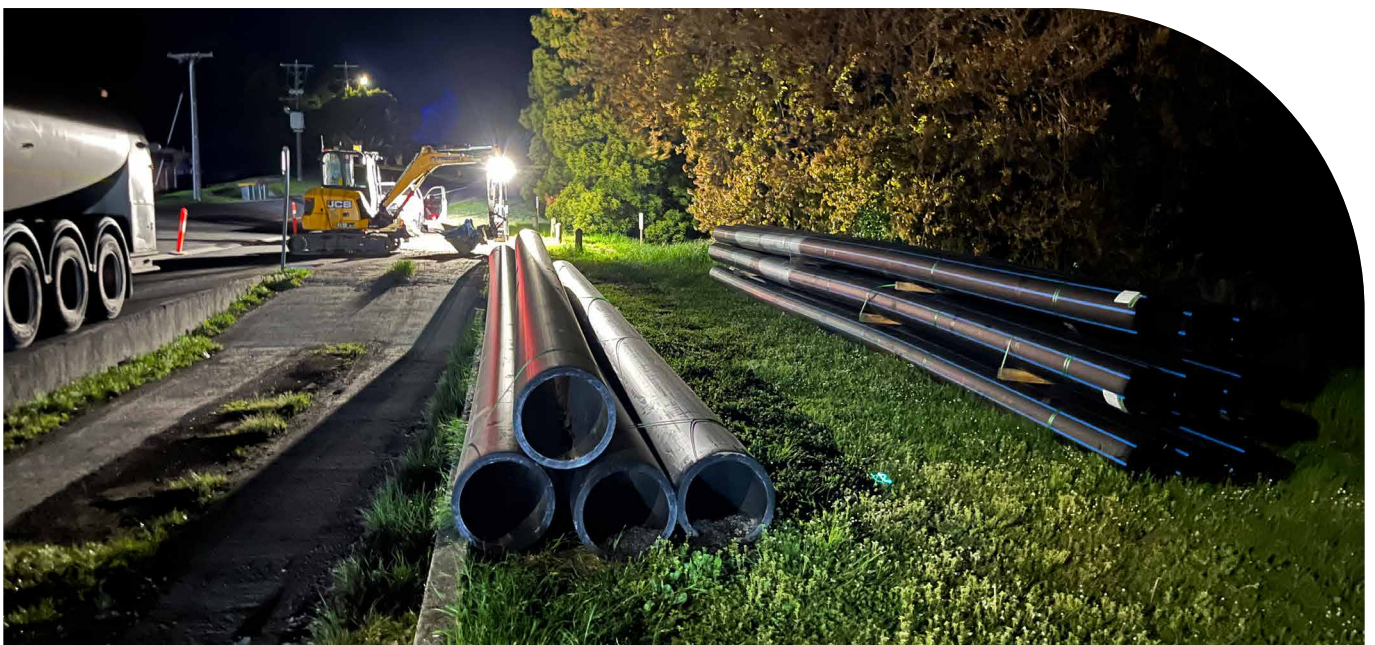
In the long-term, the frequency and severity of droughts are projected to continue to increase. These will impact the availability and security of water and may require augmentation of our systems to allow for a range of water resources to be available.

Cost-of-living pressures and rising costs

Economic forces continue to impact our business and the cost-of-living for the communities we serve. While inflation has slowed over the past 12 months, it continues to outpace wage growth. In the past two years we have seen a sharp increase in the number of customers seeking support due to affordability pressures. We are aware of our need to keep our tariffs affordable and are committed to supporting our customers in financial hardship. Key operating costs, including chemicals, electricity and insurance, have increased above the inflation rate of 2.4 per cent (December 2024) and continue to put pressure on our financial sustainability. We continue to identify opportunities to minimise the impact of these costs.

Technology change

Technology is changing at a rapid pace and South Gippsland Water has identified the risks associated with technology obsolescence and aging infrastructure that may lead to system failures. We have recognised that investing in system replacement and technology upgrades will address these risks and help improve efficiency, safety and flexibility in our service delivery and customer support.



Addressing our strategic risks

Our 10 strategic risks focus on safety, infrastructure, people, finance and climate change. These are summarised below.

Table 1: SGW Strategic Risks

South Gippsland Water Strategic Risks
Failure to prepare and act for climate change results in inability to deliver safe, reliable, and environmentally sustainable services.
Inadequate asset planning and investment causes an inability to deliver safe, reliable, and environmentally sustainable services.
Inadequate engagement and communication with our customers, community and/or key stakeholders leads to a loss of trust in the organisation or reputational damage.
Inadequate operation and maintenance of asset systems result in the failure to protect the environment and deliver safe, reliable, and environmentally sustainable services.
Failure to evolve, innovate and keep pace with external drivers required to deliver on our strategic priorities results in sub-optimal and/or inefficient delivery of safe, reliable, and environmentally sustainable services.
Failure to appropriately protect ICT leads to critical system(s) penetration resulting in data security impacts or adversely impacts the delivery of safe, reliable, and environmentally sustainable services and leads to significant reputational damage.
Unsafe work practices or workplaces cause or could cause physical or psychological harm to an employee, contractor, or member of the public.
Failure to attract, retain or develop skilled people and to embed an ethical, high performance workplace culture and management practices adversely impacts the delivery of safe, reliable, and environmentally sustainable services.
Failure to maintain financial sustainability results in an inability to fund the delivery of safe, reliable, and environmentally sustainable services.
Failure to implement effective governance and culture results in unintended, fraudulent or corrupt practices that lead to poor decision making, reputational damage or financial loss.



Our priorities for 2025–26

In 2025–26 South Gippsland Water will continue to deliver on our commitments to our customers and communities by providing reliable, high-quality water and wastewater services. This will be achieved through strengthened customer support systems, improved responses to disruptions in our services, investments in upgrades and renewals, and in ensuring we meet our environmental and quality obligations.

Meeting obligations including climate change resilience

We are committed to ensuring South Gippsland Water meets the new legislative requirements regarding safe drinking water. In 2025–26 we are investing in system analysis, improvement plans and monitoring systems so we can meet and maintain service levels.

Major storm events over the past two years have impacted our operations through power outages, damage to buildings and systems, and in increasing the risk of environmental spills. In 2025–26 we will continue implementing the power resilience plan to increase our preparedness for extended power outages and finalise our Climate Change Strategy which will help us prepare for the future.

We recently developed the Net Zero Emissions Plan, which identifies opportunities for South Gippsland Water to move towards a more environmentally sustainable business. In 2025–26 we will progress feasibility assessments for carbon offset and biodiversity offset initiatives on our sites.

We are also investing in feasibility and design work for enhancing operating systems relating to compliance, reporting, and our water and wastewater operations.

Enhancing our service capacity

We continue to progress our capital works program outlined in our 2023 Price Submission, including storage and system capacity upgrades, and wastewater treatment plant augmentations to accommodate future population growth. The focus of 2025–26 will be on the progression of the following major projects:

- Sewer system expansions in Korumburra and Wonthaggi
- Wastewater treatment plant augmentations in Wonthaggi, Leongatha and Meeniyan
- Water mains expansions and augmentations in Poowong, Loch, Nyora, Korumburra, and Wonthaggi
- Water treatment system renewals and upgrades in Lance Creek and Toora

In addition to these projects we will deliver significant asset maintenance and servicing programs to help ensure we continue to supply reliable services for our communities.

Enhancing our customer support

We recognise the challenges our customers face with rising costs. In 2025–26, we will continue our customer support programs for vulnerable customers including the 'Pay and Save' program and expanding our support programs to include small businesses. Recent changes to our customer support team have improved our capacity to respond to customers and their needs.

Our ability to service our customers relies on upgrading and modernising our back-end systems. Technology upgrades to asset and works, billing, customer service, finance and data integration will 'go live' in 2025–26. Customers will see changes in the way we administer our customer support programs and billing, including a new and clearer bill design. We will also provide customers with easier ways to make payments and update account details, and clearer and more timely information around network disruptions.

We will look to the future as we assess options and engage with our community on priorities in the lead up to our 2028 Price Submission.



Engagement with Traditional Owners

We will continue the implementation of the actions in our Reflect Reconciliation Action Plan. We will build a culturally-safe organisation for the Traditional Owners and other Aboriginal and Torres Strait Islander Peoples living in our region.

Developing our people

We have committed to the development of our people through the implementation of our three-year People and Culture Plan, the development of our next Gender Equality Action Plan, and by investing in the uplifting of skills across our workforce.

Planning for the future

2025–26 marks the third year of implementing our commitments in the 2023 Price Determination. Planning for the next price submission in 2027 and determination in 2028 has commenced. This year will involve community engagement, preliminary investigations, feasibility studies and business case development to support the investments we require for safe and secure water infrastructure in South Gippsland.

Our field staff are required to service significant geographical areas involving different systems and accessibility challenges. As our region's population increases and we adapt to more technology-driven operations, our field and office space requirements are changing. With our facilities not meeting our needs as a business and presenting risks on several fronts, a master plan will be developed that outlines how we address the core challenge of appropriately accommodating our workforce.



Letters of Expectation

We are committed to progressing the Minister for Water's aspirations as detailed in the Letters of Expectation. This section outlines projects planned for 2025–26 or currently underway that address the objectives for each priority area.

Letter of Expectation 1: Climate Change and Energy

South Gippsland is experiencing the impacts of climate change through the increasing number and intensity of storm events, flooding, landslips, coastal erosion and coastal inundation events. Our water supplies and catchments are susceptible to the increased risk of drought and bushfires.

In 2023 we developed our Net Zero Emissions Plan, which involves the assessment of the energy efficiency of our largest energy-consuming sites to optimise our operations. In 2025–26 we will continue the work identified in this plan by exploring the procurement of carbon credits to offset our scope 1 emissions as we progress towards net zero emissions. This includes completing feasibility assessments on South Gippsland Water-owned land and pursuing collaboration opportunities through VicWater and the broader water sector.

In 2025 we will be powered by 100 per cent renewable energy. We will do this through the continuation of our Power Purchase Agreement (PPA) with other water corporations under Zero Emissions Water. Under the initiative, we purchase renewable electricity from the state's biggest solar farm in Ouyen. This helps us meet our net zero commitment in a way that is both

sustainable and cost-effective for our customers.

We are looking at how we can expand or optimise our five sites with existing behind-the-meter solar arrays. We are also exploring opportunities to increase renewable energy at two new sites. In 2025–26 we will review the findings of the assessments and incorporate the recommendations into our future capital planning to strengthen our renewable energy strategy.

We are currently undertaking an options assessment for long-term facilities planning, including scoping of building requirements and locations. Part of this work will explore how we can move towards energy-efficient buildings. This work is expected to continue through 2025–26.

In 2025–26 we will finalise our first Climate Change Strategy, ensuring that climate change considerations are integrated into planning and asset management decision-making processes and procedures. A key focus will be enhancing business resilience with an emphasis on proactive identification and preparedness for emergency management of natural disasters, unplanned events and climate change. Through this strategy, we aim to build a more adaptive and sustainable future for our organisation and the communities we serve.

Table 2: Emission projections 2025–26 to 2030–31

	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31
Projected total emissions for each year (t CO₂-e) 1.1.3.025	3,306	3,200	3,150	3,100	3,000	2,500

Table 3: Projects related to LoE 1 in 2025–26

SGW-led Projects	Alignment to LoE
Finalise Climate Change Strategy	1.3.1.002, 1.3.1.003
Investigations to increase renewable energy across sites	1.1.3.027, 1.2.2.029
Facilities master plan	1.1.4.009
Aligned ongoing work	Alignment to LoE
Power Purchase Agreement (PPA) in place to ensure we are powered by 100% renewable energy	1.1.3.025

Letter of Expectation 2: Customer, Community and Engagement

Our commitment to our customers are central to all we do. Our investment in 2024–25 to upgrade our billing and customer service technology will come online in 2025–26, ensuring we are able to respond to our customers' needs more accurately and efficiently. In support of this, our new website will increase options for customers to interact with us, including updating information, payment of bills and information about works impacting their services.

We have designed an engagement campaign to ensure our customers are informed and aware of the changes taking place and have invested in additional customer support to help our community through the transition.

South Gippsland Water is highly engaged in the community through attendance and support at community events. This will continue through 2025–26. Our customer engagement strategy is currently being revised and will reflect the customer priorities identified in the development of our 2023 Price Submission. This will be available on our website.

We measure our performance based on our customer outcomes of integrity, environment, reliability, water quality and wastewater, as summarised below.

Integrity	Ensuring transparency with our pricing structure and keeping price as low as possible while maintaining reliable services
Environment	Continuing our emissions reduction path towards net zero emissions
Reliability	Commitments to repairing and replacing ageing infrastructure
Water	Investments in water system upgrades and ongoing monitoring to ensure water is clean and safe to consume
Wastewater	Providing safe wastewater services that contribute to the liveability of our communities

We measure our performance through customer surveys and performance measures agreed with our customers and the Essential Services Commission. We have ambitious targets for customer satisfaction, establishing a 91 per cent satisfaction target, which we continue to work towards achieving.

We have an increasing number of people in our communities struggling with cost-of-living pressures. We have listened to our community and acknowledge the importance of finding the right balance for our vulnerable community members. In 2023–24 we introduced new programs to support customers struggling to pay bills and have committed to expanding this support in 2025–26.

Our water prices will remain under the 2025–26 price limit as determined by the Essential Services Commission in our 2023 Price Determination due to our commitment to customer affordability. The 2025–26 tariffs are provided on page 32.



Table 4: Residential and non-residential bill estimates

Indicator	2024–25 (2024/25 \$Real)	2025–26 (2024/25 \$Real)	2026–27 (2024/25 \$Real)	2027–28 (2024/25 \$Real)	2028–29 (2024/25 \$Real)	2029–30 (2024/25 \$Real)
Residential bill – owner occupier (\$ real 2024/25) The annual expected bill for an owner-occupier with typical (average) water use in real 2024/25 dollars	1,324	1,370	1,417	1,466	1,525	1,586
Percentage change from prior year		3.5%	3.4%	3.5%	4.0%	4.0%
Residential bill – tenant (\$ real 2024/25) The annual expected bill for a tenant with typical (average) water use in real 2024/25 dollars	288	298	307	318	331	344
Percentage change from prior year		3.5%	3.0%	3.6%	4.1%	3.9%
Typical (average) water use (kL) assumed in owner-occupier and tenant bill calculations	120.82	120.82	120.82	120.82	120.82	120.82
Non-residential bill – business (\$ real 2024/25) The annual expected bill for a business using 3 ML per annum in real 2024/25 dollars	7,146	7,389	7,628	7,895	8,211	8,539
Percentage change from prior year		3.4%	3.2%	3.5%	4.0%	4.0%

Table 5: Customer responsiveness indicator targets

	ESC Code	2025–26 Target
Customer Responsiveness – water quality complaints No. of complaints per 100 customers	CRS 4	0.6
Customer Responsiveness – number of payment issue complaints No. of complaints per 100 customers	CRS 7	0.1
Customer Responsiveness – total complaints No. of complaints per 100 customers	CRS 3	2

Table 6: Projects related to LoE 2 in 2025–26

SGW-led Projects	Alignment to LoE
Revised Customer Engagement Strategy published on SGW website	2.4.2.001, 2.4.2.002, 2.4.2.003
Aligned ongoing work	Alignment to LoE
Progress towards meeting our targets for customer satisfaction	2.1.1.001, 2.1.1.002

Letter of Expectation 3: Recognise Aboriginal Values

South Gippsland Water will continue to engage with Bunurong Land Council Aboriginal Corporation and the Gunaikurnai Land and Waters Aboriginal Corporation whose traditional ownership includes the land on which we operate. The goal is to work towards formal partnership agreements and our organisation is committed to walking together with the Traditional Owners on this journey.

South Gippsland Water has recognised we have more work to do in building our cultural competencies. We recently adopted our Reflect Reconciliation Action Plan, which affirms our commitment to reconciliation and recognition, and our willingness to progress our organisation towards greater collaboration. In 2025–26, we will continue engaging with the Bunurong Land Council Aboriginal Corporation and the Gunaikurnai Land and Waters Aboriginal Corporation. We have invested in upskilling staff on cultural competence and will continue with this training in 2025–26. In partnership with the Gippsland Environmental Alliance we will work with the Gunaikurnai Land and Waters Aboriginal Corporation to help implement the Aboriginal Employment Strategy.

South Gippsland Water is a member of the Bass Coast Reconciliation Network (BCRN) alongside Bunurong Land Council, Bass Coast Shire Council, Bass Coast Health, Westernport Water, Myli, Phillip Island Nature Parks, West Gippsland Catchment Management Authority, Bass Coast and South Gippsland Reconciliation Group, and Aboriginal and Torres Strait Island Community Elders and Respected Peoples. The goal of the BCRN is to be publicly accountable in demonstrating the impacts of BCRN members' efforts and to measure the shared impact of the work each member contributes towards reconciliation in the region. There are a limited number of Aboriginal Community Controlled Organisations (ACCOs) with dedicated operations in the South Gippsland region. In 2025–26 we commit to exploring opportunities for collaboration with ACCOs and other service providers where possible.

In 2024–25 South Gippsland Water developed our Social Procurement Framework, which includes a focus on identifying opportunities to procure from Aboriginal and Torres Strait Islander organisations. The impacts of these changes to our procurement processes will be seen in 2025–26.

Table 7: Projects related to LoE 3 in 2025–26

SGW-led Projects	Alignment to LoE
Implementation of the Reflect Reconciliation Action Plan	3.1.1.003
Implementation of the Social Procurement Framework	3.2.1.003
Identification of and engagement with Aboriginal Community Controlled Organisations based across South Gippsland	3.2.1.001, 3.2.1.002
Aligned ongoing work	Alignment to LoE
Continued collaboration with the Bass Coast Reconciliation Network	
Review of Annual Report sections by Traditional Owners that include specific reference to Traditional Ecological Knowledge, values and well-being	3.1.1.003
Engagement with the Bunurong Land Council Aboriginal Corporation and the Gunaikurnai Land and Waters Aboriginal Corporation	3.1.1.003, 3.1.1.004

Letter of Expectation 4: Recognise Recreational Values

Community organisations access some of our reservoirs and assets for recreational purposes, including the Korumburra Golf Club, Leongatha and Poowong Angling Clubs, and the Poowong-Triholm Landcare Group. Our isolated water storages are vital to the water supply needs of communities in remote parts of South Gippsland. The protection of our water storage assets is a priority for South Gippsland Water.

South Gippsland Water water storages have not been included on the list of Determined Recreational Areas under the Water Act 1989. The South Gippsland region is filled with an abundance of opportunities for water recreation along our magnificent coastline. The Victorian State Government has recognised this by investing in upgrades to coastal boat ramps in Inverloch, Port Welshpool and Mahers Landing at Anderson Inlet, with future upgrades planned for Port Albert, Toora and Walkerville South.

South Gippsland Water is collaborating with Parks Victoria on water supply and sewerage service support for Tidal River in Wilson's Promontory National Park (the Prom). The Prom is one of the biggest holiday destinations in Victoria, attracting domestic and international visitors.

In 2025–26, South Gippsland Water will progress implementation of the development of guidelines for the occasional recreational use of reservoirs such as the community groups who currently access our sites. These guidelines will form part of our new website, expected to launch in late 2024–25. We will also continue to engage with our Community Advisory Committee on balancing the protection of our water supply assets with access to our facilities for recreational use.

Table 8: Projects related to LoE 4 in 2025–26

SGW-led Projects	Alignment to LoE
Information regarding restrictions and limited access for recreational purposes at South Gippsland Water reservoirs, including number of water storage recreational areas with Recreational Area Management Plans in place	4.1.1.003, 4.2.1.001, 4.3.1.001
Aligned ongoing work	Alignment to LoE
Continued collaboration with the Community Advisory Committee	4.4.1.001
Continued collaboration with Parks Victoria	4.4.1.001

Letter of Expectation 5: Resilient and Liveable Cities and Towns

South Gippsland Water continues to deliver our commitments around water efficiency, water reuse and recycling in the region. Projects underway in 2024–25 include detailed planning and investigations on reuse for Cape Paterson, Inverloch and Wonthaggi, and upgrade planning work for reuse opportunities at Meeniyar Wastewater Treatment Plant (WWTP). The Wonthaggi WWTP Environment Improvement Program includes the exploration of reuse schemes and exploring resource recovery options as part of our commitment to a circular economy. We are also reviewing and updating our waste management procedures and practices to identify further opportunities to design out waste and pollution and keep products and materials in use where possible.

In 2025–26, we will develop a priority list of actions to reduce water leakage in the coming years, including in the lead up to the next Price Submission. We will also continue to work on initiatives to help identify and protect our sewer systems from infiltration.

South Gippsland Water is an active participant and contributor in the Gippsland Region Integrated Water Management (IWM) Forum and the Westernport IWM Forum. These support the development of Strategic Direction Statements, outcomes and targets in urban water, sustainable water, waterways, and catchment management strategies and plans. Work

currently underway on the Meeniyar water reuse scheme which supports IWM objectives, will continue through 2025–26.

In 2025–26, we plan a major review of our activities related to the updated safe drinking water regulations including the development of a legislative compliance risk register, gap analysis and targeted improvement plan. We will also undertake Health Based Targets (HBT) assessments for Lance Creek and all systems to better understand the microbiological risks associated with source waters used for our drinking water supply. Work currently underway to review the Lance Creek Environmental Watering Program with the West Gippsland Catchment Management Authority is expected to continue in 2025–26. These projects complement our ongoing work around macroinvertebrate monitoring, which in 2025–26 will also include risk assessments on our treated effluent discharges and water abstraction systems.

South Gippsland Water maintains close working relationships with local government councils and developers on new housing developments. We aim to assess planning permit referrals within the expected timeframes and take a collaborative approach on issues where flexible solutions are required. In 2025–26, we will record housing development information to meet the reporting requirements outlined by DEECA.

Table 9: Biosolids targets

	2025–26	2026–27	2027–28	2028–29	2029–30
Percentage of biosolids mass reused* 5.3.1.003	85%	100%	100%	100%	100%
Forecast mass dry weight of biosolids produced (tonnes)** 5.3.1.004	220–250	220–250	220–250	220–250	220–250
Forecast mass dry weight of biosolids stored 5.3.1.005	0	0	0	0	0

* Targets from Essential Services Commission South Gippsland Water – Outcomes 2023–2028

** Forecast data on mass dry weight of biosolids produced provided in range only

Table 10: Projects related to LoE 5 in 2025–26

SGW-led Projects	Alignment to LoE
Wonthaggi WWTP Environment Improvement Program including exploration of improved reuse schemes	5.2.1.001, 5.2.1.002, 5.3.1.001
Meeniyah WWTP upgrades including increased reuse of recycled water	5.2.1.001, 5.2.1.002, 5.1.1.001, 5.1.1.002, 5.1.1.003, 5.1.1.004
Water leakage reduction plan – development	5.2.3.044
Review of safe drinking water regulations including HBT assessments	5.4.1.001, 5.4.1.002
DEECA-led Projects SGW will participate in	Alignment to LoE
Benchmarking water usage across business and industry in line with CGRSWS 2.7	5.2.1.003
Water Management Actions Plans in line with the CGRSWS	5.2.1.003
Aligned ongoing work	Alignment to LoE
Active participation and contributor to the Gippsland IWM and Westernport IWM Forums	5.1.1.006
Macroinvertebrate monitoring, including risk assessments	5.4.1.003
Active collaboration with the West Gippsland Catchment Management Authority, South Gippsland Landcare, local councils and other stakeholders in implementing programs to manage and protect catchments	5.4.1.003
Active collaboration and contribution towards CGRSWS priority actions	5.5.1.001
Active collaboration with local Councils and developers on new housing and estate planning	5.6.1.002, 5.6.1.003, 5.6.1.006

Letter of Expectation 6: Leadership, Diversity and Culture

South Gippsland Water recognises the importance of investing in our people, our greatest asset. Our three-year People and Culture Plan outlines the steps we will take to uplift skills and ensure we are prepared for the transformations underway to modernise our operations.

Our existing Equity, Inclusion and Diversity Strategic Plan (2021–2024) and our Gender Equity Action Plan (2022–2025) are published on our website. Development of the next Equity, Inclusion and Diversity Strategic Plan is currently underway and will be published before the end of 2024–25. Initial preparation for the 2025–2028 Gender Equity Action Plan has commenced and is expected to be completed during 2025–26.

South Gippsland Water continues to support an inclusive workplace. Since 2022–23 we have met our target for the share of women in executive officer roles (50 per cent) and remain committed to eliminating the gender pay gap.

In 2024–25, the South Gippsland Water board established the role of Independent Aboriginal Delegate, appointing Ms Kate Corrigan. Ms Corrigan has recently been appointed as a member of the Customer and Strategy Committee and the Safety, People and Culture Committee. The board continues to liaise with the Traditional Owners, the Bunurong Land Council Aboriginal Corporation and the Gunaikurnai Land and Waters Aboriginal Corporation on matters relating to the implementation of the Water is Life Roadmap. Two executive officers have completed cultural awareness training with further sessions for board members and employees taking place late in 2024–25. Cultural awareness training will continue to be delivered in 2025–26 by Gunaikurnai Land and Waters Aboriginal Corporation.

Table 11: Projects related to LoE 6 in 2025–26

SGW-led Projects	Alignment to LoE
Development of the 2025–2028 Equity, Inclusion and Diversity Strategic Plan	6.1.1.001
Implementation of our People and Culture 3 Year Plan	
Development of our 2025–2028 Gender Equity Action Plan	6.1.1.002
Implementation of new Enterprise Agreement (existing agreement expires 15 June 2025)	
DEECA-led Projects SGW will participate in	Alignment to LoE
Supporting a high target for participation in the Victorian Public Sector Commission (VPSC) People Matter Survey	6.1.1.005
Aligned ongoing work	Alignment to LoE
Implementing actions from our Equity, Inclusion and Diversity Strategic Plan	6.1.1.001
Implementing actions from our Gender Equity Action Plan	6.1.1.002
Maintain our high share of staff completing the VPSC People Matter Survey	6.1.1.005
Working in partnership with the Bunurong Land Council Aboriginal Corporation and the Gunaikurnai Land and Waters Aboriginal Corporation	

Letter of Expectation 7: Performance and Financial Management

South Gippsland Water maintains high aspirations around financial and operational performance in a challenging environment. We are bound by the expectations of a Government-owned entity to meet regulatory operational requirements and customer outcomes. Our short-term targets help drive us towards meeting our long-term goals around financial sustainability and maintaining high service standards for our customers and communities.

The next section provides more detail around our financial planning for 2025–26.

Table 12: Financial Performance Targets

	Indicator	2025–26	2026–27	2027–28	2028–29	2029–30
7.1.2.001	Financial Performance – Cash Interest Cover	1.75	2.08	2.06	2.12	2.11
7.1.2.006	Financial Performance – Gearing Ratio	26.1%	30.2%	32.6%	36.1%	40.4%
7.1.2.011	Financial Performance – Internal Financing Ratio	15.3%	23.4%	38.4%	28.9%	26.1%
7.1.2.016	Financial Performance – Current Ratio	0.40	0.41	0.47	0.44	0.43
7.1.2.021	Financial Performance – Return on Assets	-1.1%	-0.3%	-0.2%	0.0%	0.2%
7.1.2.026	Financial Performance – Return on Equity	-2.9%	-2.4%	-2.4%	-2.7%	-2.8%
7.1.2.031	Financial Performance – EBITDA Margin	24.6%	36.0%	39.1%	40.7%	43.3%

Table 13: Operational Performance Targets

	Indicator	2025–26	2026–27	2027–28	2028–29	2029–30
7.1.3.001	Water Network Reliability – Water Service – minutes off supply (unplanned) [^]	110	110	110	110	110
7.1.3.001	Water Network Reliability – Water Service – minutes off supply (planned) [^]	240	240	240	240	240
7.1.3.006	Water Network Reliability – Unplanned water supply interruptions* (percentage of customers receiving (5) unplanned interruptions in the year)	0.0%	0.0%	0.0%	0.0%	0.0%
7.1.3.011	Sewerage Network Reliability – Sewerage Service – sewer blockages (number of sewer blockages reported per 100km of sewer main)	18	18	18	18	18
7.1.3.016	Sewerage Network Reliability – Sewerage Service – sewer spills (number of sewer spills reported per 100km of sewer main)	28	28	28	28	28
7.1.3.021	Sewerage Network Reliability – Sewerage Service – containment of sewer spills (sewer spills from reticulation and branch sewers contained within 5 hours)	95%	95%	95%	95%	95%
7.1.3.046	Water Reuse – Recycled water – effluent treatment and reuse (proportion of water recycled as a percentage of the volume of effluent produced)	4%	4.5%	4.5%	4.5%	4.5%

[^] A combined target has not been developed: targets related to this indicator are separated to planned and unplanned

* Essential Services Commission South Gippsland Water – Outcomes 2023–2028

Table 14: Projects related to LoE 7 in 2025–26

SGW-led Projects	Alignment to LoE
Modernisation of financial management, billing and reporting systems to improve customer data and billing management and drive operational efficiencies	7.4.2.004
Regular review of financial and operational performance indicators	7.1.2.001, 7.1.2.006, 7.1.2.011, 7.1.2.016, 7.1.2.021, 7.1.2.026, 7.1.2.031, 7.1.3.001, 7.1.3.006, 7.1.3.011, 7.1.3.016, 7.1.3.021, 7.1.3.046
Aligned ongoing work	Alignment to LoE
Regular review of operational risk assessments including factors that might impact meeting targets and/or create significant financial risk	7.4.2.005
Review of factors that may impact debt management strategies	7.4.2.003

Additional areas of interest

South Gippsland Water is in the process of finalising the Cyber Security Action Plan as part of our commitment to reducing cyber security risk. The upgrades to our information systems in 2025–26 forms an important step in progressing our cyber security resilience.

Improvements underway to our customer and billing system will help protect customer data including those most at risk of experiencing family violence, financial hardship, or discrimination. We commit to working with DEECA on family violence governance guidelines and related indicators.



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Our financial plan

At a glance

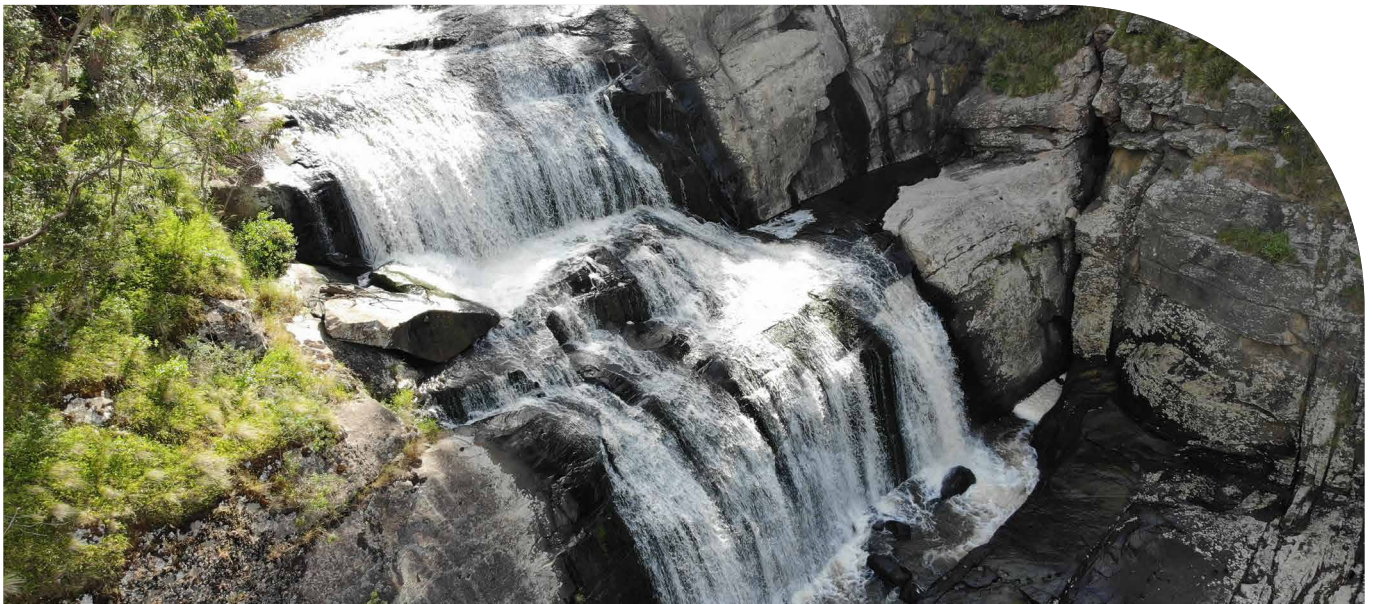
This Corporate Plan represents the third year of the Essential Services Commission's Regulatory Period Five, 2023–24 to 2027–28. The 2023 Price Determination continues our long-term plan to secure the future of our services, region, environment, and the resilience of our business and communities. The transformation program that commenced last year provides a focus on driving efficiency in delivering our programs and assists to reduce the risks associated across the organisation.

In the 2023 Price Submission, we committed to a \$7 million revenue gap over the five-year regulatory period, in order to keep our prices as low as possible. This revenue gap remains in this Corporate Plan period as we continue to manage the impacts of the shifting environment we operate in, with continuing uncertainty in economic activity and climate impacts. Price increases of 3.5 per cent (real) this financial year and for the subsequent two years of the Corporate Plan period have been approved by the Essential Services Commission.

On the balance sheet, the non-current loan amount is rising as we invest into infrastructure to meet the needs of the growing population, replace aging assets and address the challenges of climate change. This increased investment is also reflected in the depreciation and financing costs operational expenditure lines.

A summary of the key financial drivers behind our Corporate Plan is listed below. South Gippsland Water carries the upside or downside risk in all of these areas:

- Approval of 3.5%, 3.5%, and 3.5% real increases in tariffs to 2027–28. The increase in 2028–29 and 2029–30 has been forecast at 4% with any real increase to be established as part of the 2028 Price Submission (subject to regulatory assessment)
- 1.80% per annum water and wastewater residential customer growth
- Non-residential property connection growth of 0.53% per annum for water and 0.37% per annum for wastewater
- Average annual household water consumption of 121kL
- Wage inflation of 3.0% per annum
- 0.5% annual increase in the superannuation guarantee 2022–23 to 2025–26
- Borrowing forecast rates include 1.15% weighted average for the Financial Accommodation Levy (FAL), plus interest rates in line with Treasury Corporation Victoria forecast.
- Victorian State Budget Efficiency Savings payments of 3% of controllable operational expenditure to be paid in the 2025–26 financial year and in each of the subsequent years of the Corporate Plan.



Our capital program

The 2025–26 capital program is building on prudent capital planning program used to identify priority projects for the 2023 Price Submission. We are continuing to deliver upgrade projects to support growth in our region in the context of a changing climate. We are also renewing assets when necessary to maintain services standards for customers. In recent years we saw construction cost escalation outpacing CPI and impacting our capital program. Using an adaptive planning approach, we have reviewed our proposed investment program and have delayed projects in line with our risk appetite to reduce or counter cost increases in the projects we cannot delay. The proposed capital expenditure in comparison to the 2023 Price Determination is listed in Table 15.

Changes between the 2025–26 Corporate Plan and the Price Determination are largely due to:

- Some growth-driven investment was rescheduled from 2023–24 to 2024–25 (and beyond) due to the rate of development slowing in some towns – for example, growth-driven investment on sewer pump station upgrades in Wonthaggi.

- Rescheduled investment to renew the Venus Bay Outfall, a major asset used to service a single major industrial customer in Leongatha. The investment has been rescheduled following extensive negotiations with the major customer and agreement to stage the associated renewal works.
- A number of projects were deferred in 2024–25 and scheduled into 2025–26 to accommodate expenditure on South Gippsland Water's new finance, asset management and billing IT system in 2024–45.

Planned investment over the Corporate Plan period is shown in Table 16 below.

A significant increase in investment in the 2028–29 and 2029–30 financial years has been planned for construction of a major upgrade to Wonthaggi Wastewater Treatment Plant. This project is necessary infrastructure to support growth driven by the approved Wonthaggi North-East Precinct, which is projected to double the size of Wonthaggi in the decades to come.

Table 15: Capital investment comparison 2024–25 Corporate Plan vs 2024 Price Determination

	2023–24	2024–25	2025–26	2026–27	2027–28	Total
Corporate Plan	\$24.7M ¹	\$24.3M ²	\$33.1M	\$40.2M	\$23.6M	\$145.9M
Price Determination ³	\$38.4M	\$42.5M	\$23.7M	\$22.2M	\$20.4M	\$147.2M

1 Actual investment \$'s

2 FY24–25 Forecast Jan 2025

3 Escalated to 2025 \$'s

Table 16: Capital investment 2024–25 to 2028–29

	2025–26	2026–27	2027–28	2028–29	2029–30	Total
25–26 Corporate Plan	\$33.1M	\$40.2M	\$23.6M	\$40.8M	\$49.6M	\$187.3M

Demand, water allocation and supply availability

The demand analysis recently completed for our 2023 Price Submission has been generally adopted for the 2025–26 Corporate Plan and captured in our key financial drivers.

Residential water consumption of 121 kL per year (reflecting the 10-year average) has been forecast to continue. Consumption has fluctuated over recent years, dropping to a low of 116 kL/pa in 2021–22. South Gippsland Water's historic residential water consumption is consistently amongst the lowest in the state, due to the number of holiday homes and higher rainfall.

The continued volatile nature of the macroeconomic environment means that considerable uncertainty remains regarding demand forecasting. Our two biggest customers account for 22 per cent of water consumption and 14 per cent of regulated revenue. Our major customers' water consumption has been tested against recent consumption trends. In our 2023 Price Submission, forecasts for our largest customer in Leongatha were 970 ML per year for the 2023 to 2028 price period. This was at the top end of their long-term historical consumption and reflective of their three-year trend. Actual usage in the current financial year to February 2025 remains in line with the Corporate Plan 2024 budget (660 ML). A new major customer has taken over a previous customer's site and they continue to increase production. Their forecasts look strong into next financial year. We will continue to monitor fluctuations in major customer demand closely, which appears to have stabilised in 2024–25 after a couple of years of decline.

To ensure water security and supply for our customers, we are continuing to implement our Urban Water Strategy and deliver the projects identified in the 2023 Price Submission.

Customer bills

During price submission engagement we tested our proposed price path and bill impacts with customers. Customers and their advocates, particularly those already experiencing financial hardship, preferred a gradual price increase rather than a step-change in pricing. We adopted this approach in our 2023 Price Submission, adopting a price path of 2.5%, 2.5%, 3.5%, 3.5%, 3.5% for the 2024 to 2028 price period. In 2024–25 we have been able to pass on a decrease in our volumetric fees through savings realised from not proceeding with a purchase of new bulk water entitlement in the Yarra-Thomson system.

The current economic climate continues to put pressure on household spending. This means that strengthening supports for customers experiencing vulnerability is vital. Building on our existing programs, in 2025–26 we will continue our customer support program to residential customers, non-residential customers and small businesses. Our co-payment program, in which we match vulnerable customers payments after a successful payment plan, commenced in 2023–24 and will continue as part of our proactive support for vulnerable customers.

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Financial details and performance

Material changes from 2024–25 Corporate Plan

Revenue

A CPI uplift of 2.4 per cent has been assumed for 2025–26, in line with the Reserve Bank of Australia's actual CPI for the 12 months to February 2025.

Residential volume charges are \$0.6M lower than the Corporate Plan 2024 for the 2025–26 financial year. This is largely as a result of the reduced volume tariff from 1st July 2024. Major customer volume revenue is also impacted, which is offset by more favourable volume estimates for 2025–26.

South Gippsland Water is expecting a \$3.2M reduction in capital income from gifted assets over the forecast period. This is based on updates to developers' plans for water and sewer asset construction on new subdivisions, due to the continued downturn in building and land development activity.

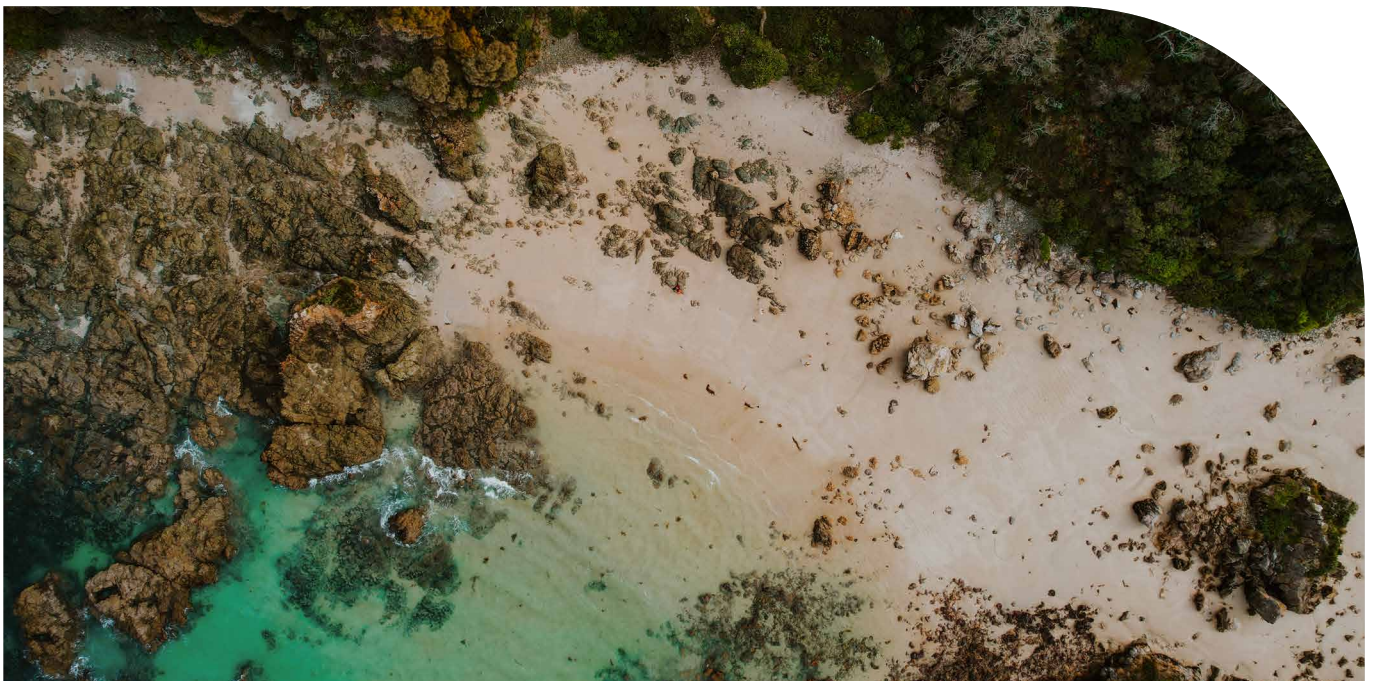
Operating Costs

Salaries and oncosts will increase in 2025–26 by \$1.0M as a result of assumptions made regarding wage increases, statutory increases such as superannuation and other changes pending negotiation of the new EBA effective from the end of 2025.

Financing costs for 2025–26 are expected to remain in line with the 2024 Corporate Plan for the same period. However, adjustments to the long-term capital program have increased the level of debt in the following years. This coupled with interest rates remaining higher for longer than initially predicted, results in an increased interest cost of \$5.0M over the five-year period.

Depreciation is forecast to increase by \$3.2M for 2025–26 financial year compared to the 2024 Corporate Plan, following a desktop infrastructure asset revaluation on 30th June 2024. Over the five-year rolling period the increase in depreciation is \$26.7M.

The transformation budget within Other Expenses is \$1.1M higher due to the balance of our IT modernisation project now being included in operational expenditure. This project was budgeted within the capital program in the 2024 Corporate Plan.



Operating Statement

The table below details the projected operating statement for 2025–26 to 2029–30. Refer to Appendix A for a quarterly breakdown of the 2025–26 financial year.

Table 17: SGW operating Statement 2025–26 to 2029–30

PROFIT AND LOSS \$'000	FY24/25 Forecast Jan25	FY25/26 Budget	FY26/27	FY27/28	FY28/29	FY29/30
Service Charges	21,986	23,758	25,769	27,919	30,395	33,091
Volume Charges	11,242	11,908	13,383	14,471	15,571	16,965
Trade Waste	4,984	5,106	5,422	5,677	5,955	6,252
Capital Income	3,493	3,275	3,956	4,369	4,621	4,772
Other	1,233	1,553	1,596	1,647	1,702	1,483
TOTAL REVENUE	42,939	45,600	50,125	54,083	58,244	62,563
Salary and Oncosts	14,555	16,016	15,157	15,612	16,080	16,563
Financing Costs	7,096	7,534	10,231	11,163	12,842	15,080
Depreciation	21,017	19,030	20,320	22,249	23,895	25,428
Other Expenses	21,447	18,385	16,981	17,420	18,525	18,991
TOTAL COSTS	64,115	60,965	62,689	66,445	71,342	76,062
SURPLUS / (DEFICIT)	(21,176)	(15,366)	(12,564)	(12,362)	(13,098)	(13,499)
Tax expense	5,294	3,841	3,141	3,090	3,274	3,375
NET PROFIT / (LOSS) AFTER TAX	(15,882)	(11,524)	(9,423)	(9,271)	(9,823)	(10,124)

Cash Flow Statement

Table 18: SGW Cash Flow Statement 2025–26 to 2029–30

CASHFLOW \$'000	FY24/25 Forecast Jan25	FY25/26 Budget	FY26/27	FY27/28	FY28/29	FY29/30
Total Cash Receipts from Operations	46,354	48,684	54,240	56,731	62,483	68,071
Total Cash Payments from Operations	(46,664)	(43,010)	(43,189)	(44,854)	(48,147)	(51,376)
Net Cash provided/(used) by Operating Activities	(310)	5,674	11,051	11,877	14,336	16,695
Proceeds from Sale of Assets	275	275	275	275	275	275
Payments for Non-Current Assets	(25,045)	(37,440)	(47,419)	(31,200)	(49,920)	(64,185)
Net Cash provided/(used) in Investing Activities	(24,770)	(37,165)	(47,144)	(30,925)	(49,645)	(63,910)
Proceeds/(Repayments) from Borrowings	27,600	30,250	37,000	20,000	36,000	48,000
Efficiency Savings Payment	(600)	(900)	(900)	(900)	(900)	(900)
Contractors deposits	(35)	109	89	(174)	208	121
Net Cash provided/(used) from Financing Activities	26,965	29,459	36,189	18,926	35,308	47,221
Net Increase / (Decrease) in Cash	1,885	(2,032)	96	(122)	()	6
Beginning Cash	645	2,530	498	594	473	473
ENDING CASH	2,530	498	594	473	473	478

Balance Sheet

Table 19: SGW Balance Sheet Statement 2025–26 to 2029–30

BALANCE SHEET \$'000	FY24/25 Forecast Jan25	FY25/26 Budget	FY26/27	FY27/28	FY28/29	FY29/30
Cash and Bank	2,530	498	594	473	473	478
Receivables	2,322	2,509	2,703	2,911	3,132	3,388
Other current assets	4,072	4,093	4,418	4,642	4,912	5,208
Total Current Assets	8,924	7,100	7,716	8,026	8,517	9,074
Receivables-Long term	159	129	99	69	39	
Fixed Assets	639,335	653,479	674,450	683,910	703,150	735,072
WIP	5,657	7,991	11,073	6,369	11,078	13,665
Deferred Tax Assets	26,590	30,431	33,572	36,663	39,937	43,312
Total Non-Current Assets	671,741	692,031	719,194	727,011	754,204	792,049
TOTAL ASSETS	680,665	699,131	726,911	735,037	762,721	801,123
Loans – Current	7,106	7,106	7,106	7,106	7,106	7,106
Provisions	5,181	4,887	5,164	5,320	5,381	5,421
Other payables	4,690	5,768	6,592	4,734	7,081	8,467
Total Current Liabilities	16,977	17,760	18,862	17,160	19,567	20,994
Loans – Non-Current	145,100	175,350	212,350	232,350	268,350	316,350
Provisions	326	326	326	326	326	326
Deferred Tax Liabilities	110,539	110,539	110,539	110,539	110,539	110,539
Total Non-Current Liabilities	255,965	286,215	323,215	343,215	379,215	427,215
TOTAL LIABILITIES	272,942	303,975	342,077	360,375	398,782	448,209
NET ASSETS	407,723	395,156	384,833	374,662	363,939	352,915
TOTAL EQUITY	407,723	395,156	384,833	374,662	363,939	352,915

Financial Performance Indicators

Table 20: Key Performance Indicators 2025–26 to 2029–30

KEY RATIOS	FY25/26 Budget	FY26/27	FY27/28	FY28/29	FY29/30
Interest Cover (Cash)	1.75	2.08	2.06	2.12	2.11
Gearing Ratio	26.1%	30.2%	32.6%	36.1%	40.4%
Debt Cover (Cash)	7.2%	9.7%	9.6%	9.9%	9.8%
Internal Financing Ratio	15.3%	23.4%	38.4%	28.9%	26.1%
Current Ratio	0.40	0.41	0.47	0.44	0.43
Quick Ratio	0.58	0.56	0.80	0.57	0.51
Interest Cover (EBIT)	-1.04	-0.23	-0.11	-0.02	0.10
Debt / Equity	46%	57%	64%	76%	92%
Return on Assets	-1.1%	-0.3%	-0.2%	0.0%	0.2%
Return on Equity	-2.9%	-2.4%	-2.4%	-2.7%	-2.8%

Operational Performance

Table 21: Service Standards 2025–26 to 2029–30

Water and Sewerage Network Reliability	2025/26 Target	2026/27 Target	2027/28 Target	2028/29 Target	2029/30 Target
Water Service – minutes off supply (unplanned)^ how many minutes on average a customer was without water supply during a year	110	110	110	110	110
Water Service – minutes off supply (planned)^ how many minutes on average a customer was without water supply during a year	240	240	240	240	240
Unplanned water supply interruptions percentage of customers receiving (5) unplanned interruptions in the year	0.0%	0.0%	0.0%	0.0%	0.0%
Sewerage Service – sewer blockages number of sewer blockages reported per 100 kilometres of sewer main	18	18	18	18	18
Sewerage Service – sewer spills number of sewer spills reported per 100 kilometres of sewer main	28	28	28	28	28
Sewerage Service – containment of sewer spills Sewer spills from reticulation and branch sewers contained within 5 hours	95%	95%	95%	95%	95%
Water Reuse – Recycled water – effluent treatment and reuse (proportion of water recycled as a percentage of the volume of effluent produced)	4%	4.5%	4.5%	4.5%	4.5%

Customer Responsiveness	2025/26 Target
Customer Responsiveness – water quality complaints No. of complaints per 100 customers	0.6
Customer Responsiveness – number of payment issue complaints No. of complaints per 100 customers	0.1
Customer Responsiveness – total complaints No. of complaints per 100 customers	2

* Completion of planned works Foster Wastewater Treatment Plant 2025–26

^ A combined target has not been developed: targets related to this indicator are separated to planned and unplanned

Published tariff schedules for South Gippsland Water

The following tariff schedule includes the ESC approved price increase from the 2023 Price Determination and excludes CPI and Cost of Debt adjustments. All prices are provided in \$2024–25.

Table 22: Tariff and Price Component (\$2024–25)

Tariff and Price Component (\$2024–25)	2025–26 (1 Jul 2025)	2026–27 (1 Jul 2026)	2027–28 (1 Jul 2027)	2028–29* (1 Jul 2028)	2029–30* (1 Jul 2029)
1.1 Water access fees (per annum)					
Access fee – Developed	420.06	434.76	449.97	467.97	486.69
Access fee – Undeveloped	420.06	434.76	449.97	467.97	486.69
Access fee – Agreements	378.09	391.32	405.01	421.21	438.06
Access fee – Concessional	336.94	348.73	360.93	375.37	390.38
1.2 Water usage charges (per kL)					
Volumetric fee – [major industrial customer]	2.9859	3.0826	3.1904	3.3180	3.4507
Volumetric fee – All Others	2.4630	2.5428	2.6317	2.7370	2.8464
Unmetered Fee					
Based on 15kL per bill at the new volume fee	101.35	104.63	108.29	112.62	117.13
1.3 Sewerage access fees (per annum)					
Residential and non-residential (cistern and trade waste not applicable)					
Access fee – Developed	651.92	674.73	698.34	726.27	755.32
Access fee – Undeveloped	368.84	381.74	395.10	410.90	427.34
1.4 Cistern access and disposal fees (per annum)					
Non-residential with multiple cisterns					
1 – 2 Cisterns	221.96	229.72	237.76	247.27	257.16
3 – 5 Cisterns	583.92	604.35	625.50	650.52	676.54
6 – 10 Cisterns	1130.76	1170.33	1211.29	1259.74	1310.13
11 – 15 Cisterns	1810.62	1873.99	1939.57	2017.15	2097.84
16 – 20 Cisterns	3019.07	3124.73	3234.09	3363.45	3497.99
21 – 26 Cisterns	4321.12	4472.35	4628.88	4814.04	5006.60
27 – 35 Cisterns	5296.43	5481.80	5673.66	5900.61	6136.63
36 – Greater Cisterns	6052.03	6263.85	6483.08	6742.40	7012.10
Cistern volume disposal charge					
Volume Charge (per kL)	2.6422	2.5529	2.6422	2.7479	2.8578

Table 22: Tariff and Price Component (\$2024–25) (continued)

Tariff and Price Component (\$2024–25)	2025–26 (1 Jul 2025)	2026–27 (1 Jul 2026)	2027–28 (1 Jul 2027)	2028–29* (1 Jul 2028)	2029–30* (1 Jul 2029)
1.5 Minor trade waste fees					
Non-residential with trade waste parameters (standard terms and conditions)					
Application fees (per application)					
Category 1	169.10	175.01	181.13	188.38	195.91
Category 2	269.79	279.23	289.00	300.56	312.58
Category 3	493.89	511.17	529.06	550.22	572.23
Minor trade waste access fees (per annum)					
Access fee – Category 1	901.00	932.53	965.16	1003.77	1043.92
Access fee – Category 2	1196.86	1238.75	1282.10	1333.38	1386.72
Access fee – Category 3	1484.76	1536.72	1590.50	1654.12	1720.28
Minor trade waste disposal charge (per kL)					
Volumetric fee – All Others	1.2625	1.22	1.26	1.31	1.37
Quality fees (per kg)					
BOD	0.9325	0.97	0.93	0.97	1.01
SS	0.8799	0.91	0.88	0.92	0.95
Nitrogen	3.9403	4.08	3.94	4.10	4.26
Phosphorous	22.4499	23.24	22.45	23.35	24.28
Other fees					
Treatment violation fee	404.64	418.80	433.45	450.79	468.82
Asset protection fee	1973.97	2043.05	2114.55	2199.13	2287.10
Additional sampling (per sample) at cost recovery	At cost	At cost	At cost	At cost	At cost
Exceedance fees (per kg)					
Oil & Grease	0.1356	0.14	0.14	0.14	0.14
Sodium	0.1356	0.14	0.14	0.14	0.14
TOS	0.9717	0.97	0.97	0.97	0.97
1.6 Backflow (SGW Supplied)					
20mm	447.30	462.95	479.15	498.32	518.25
25mm	492.70	509.94	527.78	548.89	570.85
32mm	589.46	610.09	631.44	656.70	682.97
40mm	615.81	637.36	659.66	686.05	713.49
50mm	759.97	786.56	814.08	846.64	880.51
80mm	1253.39	1297.25	1342.65	1396.36	1452.21
100mm	1601.28	1657.32	1715.32	1783.93	1855.29
150mm	1656.93	1714.92	1774.94	1845.94	1919.78
Backflow Application Fee	351.94	351.94	351.94	351.94	351.94

Table 22: Tariff and Price Component (\$2024–25) (continued)

Tariff and Price Component (\$2024–25)	2025–26 (1 Jul 2025)	2026–27 (1 Jul 2026)	2027–28 (1 Jul 2027)	2028–29* (1 Jul 2028)	2029–30* (1 Jul 2029)
1.7 Fire Service Fees					
Inspection Fee	101.45	105.00	108.67	113.02	117.54
20mm	101.45	105.00	108.67	113.02	117.54
25mm	101.45	105.00	108.67	113.02	117.54
32mm	101.45	105.00	108.67	113.02	117.54
40mm	101.45	105.00	108.67	113.02	117.54
50mm	101.45	105.00	108.67	113.02	117.54
80mm	101.45	105.00	108.67	113.02	117.54
100mm	101.45	105.00	108.67	113.02	117.54
150mm	101.45	105.00	108.67	113.02	117.54
Reseal Fee	328.71	340.21	352.11	366.19	380.84
Additional Meter	28.26	29.24	30.26	31.47	32.73
1.8 New customer contributions					
Water (all customers)					
All lot sizes	2791.88	2791.88	2791.88	2791.88	2791.88
Sewer (all customers)					
All lot sizes	2791.77	2791.77	2791.77	2791.77	2791.77
Pressure sewer systems (negotiated fee in addition to standard fee) e.g. Poowong Loch, Nyora and Alberton					
Infrastructure charge – cost recovery per connection	At cost	At cost	At cost	At cost	At cost
1.9 Miscellaneous fees and charges					
Property information statements	69.51	69.51	69.51	69.51	69.51
Special meter readings	53.43	53.43	53.43	53.43	53.43
As constructed charge	87.19	87.19	87.19	87.19	87.19
Tapping fee (20mm)	480.54	480.54	480.54	480.54	480.54
Plumbing Industry Commission (PIC) Fee (standard)	269.79	269.79	269.79	269.79	269.79
Sewer cut-in	913.35	945.31	978.39	1017.53	1058.23
Standpipe water sales					
– registered users	8.5354	8.83	9.14	9.51	9.89
– non-registered users	11.3807	11.78	12.19	12.68	13.19
Septic tank waste receipt (kL)	35.69	36.93	38.22	39.75	41.34
Non Core Miscellaneous Services	At cost	At cost	At cost	At cost	At cost

* 2028–29 and 2029–30 tariffs will form part of the 2028 price submission to the ESC and are considered estimates only.
A +4% PPM increase has been applied.



Appendix A: Supporting Financial Information

Table 23: Customer Pricing Impacts

Indicator \$2024/25 (real)	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
C1.2.1 Residential bill – owner occupier (\$2024/25 (real))	1,324	1,370	1,417	1,466	1,525	1,586
Percentage Increase from prior year		3.5%	3.4%	3.5%	4.0%	4.0%
C1.2.2 Residential bill – tenant (\$2024/25 (real))	288	298	307	318	331	344
Percentage Increase from prior year		3.5%	3.0%	3.6%	4.1%	3.9%
Typical (average) water use (kL) assumed in owner-occupier and tenant bill calculations	120.82	120.82	120.82	120.82	120.82	120.8

Table 24: 2025–26 Operating Statement - quarterly breakdown

PROFIT AND LOSS \$'000	Q1 FY25/26	Q2 FY25/26	Q3 FY25/26	Q4 FY25/26	Total FY25/26
Service Charges	5,901	5,920	5,949	5,987	23,758
Volume Charges	2,791	3,008	3,353	2,756	11,908
Trade Waste	1,286	1,286	1,261	1,273	5,106
Capital Income	819	819	819	819	3,275
Other	389	391	390	384	1,553
TOTAL REVENUE	11,185	11,424	11,771	11,219	45,600
Salary and On-costs	4,037	4,037	3,949	3,993	16,016
Financing Costs	1,806	1,806	1,961	1,961	7,534
Depreciation	4,797	4,797	4,692	4,744	19,030
Other Expenses	4,595	4,634	4,586	4,570	18,385
TOTAL COSTS	15,234	15,274	15,188	15,269	60,965
SURPLUS / (DEFICIT)	(4,049)	(3,850)	(3,417)	(4,050)	(15,366)
Tax expense	1,012	962	854	1,012	3,841
NET PROFIT / (LOSS) AFTER TAX	(3,037)	(2,887)	(2,563)	(3,037)	(11,524)

Table 25: 2025–26 Cash Flow Statement – quarterly breakdown

CASHFLOW \$'000	Q1 FY25/26	Q2 FY25/26	Q3 FY25/26	Q4 FY25/26	Total FY25/26
Total Cash Receipts from Operations	12,400	8,224	13,440	14,619	48,684
Total Cash Payments from Operations	(11,091)	(10,514)	(10,867)	(10,537)	(43,010)
Net Cash provided/(used) by Operating Activities	1,309	(2,290)	2,573	4,082	5,674
Proceeds from Sale of Assets	69	69	69	69	275
Payments for Non-Current Assets	(9,338)	(9,407)	(8,219)	(10,477)	(37,440)
Net Cash provided/(used) in Investing Activities	(9,269)	(9,338)	(8,150)	(10,408)	(37,165)
Proceeds/(Repayments) from Borrowings	6,150	11,850	5,700	6,550	30,250
Efficiency Savings Payment	(225)	(225)	(225)	(225)	(900)
Contractors' deposits	27	27	27	27	109
Net Cash provided/(used) from Financing Activities	5,952	11,652	5,502	6,352	29,459
Net Increase / (Decrease) in Cash	(2,008)	24	(75)	26	(2,032)
Beginning Cash	2,530	522	547	472	2,530
ENDING CASH	522	547	472	498	498

Table 26: 2025–26 Balance Sheet – quarterly breakdown

BALANCE SHEET \$'000	Q1 FY25/26	Q2 FY25/26	Q3 FY25/26	Q4 FY25/26	Total FY25/26
Cash and Bank	353	103	47	498	498
Receivables	3,560	13,568	3,105	2,524	2,524
Other current assets	3,786	3,124	8,022	4,078	4,078
Total Current Assets	6,992	16,588	11,174	7,100	7,100
Receivables-Long term	157	149	142	134	134
Fixed Assets	645,108	646,481	646,989	653,474	653,474
WIP	4,191	1,926	5,105	7,991	7,991
Deferred Tax Assets	27,602	28,565	29,419	30,431	30,431
Total Non-Current Assets	677,058	677,121	681,655	692,031	692,031
TOTAL ASSETS	684,051	693,709	692,828	699,131	699,131
Loans – Current	7,106	7,106	7,106	7,106	7,106
Provisions	5,181	4,887	4,887	4,887	4,887
Other payables	5,387	6,363	7,077	5,768	5,768
Total Current Liabilities	17,674	18,356	19,070	17,760	17,760
Loans – Non-Current	150,150	162,000	167,700	175,350	175,350
Provision	326	326	326	326	326
Deferred Tax Liabilities	110,539	110,539	110,539	110,539	110,539
Total Non-Current Liabilities	261,015	272,865	278,565	286,215	286,215
TOTAL LIABILITIES	278,689	291,221	297,635	303,975	303,975
NET ASSETS	405,362	402,489	395,193	395,156	395,156
TOTAL EQUITY & RESERVES	405,362	402,489	395,193	395,156	395,156

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Appendix B: Sensitivity Analysis

Water consumption fluctuations increased operational costs and increased capital expenditure has the greatest impact on operating surplus/(deficit), cash flows, and the ESC indicator benchmarks.

Sensitivity analysis has been undertaken on the following scenarios:

- Lower water consumption – water consumption is reduced by five per cent per annum over the forecast period
- Higher water consumption – water consumption is increased by five per cent per annum over the forecast period
- Higher operational expenditure – costs are increased by 10 per cent per annum
- Higher capital expenditure – capital expenditure is increased by 20 per cent per annum

The impact of these scenarios on surplus/(deficit) before tax and the ESC benchmark indicators over the forecast period are provided in the table below:

Table 27: Sensitivity analysis

Surplus / (Deficit) Before Tax \$000's	FY25/26 Budget	FY26/27	FY27/28	FY28/29	FY29/30
Base	(15,366)	(12,564)	(12,362)	(13,098)	(13,499)
Lower residential water consumption	(15,666)	(12,892)	(12,720)	(13,476)	(13,918)
Higher residential water consumption	(15,065)	(12,236)	(12,004)	(12,719)	(13,080)
Higher operational expenditure	(21,462)	(19,404)	(19,924)	(21,539)	(22,824)
Higher capital expenditure	(15,515)	(13,898)	(13,898)	(15,352)	(16,589)
Interest Cover (Cash)	FY25/26 Budget	FY26/27	FY27/28	FY28/29	FY29/30
Base	1.75	2.08	2.06	2.12	2.11
Lower residential water consumption	1.72	2.05	2.03	2.09	2.08
Higher residential water consumption	1.78	2.11	2.10	2.15	2.13
Higher operational expenditure	1.02	1.39	1.36	1.42	1.44
Higher capital expenditure	1.84	2.02	1.93	1.95	1.91
Gearing Ratio	FY25/26 Budget	FY26/27	FY27/28	FY28/29	FY29/30
Base	26.10%	30.19%	32.58%	36.11%	40.38%
Lower residential water consumption	26.11%	30.21%	32.61%	36.16%	40.44%
Higher residential water consumption	26.09%	30.17%	32.54%	36.07%	40.31%
Higher operational expenditure	26.80%	31.73%	35.02%	39.44%	44.50%
Higher capital expenditure	26.70%	31.640%	34.65%	38.90%	43.89%
Internal Financing Ratio	FY25/26 Budget	FY26/27	FY27/28	FY28/29	FY29/30
Base	15.27%	23.44%	38.41%	28.88%	26.12%
Lower residential water consumption	14.66%	22.76%	37.27%	28.13%	25.48%
Higher residential water consumption	15.87%	24.12%	39.54%	29.62%	26.67%
Higher operational expenditure	0.50%	8.97%	14.06%	11.95%	11.58%
Higher capital expenditure	14.29%	19.76%	30.66%	22.98%	20.45%

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Appendix C: Delivering our Price Submission 2028 Customer Outcomes

We place customers at the centre of our business. Our plans are derived from the areas our customers value most. These customer priorities and commitments are the cornerstone of our 2023 Price Submission. The commitments are delivered in parallel to the Minister's Letter of Expectations.

Delivering on our 2023 Price Submission

Customer Outcome	Our commitment
 Water Provide safe, clean drinking water	<ul style="list-style-type: none"> • Continue to renew and update our water delivery systems across the region • Invest to renew aging water treatment plants with a focus on water taste and odour • Invest in initiatives to provide long-term water security • Continue scheduled maintenance programs for our pipes to prevent discolouration
 Reliability We will plan for the future, be reliable and minimise unplanned interruptions to services	<ul style="list-style-type: none"> • Continue our infrastructure renewals program for wastewater and water reticulation systems • Implement programs for water security • Continue to build maturity in our ICT SCADA program • Review performance and adapt as required to continue to provide reliable services
 Wastewater Provide a safe wastewater service that contributes to the liveability of our communities	<ul style="list-style-type: none"> • Cater for growth areas and continue our sewer systems upgrade and renewal program • Undertake preventative maintenance programs to reduce wastewater blockages and spills to ensure compliance • Upgrade wastewater treatment plants and assets
 Environment Be environmentally sustainable and adapt to a future impacted by climate variability	<ul style="list-style-type: none"> • Implement our Carbon Neutrality Roadmap • Work with industry partners on emissions reduction and environmental programs • Promote water efficiency across the region • Actively participate in water re-use programs • Assist customers to save water through our Community Rebate Scheme
 Integrity We will act with honesty, respect, and strive to balance affordability, value-for-money, and fairness	<ul style="list-style-type: none"> • Extend our support policy and programs to support residential and non-residential customers • Increase proactive engagement with community support agencies • Introduction of a new Water Quality Guaranteed Service Level • Introduction of a new SMS communication process

