



Southern Rural Water Annual Report 2020-21



Responsible Body Declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present Southern Rural Water's Annual Report for the year ending 30 June 2021



DIANE JAMES AM

Chairman
Gippsland and Southern Rural Water Corporation
Dated on 7 September 2021

About this report

This Annual Report has been prepared for the financial year 1 July 2020 to 30 June 2021

This report is prepared in Adobe PDF format and is available for download as an A4 document.

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Highlights



Chairman's and Managing Director's Report

We present this Annual Report of the activities and performance of Southern Rural Water in 2020-21. We acknowledge the Traditional Owners and custodians of the land and waters on which we operate across southern Victoria, and we pay our respects to their Elders, past, present and emerging.



Southern Rural Water services the needs of a diverse range of customers across 88,000 square kilometres, regulating access to surface water, groundwater and managing irrigation districts and storages. Our 2020-21 Annual Report covers a period of continued unparalleled disruption through the global coronavirus (COVID-19) pandemic. In addition to this, in June this year, Gippsland experienced the worst flooding in the region since 2012.

Through these challenges, we have reliably delivered the essential services Victorians need, such as water for food production, power generation and managing the raw water securing urban water supplies. This has been achieved through the great work and commitment of our people, who have been able to adapt quickly to the needs of the time and maintained our critical services for our customers and the community.

Our large geographic and operational spread means our customers experience a wide variety of climate conditions across the different water sources. Whether our customers are river diverters, groundwater extractors or entitlement holders in our irrigation districts, access to water affects their ability to meet their business objectives. This reinforces our focus on building

resilience into our systems and services and on ensuring we get the best outcomes from our business decisions.

In 2020-21, we launched a new Corporate Strategy with a vision of “great value for customers and community through excellence in rural water management” further enhancing our focus on customers and community. This has been demonstrated through our continued and uninterrupted delivery of services through a very challenging year. We have continued to deliver on our modernisation projects in the Macalister, Werribee and Bacchus Marsh Irrigation Districts, driving more efficient systems for our customers.

In 2020-21 we are proud to have delivered the following highlights:

- The \$65m Macalister Irrigation District Phase 1B program of works is now fully operational, spanning 38 km of pipeline in the Southern Tinamba Supply System. We are proud to have received an Australian Water Association high commendation award for “Customer Experience” on this project. This means that our customers in the MID will have 10 GL additional water available through savings.
- The completion of a new automated trash screen in our Werribee Irrigation District, was a project where we worked closely with the Level Crossing Removal Project, and is providing operational efficiency and safety benefits for our staff.
- We continue to work closely with partners in the south west of our region and have been a representative on the “Realising our water opportunities” Committee in collaboration with Food and Fibre Great South Coast, Wannon Water, Glenelg Hopkins CMA and local irrigators.

- consistent with announcements made by the Minister for Water, we issued Victoria's first licensed allocation of water to Traditional Owners. This involved the issuing of a licence for 2 GL/year of winterfill water in the Mitchell River to the Gunaikurnai Land and Waters Aboriginal Corporation, a significant step in recognising Traditional Owner rights to water.
- we completed the \$1.5m replacement of an ageing siphon in the Macalister Irrigation District on the Upper Main Southern Channel with a reinforced concrete flumes
- we met or exceeded the majority of our delivery efficiency targets for irrigation, groundwater and rivers and for the operation of our major storages
- we provided access to an additional 2 GL of Mitchell River winterfill water on the open market which was taken up by 24 local irrigators
- we exceeded our targets for greenhouse gas emissions reduction and we are on track for zero carbon emissions by 2025

- we exceeded the target for processing times for applications across all regions and services providing our customers with consistency and fairness in our decision making.
- our storages continue to enjoy strong recreational visitor numbers and have provided a place for community connection during this challenging year, in particular with the completion of the all-abilities playground at Blue Rock dam.

Our Corporate Strategy, launched in September 2020, has “Our People” at the centre, recognising that it is our people that deliver on our aspirations and bring our strategy to life. Our focus as a business has been on enabling us to be flexible, agile and collaborative. We are taking advantage of the things learned during the pandemic response, including expanded use of technology and more flexible work environments, to deliver great value for customers and communities.

Our board continued to lead on culture and safety. A key focus for the board has been the review of critical safety risks, improved safety reporting and risk identification across the organisation.



Acknowledgments

We value the support from customers, communities and the many stakeholders who work with us to enable us to provide great service, particularly the highly committed people on our customer committees.

We thank the Minister for Water and Acting Minister for their continued interest in, and support for, the sector, and the Department of Environment, Land, Water and Planning for its support and focus on improvement for all water customers.

In April 2021, we farewelled board director Angus Hume AM, who has had a long career across the water and natural resources sector. We thank Angus for his contribution.

In closing, we would like to thank our directors and staff for their excellent work over the course of the year in delivering these outcomes.



DIANE JAMES AM
Chairman



CAMERON FITZGERALD
Managing Director

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About Us



Who we are

Gippsland and Southern Rural Water Corporation, trading as Southern Rural Water (SRW), serves customers across 88,000 square kilometres, or 37 per cent of the state, stretching from the South Australian border to the New South Wales border, and from the Great Dividing Range to the Victorian coast.

Within this wide geographic area, SRW operates irrigation districts and manages take and use licences from waterways, licences relating to catchment dams, farm dam registrations, the seven major storage dams and eight diversion weirs.

We are proud to be the lifeblood of the agricultural economy of southern Victoria. Our services support a food and fibre sector that contributes more than \$14.2 billion to the economy each year. With approximately \$1.4 billion in assets, we deliver water from catchment to farm gate, businesses and industry. As regulators of surface and groundwater, we provide fair, equitable and sustainable access to water resources.

We employ 160 people, with business centres located in Maffra, Werribee, Ringwood and Warrnambool, and smaller offices scattered across our regions, to ensure we remain closely connected to our customers across our whole region. (See SRW's operational area map, on the following page).

What we do

The water we harvest, store, manage and license is primarily for agricultural, urban and industrial purposes. Water shares are held by individual customers within the districts, and transactions are recorded in the Victorian Water Register.

Bulk entitlements are held by power generation companies, urban and regional water corporations for raw water to treat for urban supplies, and by the Victorian Environmental Water Holder (VEWH).

Irrigation Districts

SRW manages the delivery of water to the Macalister Irrigation District (MID) in central Gippsland, which supports predominantly dairy, beef and horticulture businesses, and the Werribee Irrigation District (WID) and Bacchus Marsh Irrigation Districts (BMID) west of Melbourne, which support horticulture businesses.

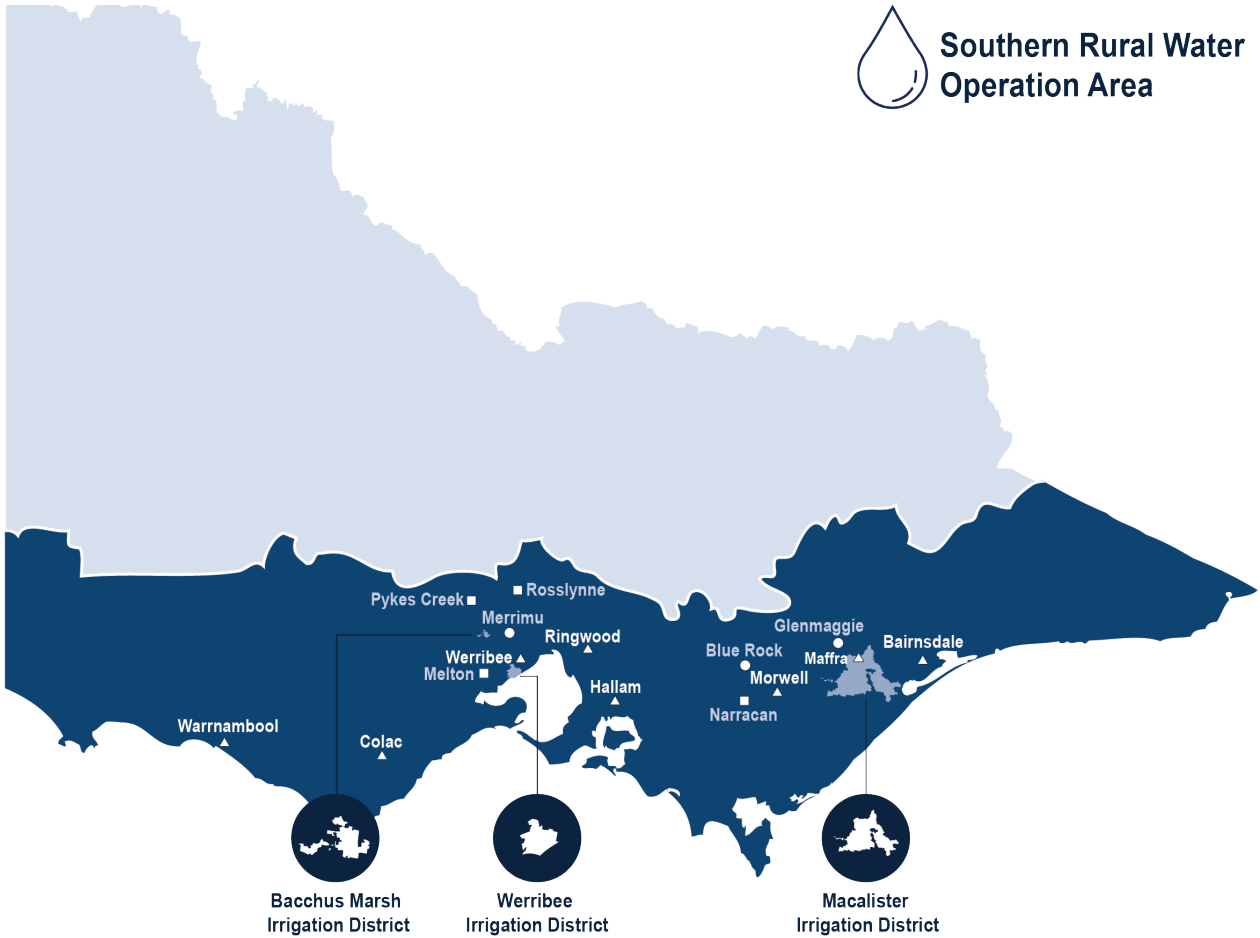
Water supply to irrigation districts is the largest component of our operations, accounting for 65% of gross annual turnover.

Large dams

Our storages supply water to irrigators, power generators, urban water corporations and we work with VEWH, and alongside Catchment Management Authorities and Melbourne Water, to manage the release of environmental flows.

In the east, we manage three large dams and three diversion weirs on the Latrobe, Tanjil, Thomson and Macalister rivers. In the west, we manage four large dams and five diversion weirs in the Werribee Basin and one in the Maribyrnong Basin.

Our main storages are at: Lake Glenmaggie, Cowwarr Weir, Narracan, Blue Rock, Melton, Merrimu, Pykes Creek and Rosslynne reservoirs. We also manage recreational facilities at several of these storages. These include boat ramps, public amenities, playgrounds, picnic and barbecue facilities.



- △ Office locations
- Combined office and major water storage
- Major water storage only
- Groundwater and Rivers customers
- Irrigation Districts

Groundwater and Rivers

Our Groundwater and Rivers team manages our delegated licensing and regulatory functions under the Water Act 1989. We manage water use from unregulated rivers and groundwater aquifers across Southern Victoria, including groundwater in urban areas.

We assess licence applications, and issue licences to construct new farm dams and bores and manage new and existing groundwater and surface water licences.


SRW is also the appointed Resource Manager for a range of surface water catchments and provides administrative support to the Drillers' Licensing Board.

Southern Rural Water Storages

Eastern Storages

Lake Glenmaggie
MACALISTER RIVER

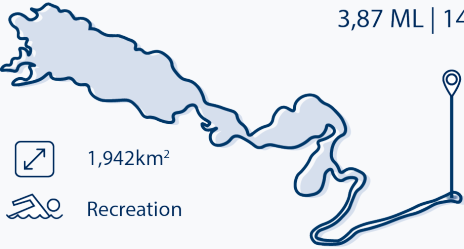
177,640 ML | 1,760 ha



- 1,891km²
- Irrigation
- Drinking
- Recreation

Lake Narracan
LATROBE RIVER

7,230 ML | 281 ha



- 1,942km²
- Recreation


Yallourn Weir
LATROBE RIVER

Cooling water for power generation

3,87 ML | 14.1 ha

Blue Rock Lake
TANJIL RIVER


208,000 ML | 873 ha



- 360km²
- Drinking
- Recreation
- Cooling water for power generation

Cowwarr Weir
RAINBOW CREEK (THOMSON RIVER SYSTEM)

210 ML | 10 ha




- 1,100km²
- Irrigation

Western Storages

Rosslynne Reservoir
JACKSONS CREEK

25,400 ML | 198 ha



- 90km²
- Irrigation
- Drinking

Melton Reservoir
WERRIBEE RIVER


14,360 ML | 230 ha



- 1,114km²
- Irrigation
- Recreation

Merrimu Reservoir
WERRIBEE RIVER (TRIBUTARY)

32,215 ML | 420 ha



- 85km²
- Irrigation
- Drinking
- Recreation

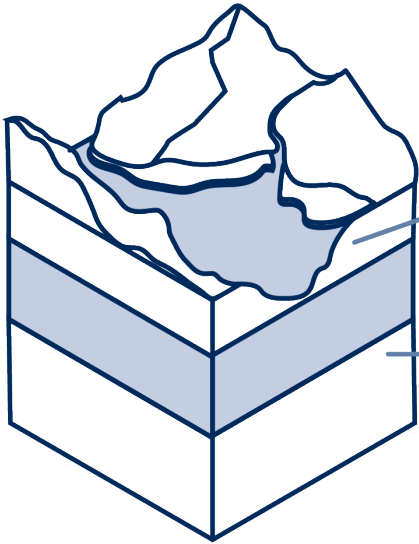
Pykes Creek Reservoir
WERRIBEE RIVER (TRIBUTARY)

22,119 ML | 203 ha



- 129km²
- Irrigation
- Drinking
- Recreation

What we manage



169,000 ML Volume of surface water take and use entitlements

4,200 Number of surface water take and use licences

398,000 ML Volume of groundwater entitlements

4,300 Number of groundwater licences



Total high reliability water shares

MID 156,000 ML

WID 11,000 ML

BMID 4,000 ML



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Major storages



1200 KM

Channels, pipes and drains in the WID, BMID and MID



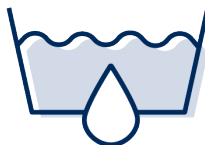
\$1.4B

in assets



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Diversion weirs



487,000 ML

Total storages capacity volume



WID 7,800 ML

Total recycled water customer contracted volume

Our Trademark Behaviours



Results Driven



Always Safe



Customer First



United



Innovative



Ambitious



Respectful

Responsible Minister

SRW is a statutory water corporation established under the *Water Act 1989*. The responsible department is the Department of Environment, Land, Water and Planning (DELWP). The responsible Minister 1 July 2020 to 14 February

2021 was the Hon Lisa Neville MP, Minister for Water. The Hon Richard Wynne acted as the Minister for Water from 15 February 2021 to 30 June 2021. The responsible Minister appoints a skills-based board, which is responsible for setting SRW's strategic direction. (See Our Governance, page 30 for more information.)

Our vision

In 2020, we developed a new corporate strategy with a vision ‘great value for customers and community through excellence in rural water management’. In delivering this vision, our aspirations are to provide:

- customer value through outstanding service
- community value to help our regions thrive
- excellence in everything we do by empowering our people to deliver results

Our Aspirations

Customer Value

We strive to be reliable, accessible and easy to deal with, allowing customers to interact with us in a way that works for them. We provide clear operating systems and management arrangements and deliver on our commitments. Our customers are at the core of our decision-making, we understand their needs and aspirations, and we advocate on their behalf.

Community Value

We take our contribution to supporting thriving regional communities seriously and understand that the services we provide, the partnerships we build, and investments decisions we make are important. We also acknowledge the social value of our assets and that the water we manage is a precious resource, and we are working to minimise our impacts and improve environmental outcomes.

Excellence

We support safe communities through the effective management of water supplies, demands and assets to safeguard the security and quality of drinking water and to meet regulatory standards. We strive to provide long-term water security and improve water availability for our customers while maintaining an agile, responsive business.

Our People

Our people are the heart of our strategy and enable us to deliver on our aspirations.

Behaviours

Our collective behaviour underpins our success.

Health, Safety & Wellbeing

Safety, in all aspects is a focus for us. Ensuring we have a solid foundation and strong safety culture is critical to achieving our ambition of Always Safe.

Culture

Leadership drives culture, and culture is what sets us apart.

Our Foundations

Our foundations are the building blocks and will drive the key priorities for us as a business to deliver on our aspirations.

Financially Sound

We manage financial performance, and our \$1.4b of assets to ensure we are financially sustainable.

Efficient Systems

To enable customer value, our people are supported with the right systems, processes and technology.

Resource Steward

We are proud to deliver water to agriculture, power generation, urban water suppliers and the environment in a manner that balances economic, social and environmental outcomes.

Great Partner

We cannot do it alone. To deliver, we need to work in partnership with each other, our customers, stakeholders and the broader community to achieve our goals.

Insight-driven

We are entrusted by the community to make informed, evidence-based decisions by relying on the right information, data, expertise and training.

Resilient Organisation

We are adaptable: we operate in an ever changing and uncertain environment. It is imperative that we plan for the challenges, and seize opportunities in the future so we can continue to serve our customers.

Outstanding Asset Manager

In order to provide water in a safe, reliable and sustainable manner, it is critical that we maintain our assets and operations for optimum efficiency, reliability and sustainability.

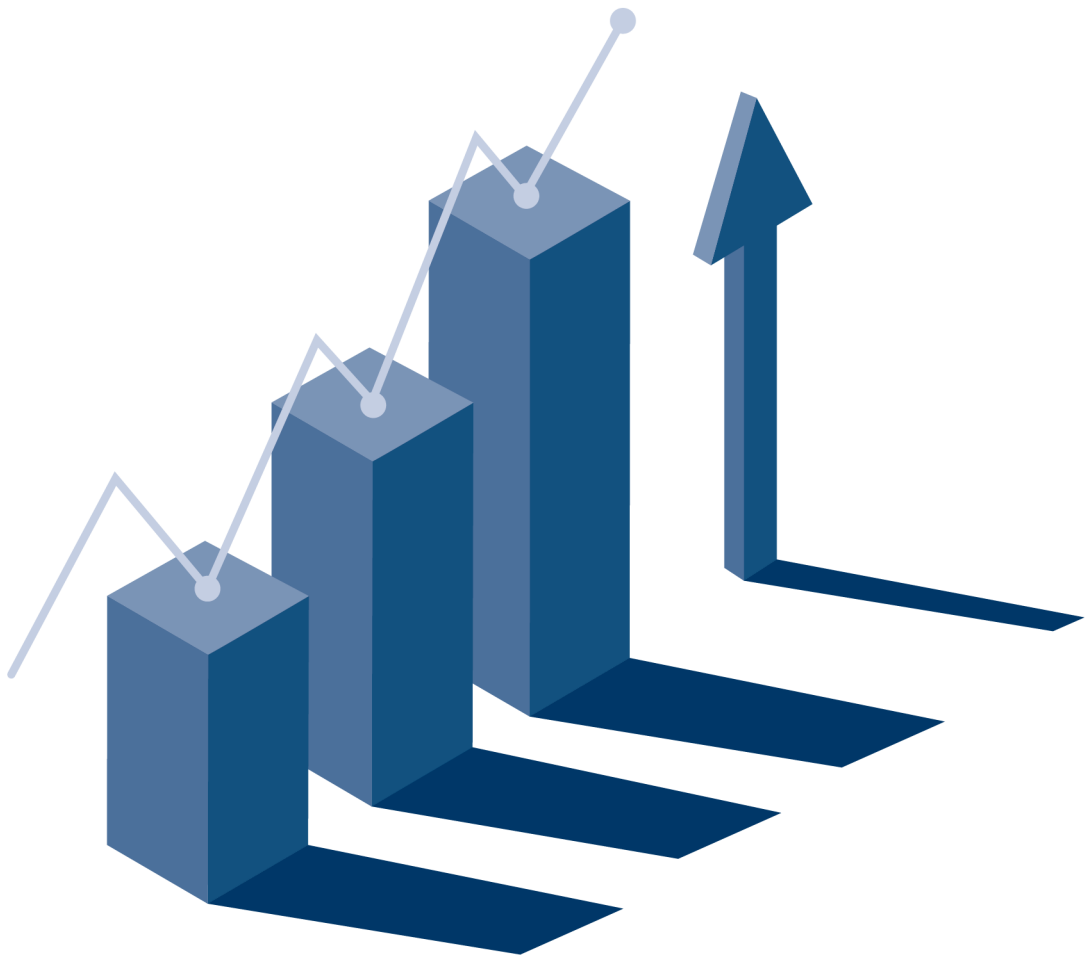
Our vision:

Great value for customers and community through excellence in rural water management.



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Our Performance



Our year

The 2020-21 year has been a challenging one for all, having started the financial year still in the grips of our response to COVID-19, and having to adapt and adjust our response across the year. Our workforce has been flexible and enabled us to continue delivery of our essential service to customers.

The start of 2020-21 saw a change to the dry conditions of previous years, especially in the east, where we experienced a wet start to the season with Glenmaggie storage spilling. In the west we saw continued good conditions resulting in a second season of 100% high and low reliability water shares. Our unregulated customers across our Groundwater and Rivers business also saw good rainfalls early in the season with significant reduction in water usage in many areas.

Irrigation districts

Ongoing and varying restrictions due to COVID-19 were managed in accordance with the government regulations to minimise impact on our field staff and customers. Some of these requirements included physical distancing restrictions, including single-occupant travel for most essential works, limits on the number of staff on site and in offices. The commitment of our people to our vision meant we were able to work through innovative and new solutions to continue to provide customer and community value.

Modes of operation set out in *SRW's COVID-19 Site Management plans* have become embedded into daily activities and all operational tasks have been completed with as little disruption from the pandemic as possible.

Volumes delivered 2020-21	ML	
Water supply	2020-21	2019-20
Macalister Irrigation District	138,615	140,735
Werribee Irrigation District (river water)	6,387	6,454
Werribee Irrigation District (recycled)	3,081	3,015
Bacchus Marsh Irrigation District	2,206	2,092
River diverters	641	976

Macalister Irrigation District (MID)

In the east of our region we manage the MID and supply customers on the Macalister and Thomson rivers and Rainbow Creek. Lake Glenmaggie is the main storage and, together with a balancing storage and diversion weirs on the Thomson and Macalister Rivers, it provides water to more than 1,000 customers. The irrigation season runs from 15 August to 15 May, with the bulk of the water delivered by gravity irrigation. River customers who pump direct from waterways can order water 365 days a year.

The 2020-21 season was certainly a change to the previous few years. Following on from the end of the 2019-20 season, we experienced a wet start to the season that had the Glenmaggie storage spilling from 1 July through to 19 November. During this time customers took advantage of more than 25,000 ML of spill water. Due to these high inflows into storages leading into the start of the season, we opened with 100% allocation against high-reliability water shares (HRWS) on 1 July.

Lake Glenmaggie started the 2020-21 year at 79% volume. With continued and forecasted large rains for the future, the storage level was managed and spill declared from 1 July at an operational full supply level.

Our share of the Thomson Dam Drought Reserve had started with a volume of 39,020 ML. With the consistent wet season inflows, storage levels continued to rise and by 15 October the internal spill limit of 45,000 ML was reached. As demand picked up in the district, water was utilised from the reserve and by 15 December, there was 41,394 ML in storage in the Thomson reserve. Customers used 12,081 ML from the reserve in this season. Season inflows of 41,438 ML meant the reserve ended with a volume of 41,637 ML.

Customer deliveries in the MID this season totalled 138,615 ML for the year. With continued rainfall for the first half of the season, we had below average usage recorded for the first six months of 58,000 ML, followed by usage of 80,600 ML through to the end of the season, which represents slightly below average usage. As we began with a wet start to the year and usage was down, we hit a peak of 100% High Reliability Water Share (HRWS) and 20% Low Reliability Water Share (LRWS) up until 15 April. At this point LRWS was increased to 100% due to not being able to deliver all water in storage by 15 May. This was consistent with 2019/20 where we ended the season with allocations at 100% HRWS and 100% LRWS after the much drier 2018/19 which ended the season with HRWS at 40%.

Overall it was a good season for customers with above average rainfall throughout. This was supplemented by good supplies from our storages. At the end of the 2020-21 season Glenmaggie had 138,483 ML in storage and the Thomson Dam Drought Reserve had 41,637 ML in storage.

Water Supply allocation history 2020-21

Date	MID HRWS ¹	MID LRWS ²	WID BMID HRWS	WID BMID LRWS
1 Jul	100%	0	30%	0
11 Aug	100%	0	35%	0
25 Aug	100%	0	50%	0
08 Sep	100%	0	60%	0
22 Sep	100%	0	65%	0
20 Oct	100%	0	90%	0
15 Dec	100%	10%	100%	10%
29 Dec	100%	10%	100%	30%
11 Jan	100%	15%	100%	30%
26 Jan	100%	15%	100%	60%
28 Jan	100%	20%	100%	60%
09 Feb	100%	20%	100%	80%
23 Mar	100%	20%	100%	100%
6 April	100%	100%	100%	100%

¹ HRWS = High Reliability Water Share

² LRWS = Low Reliability Water Share

June flood response

In early June a flooding event occurred in the Gippsland region which was the largest of its kind since 2012, with rainfall totals across the catchment varying from 50-210 mm. Lake Glenmaggie rose from 37% to 85% overnight with inflows peaking at 80 000 ML/day.

A regional response was led by the State Emergency Service (SES) with SRW also activating our corporate incident management plan. Our teams worked via rostered day and night shifts to manage our structures and appropriate releases.

All weir structures were operated safely, with our flood modelling capability providing real time information to understand the impact of flooding to downstream areas providing guidance for management of releases.

Providing clear and concise information to our communities is critical, we work closely with SES as the lead organisation, to provide updates on our assets, releases and other information. We saw new trends emerge in our digital and online engagement areas. During the recent storms and floods with our average social reach (between Facebook and Twitter) rise to approximately 2,000 people per day.

Overall, this has meant:

- Number of people viewing our social media has risen by 112%
- Our online profile visits have increased by 292%
- Overall engagement with our social media pages has seen a 463% increase over the past month.

While SES remains responsible for issuing community warnings and managing flood information, this speaks very highly of our role as a trusted authority and the connection we have to community.

Macalister Irrigation District performance against target 2020-21

	Target %	Actual %
Channel performance (pool height consistency) ¹	81%	72%
Delivery reliability	99%	100%
Delivery efficiency ²	85%	77%
Customers with access to Demand Management System	50%	61%
Release of water savings ³	800 ML	0 ML

¹ SRW is focused on customer value and ensuring we meet the needs of customers. In 2020-21 we had a wet season which resulted in over 12% of orders being cancelled by customers, this impacts on our system efficiency, however, customers still received the orders they placed. We are also working on enhanced irrigation planning software which should also improve this measure.

² Our delivery efficiency figures for the year were below target, however, these figures are impacted by seasonal variations with higher rainfall through the region often resulting in increased customer cancellation as well as excess seepage. We are upgrading our irrigation planning system to support improved understanding of delivery efficiency.

³ We have made available all remaining water entitlements from previous conversion of water savings. We have generated additional water savings through modernisation works, and we are awaiting conversion 800 ML of these savings into new entitlements

Werribee Irrigation District performance against target 2020-21

	Target %	Actual %
Delivery volume accuracy	98%	98%
Delivery reliability	99%	100%
Delivery efficiency ¹	80%	76%
Recycled water salinity	< 1,800 ec	< 1,800 ec

¹ Delivery efficiency in our Werribee system was below target. There were a number of factors that contributed to this result including challenges with the commissioning of a new trash rack which will provide increased efficiency by removing rubbish and organic matter from entering our pipeline.

Bacchus Marsh Irrigation District performance against target 2020-21

	Target %	Actual %
Delivery volume accuracy	98%	99%
Delivery reliability	99%	100%
Delivery efficiency	80%	87%

Storage operations performance against target 2020-21

		Target %	Actual %
Blue Rock Lake	Releases within 10% of ordered flow	95%	100%
Pykes Creek and Merrimu Reservoirs	Water harvested at the maximum possible rate (when dam capacity is available)	95%	100%
Werribee system	Releases within 10% or 5ML of ordered flow	95%	100%
Maribyrnong system	Releases within 10% or 1ML of ordered flow	95%	100%

We met or exceeded all storage targets this year.

Werribee and Bacchus Marsh Irrigation Districts (WID & BMID)

In the west of Melbourne, we manage the supply of river water to customers in the WID, the BMID, river diverters along the southern stretches of the Werribee River and the delivery of recycled water to customers in the WID.

By the end of the 2019-20 season, the allocation had reached 100% HRWS and 100% LRWS, which resulted in a promising start to the 2020-21 season. We opened the 2020-21 season with a starting allocation of 30% HRWS, and with the carryover volume of 11 GL, the starting available volume was equivalent to 103% HRWS. There were consistent small allocation increases from the start of the season through to late September, when our catchments started having heavy rainfall resulting in good inflows which saw the allocation go from 65% HRWS in late September, to peak at 100% HRWS and 100% LRWS by the end of March.

It is a long time since we last had two consecutive seasons of 100% HRWS and 100% LRWS. The rainfall that resulted in these allocations also resulted in overall usage across both districts of 12,315 ML, which is lower than historical averages and similar to 2019-20.

With the allocation reaching 100% HRWS and 100% LRWS for the second year running, it meant that both districts have received good rainfall resulting in overall usage being low and very similar to last season.

Demand for recycled water remained low with WID customers continuing to take river water as a preference, resulting in a few customers falling short of using their 50% paid in advance volumes.

The Werribee season ended with both Pykes Creek and Melton reservoirs at full capacity. We are looking at another promising start to the 2021-22 season.

Groundwater and Rivers

The Groundwater and Rivers business manages SRW's delegated licensing and regulatory functions.

The 2020-21 year was quite a change from previous years for our river diverters and groundwater users. The season started with good rainfall, which was consistent across our region and not confined to certain areas.

These improved conditions, and the increased focus on compliance activities, resulted in a reduced level of reactive compliance for breaches of licence conditions (e.g. taking water in contravention to a restriction) and reduced over-use (Unauthorised Take) a positive outcome that is ensuring appropriate water use from our customers.

While the wetter season reduced the need for trades to meet demands for water, the relatively buoyant market conditions in a number of sectors contributed to increased trades across the full year. This proactive trading by customers led to application numbers reaching 4,856 (compared to 4,613 in 2019-20). We are continuing to introduce opportunities to provide more customer control through the improved use of technology.

We are continuing to improve our systems across Groundwater and Rivers. We have initiatives being delivered including:

- the continued rollout of automated meter reading. We have now reached a total of 2003 'Taggle' meter reading devices installed or 42.4% of the target install.
- the integration of automated meter reading data with water usage databases, allowing the commencement of the full rollout of the mySRW portal to groundwater and rivers customers during 2021-22.

These initiatives enable us to support our customers to make the most of the allocation that they have access to and we continue to look for ways to enhance customer value.

Balancing water for production and sustainability

SRW continues to work with our customers to ensure a strong agriculture economy, delivered in manner that is sustainable over the long term.

In line with government policy, SRW has developed a process for selling unallocated water in unregulated systems. Future water sales, in conjunction with ongoing work to expand water markets over the coming years, will help increase the water available for production across southern Victoria. During 2020-21 this saw 2,000 ML of winter fill allocations auctioned in the Mitchell River.

Our objective of ensuring sustainable use of water resources will include measures to assist in making under-utilised entitlements available for productive use to encourage economic benefits and employment.

These efforts will also be supported by ongoing work to improve water management arrangements through the development and review of local water management plans and identifying opportunities to streamline trading processes.

In addition to this, SRW staff have actively supported broader drought response initiatives including the ongoing installation of emergency supply points for customers in East Gippsland.

SRW also issued the first cultural water licence in Victoria of 2,000 ML on the Mitchell River to the Gunaikurnai Land and Waters Aboriginal Corporation. SRW will continue to work with other Traditional Owners to recognise interest in water across Southern Victoria.

Automated meter reading

Automated meter reading technology is continuing to be implemented across the region, with the ultimate aim being to cover 90% of meters at the conclusion of the project by 2023.

Compliance on entitlement usage

In May 2020, the Minister for Water established an independent review of compliance and enforcement of unauthorised take of water, which was undertaken by Des Pearson. SRW has been actively working to implement his recommendations and align with the Ministerial expectation of zero tolerance on water theft (with investigations and appropriate compliance actions undertaken for all identified cases of unauthorised take of water).

Our commitment to further embed this culture of compliance has included implementation of recommendations from the Pearson Review including:

- provision of formal training of field staff on contemporary compliance and enforcement procedures, and for field supervisors and officers to meet the requirements for appointments of Authorised Water Officers (AWOs)
- updating communication plans to ensure targeted engagement with customers
- reviewing policies and procedures to ensure contemporary approaches to compliance and enforcement
- giving confidence in water use data

Groundwater and Rivers performance against target 2020-21

Measure	Target (and 2019-20 result)	Actual
Applications processed within target timeframes ¹	90% (97%)	94%
Number of applications	N/A (4,613)	4,856
Customer contacts to promote water trades ²	1,000 (927)	657

¹ Continued process improvement has driven an increase in the number of applications completed within established timeframes.

² Physical distancing restrictions during coronavirus (COVID-19) pandemic resulted in fewer on-farm contacts being made.

The Performance Report (non-financial) KPIs are included on page 134

- continued implementation of automated meter reading to allow water usage data to be readily provided to customers, ensuring they are equipped to meet their obligations.

SRW field staff take the lead in working with users to identify trades. We contact customers in both regulated and unregulated systems, through SMS and phone follow-up, advising them of their current usage status. We encourage them to discuss their options and consider temporary trades.

We engage with customers through mechanisms including:

- customer consultative committees and the Southern Groundwater and Rivers Forum
- presence at field days, and farmer forum groups, shared with Agriculture Victoria and others
- Irrigation District Updates and the Groundwater and Rivers Diversions newsletters
- media, website and social media targeting customer groups.

In addition, SRW has continued to undertake compliance activities including:

- inspection of constructed bores
- monitoring dam construction activities within the region
- continued maintenance and improvement of our water meter.

More information can be found at: <http://www.srw.com.au/compliance/>

Irrigation district outcomes 2020-21

We proactively communicated with customers in the MID to help our customers understand the allocation framework, and likely outcomes if dry conditions continued. We provided updates on the *Thomson Drought Reserve policy* and how it fits within the framework and allocation model.

The introduction in 2019-20 of the mySRW portal with live usage, assists regulated customers in proactively managing their use.

When modelling showed that there was unlikely to be any spill entitlement from Lake Glenmaggie during the season, our people worked collaboratively with Agriculture Victoria and

communicated with customers to inform them, if spill did not occur, SRW would allocate a 20% low reliability allocation. This allowed customers to plan their water use budgets in advance.

With surety of allocations and carry over entitlements there was no issues around compliance and enforcement in the WID and BMID. Focus for 2021-22 is further engagement on the framework and allocation model with our WID and BMID customers.

Groundwater and Rivers outcomes 2020-21

SRW's compliance focus for 2020-21 continued to be to work with customers to manage the potential for unauthorised take. With the irrigation season being supported by regular rainfall across all the regions, this allowed field staff to concentrate on maximising the access to water from streams while maintaining very healthy flows for the environment and other users (D&S and Recreational)

The full integration of automated meter readings into broader water management systems during 2020-21 will be critical to driving continued improvements in compliance and the utilisation of the available water to customers. In particular, this will allow the trialling of automated notifications of water use thresholds or overuse to field officers, with the intent that these notifications will ultimately be sent directly to customers to notify them of the need to adjust usage or access more water through trades.

2020-21 also saw the sale of 2,000 ML of unallocated Mitchell River winterfill through an auction of take and use licences (under section 51). The auction was opened on Wednesday 5 May 2021. There were 24 participants, whose eligibility had been assessed in the application process. The auction was completed over three days from 12-14 May. A total volume of 1,990 megalitres (ML) was offered in 36 lots, ranging in volume from 30 ML to 100 ML. All lots had multiple bidders and were sold. Winning bids ranged from \$630 to \$841 per ML. The average price was \$733 per ML. 10 ML was made available

for eligible stock and domestic applicants prior to the auction.

Bulk entitlement compliance

SRW complied with the provision of the bulk entitlements during 2020-21.

Environmental flow compliance

SRW has not experienced any failure to comply with the provision of the Victorian Environmental Water Holder's entitlements during 2020-21.

Boundary Creek, Big Swamp and surrounding environment Remediation and Environmental Protection Plan

In March 2020 SRW accepted the Boundary Creek, Big Swamp and the surrounding environment *Remediation and Environmental Protection Plan (REPP)* submitted by Barwon Water.

The REPP aims to address impacts caused by historic groundwater pumping in the area surrounding the Barwon Downs borefield. It sets out remediation actions and investigative works until 2023, although remediation is likely to take many years. Since the cessation of groundwater pumping, groundwater levels are starting to recover and Barwon Water is investigating options to reduce the likelihood of acid flow events in Boundary Creek downstream of Big Swamp. Barwon Water will continue to provide quarterly progress updates to SRW.

SRW continues to be supported by an Independent Technical Review Panel (ITRP) consisting of four experts from varying fields including hydrogeology/geology, groundwater modelling, geochemistry and ecology. This panel is responsible for reviewing all deliverables under the REPP and supporting technical information used by Barwon Water to inform its approach.

SRW acknowledges the significant time and effort by everyone involved in the process, particularly the community members who have continued to advocate to ensure all perspectives are considered through the implementation of the REPP. We are committed to ongoing engagement with the community to support our role as the regulator.

Compliance Actions

SRW continues to place a focus on ensuring compliance for water use. This has been supported by the continued to roll out our compliance and enforcement framework.

Total	2019-20	2020-21
Potential breaches detected	101	74
Investigations commenced	101	74
Investigations finalised	101	72
Offence(s) under Water Act 1989		
Under Investigation	0	2
Dismissed (insufficient evidence)	0	0
No further action required	33	82 ¹
Referred to another agency	2	3
Verbal Warning	26	57 ²
Advisory Letter	7	9
Formal Warning	66	10 ³
Formal Interview	2	1
Penalty Infringement Notice	0	0
s.151 Notice of Contravention	1	2
s.133 Notice of Entry	0	0
s.141 Lockdown	0	0
Recommend for Prosecution	3	0
Finalised Prosecution	0	0

1. Increased investigations as a result of negative ABA (UT) report from DELWP

2. Increased numbers as AMR provided more timely usage into IPM and VWR for DELWP reporting

3. Decrease in formal warnings as a result of above efforts

Year	ABAs or licences		Volume		
	Number of ABAs	KPI %	Volume (ML) of water taken under corporation issued shares/licences	Volume (ML) of Unauthorised Take	KPI %
2019-20	35	0.3% ¹	324,235 ML	308 ML	0.1% ²
2020-21	2	0.1% ¹	281,182 ML	45.8 ML	0.03% ²

1.No more than 1% of total volume of water taken without authorisation, calculated using total volume of usage from 1 July – 30 June

2.No more than 3% of allocation accounts with a negative balance, calculated using total number of connected ABAs as at 30 June

Major Projects

Macalister Irrigation District (MID) modernisation

The MID modernisation, known as MID2030, is a 10 year, \$163m modernisation program broken into phases of work that achieves value through water savings and service improvements.

The MID2030 project has been split into phases as shown in the figure below. Final funding for the \$63m MID2030 Phase 2 irrigation modernisation was announced in May 2020, coming from State, Federal and customer funding sources. This has launched a four-year program of further modernisation across the MID.

Phase 2 comprises several sub-projects, including upgrading supplies to Newry, Stratford, Nuntin networks and outlet upgrades across the MID.

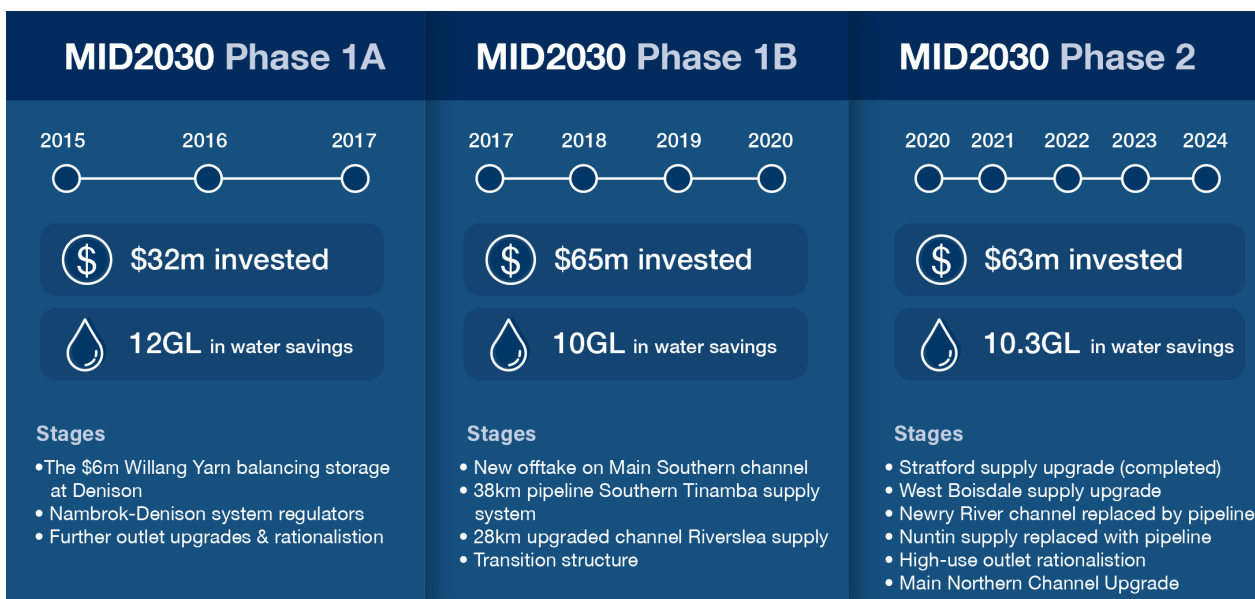
Expected benefits include:

- increase Gippsland’s food and fibre outputs, improving the regional economy
- optimise water supply efficiency
- secure the Newry district supply
- unlock more on-farm investment in irrigation and increase farm productivity
- improve environmental outcomes by reducing nutrient discharges to local waterways and the Gippsland Lakes

- boost jobs, both during construction and ongoing as rural businesses expand.

The water savings from the Phase 1A and 1B projects (estimated 21.6 gigalitres) and the majority of savings from the Phase 2 project (estimated 10 gigalitres) will support increased agricultural production across the region. The Victorian Government’s share of the Phase 2 water savings (an estimated 1.7 gigalitres) will support environmental flows in the Macalister River.

The previous MID2030 Phase 1B program of works are now fully operational including the Southern Tinamba pipeline system and the automation of channels in the Riverslea area. Customers are now receiving vastly improved on-farm irrigation flows at a rate they have never experienced before. We have been able to supply multiple customer orders on sections of channel that were previously only able to supply one order at a time. Reduced water usage is also being reported by customers as a result of the improved flows.



Phase 2 works are now underway:

- upgrade of the Stratford supply system through four new regulators is complete and now in operation.
- works for the 2021 winter shut-down period have commenced with the first tranche of the outlet upgrade program, replacing 40 Dethridge meters with fully automated meters. Also commenced is the replacement and upgrade of three regulators on the Main Northern Channel to provide improved channel performance and measurement.
- planning and design activities are underway to commence construction of the Newry and Nuntin pipeline projects in 2022. As part of this process, SRW has partnered with West Gippsland Catchment Management Authority and Agriculture Victoria to offer a free Irrigation Farm Plan Program to enable customers to get the best on-farm efficiencies from a modernised supply.

Main Southern Siphon No.1 Replacement

In August 2020 we completed the \$1.5m replacement of an ageing siphon on the upper Main Southern Channel with a reinforced concrete flume. Completed within the winter shutdown period and under strict COVID-19 restrictions, the project has significantly reduced the risk of asset failure and interruption of supply to a substantial proportion of our MID customers.

Maffra Weir Operating Gear Upgrade

In June 2021 we commenced the construction phase of the \$3.7m upgrade of Maffra Weir including the replacement of the gate hoists, which have reached the end of their useful life, and the operating bridge.

Factory testing of mechanical equipment fabricated offsite has been completed and site works are underway. Works are expected to be completed in August 2021.

Cowwarr Weir Operating Gear Refurbishment & Desilting

A \$1.0m project to upgrade 60-year old mechanical components at Cowwarr Weir to

modern standards has been designed and prepared for delivery in 2022. The investigation and design allow for the upgrade of bearings, brakes and clutches for the three floodgates at the site. Along with desilting the weir pool, this will provide many more years of reliable flood control and irrigation supply for the customers on this section of the MID.

Groundwater & Rivers

Meter Replacement and Automated Meter Reading Programs

In 2020-21 we continued with the implementation of our current price submission program to replace ~500 groundwater and surface water meters and install automated meter reading equipment at 3650 sites by the end of 2022-23. This program ensures that our meters are compliant with national metering standards, whilst automated meter reading improves operational efficiency and reduces safety risk to our staff.

Including previous programs, we have now replaced 495 ground/surface water meters and installed automated meter reading equipment at 2,000 sites across our operational area.

Latrobe Entitlement Customers

Blue Rock Dam All-Abilities Playground

An all-abilities playground has been constructed at Blue Rock Dam recreational area at a cost of \$300k. This project was fully funded externally by Baw Baw Shire using Victorian State government funding under the 'Boosting Recreational Use Initiative'. The playground includes a triple bay swing set, a large accessible multi-play frame, a maxi slide, sensory features and play panels, two in-ground trampolines and musical chimes.

Werribee modernisation

This important project is helping to secure the future of the WID by significantly improving the reliability of supply and supporting productivity in drier times.

In April 2016, the Victorian Government committed \$10.44m to modernise the WID. The funding,

matched by the same contribution from irrigators, supported the completion of the first three of five stages to replace ageing and inefficient channels with new pipelines. The first three stages are now operational, including 22.5 km of new pipelines and customer outlet upgrades.

The first three stages will deliver approximately 3,750 ML of water savings, with the Victorian Government's share supporting Werribee River health through environmental flows. Together with the piping of the 4/1 sub-system in 2015 and 2016, we have seen efficiency in the WID increase from 53% to 73%.

In May 2021, a further \$11m contribution from the federal government was announced. Together with irrigator funding, the WID channels will be completely replaced by 2023 and water savings increase to 5,000ML.

Werribee Automated Trash Screen

In 2020 and 2021, SRW supported the completion of the State Government's Cherry Street Level Crossing Removal project which involved the replacement of 270m of our Main Channel with a new pipeline and the installation of a new automated trash screen.

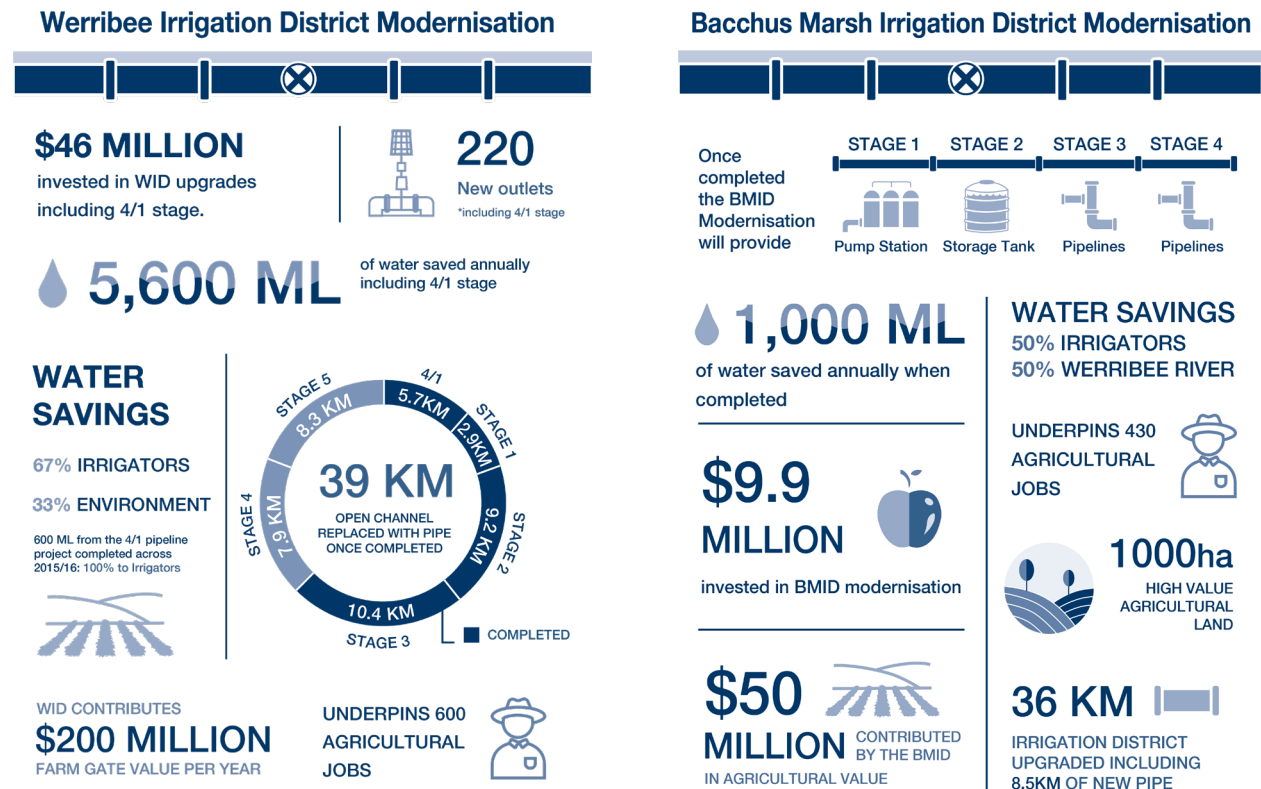
SRW worked closely with the Level Crossing Removal Project to plan, design and commission the new automated trash screen without interruptions to supply.

The new automated screen is now operational and is providing operational efficiency and safety benefits to our staff and improving the quality of water supplied to our customers by removing rubbish and organic matter entering our pipeline system and customer storages.

Bacchus Marsh Irrigation District

Bacchus Marsh Modernisation

In April 2016, the Victorian Government committed \$4.12m towards the \$12.4m project to modernise and pipe the BMID. The modernisation project is now complete and fully operational including a new river pump station, 0.5 ML tank and 8.5km of new pipelines and customer outlet upgrades. These works have seen delivery efficiency increase 63% to over 80%, delivering the planned annual water savings of up to 1,000ML.



The water savings will help to secure the future of the WID by significantly improving the reliability and supporting productivity in drier times. In addition, the Victorian Government's funding share will support Werribee River health through environmental flows.

Stage 5 to complete decommissioning of the Main Channel and pipe the Spur 12 channel remains unfunded, however SRW is continuing to explore funding opportunities to complete the project.

To provide further liveability benefits to the community, SRW and Moorabool Council are in discussions on a proposed project to build a strategic cycling path on our Main Channel land through the Bacchus Marsh Township.

Capital spend on headworks

The capital spend on headworks projects included:

- **Maffra Weir Operating Gear and Bridge replacement** – refer Major Projects section.
- **Cowwarr Weir Operating Gear Refurbishment and Desilting** – refer Major Projects section.
- **Narracan Auxiliary Drive** – \$0.2m project to install a backup drive to operate the spillway gates at Narracan has been completed and is now in operation.
- **Merrimu and Rosslynne outlet tower access reviews** – \$1.94m project to install personnel lifts in the outlet towers at Merrimu and Rosslynne Reservoirs has commenced and is expected to be completed by December 2022. The project aims to address safety issues and allow the retrieval of injured persons from a confined space.
- **Pykes Creek Outlet Conduit Rehabilitation** – A \$0.45m project to rehabilitate the cast iron section of the outlet conduit at Pykes Creek Dam is due to be completed in September 2021.
- **Backup Generators** – A \$0.2m project to install backup generators at Blue Rock and Glenmaggie Dams has been completed.

- **Yallourn Weir Right Abutment Stabilisation** – A \$0.9m project to improve the stability of the right embankment at Yallourn Weir is currently in the design phase and is expected to be completed by June 2022.

Significant work has been completed on producing summary asset management plans for our dams and weirs and 25 year capital plans.

Dam safety, security and Emergency management

SRW completed its annual submission of the *Emergency Risk Management Plan and Statement of Attestation* to the Minister in February 2021 as required by Part 7A of the *Emergency Management Act 2013*.

A training exercise based on a severe weather event in the eastern catchments was held in December 2020 to test emergency management plans and decision-making processes. This included testing the revised *Business Continuity Plan (2020)* and its integration with the *Corporate Incident Management Plan (CIMP)* and the *Dam Safety Plans (DSEPs)*. An Information and Communication Technologies (ICT) disruption was included in the exercise as part of testing business continuity. An audit report was provided by an independent evaluator (HARC Consultants) with recommended improvement actions included in the *Emergency Risk Management Plan*.

Gauging station upgrades were completed for Upstream (U/S) Cowwarr, replacing a landline station with satellite transmission to improve asset resilience and the accuracy, reliability and frequency of data being transmitted. A further project to be completed next year with DELWP is fire-testing of the current infrastructure U/S Cowwarr because of the high fire danger associated with the area.

New flood forecasting models are progressing for the Thomson, Latrobe and Western catchment with some calibration completed.

Flood forecasting training has been finalised, with eight new forecasters trained in the Unified River Basin Simulator (URBS) rainfall run-off flood modelling system. This significantly increases our capacity to respond to events.

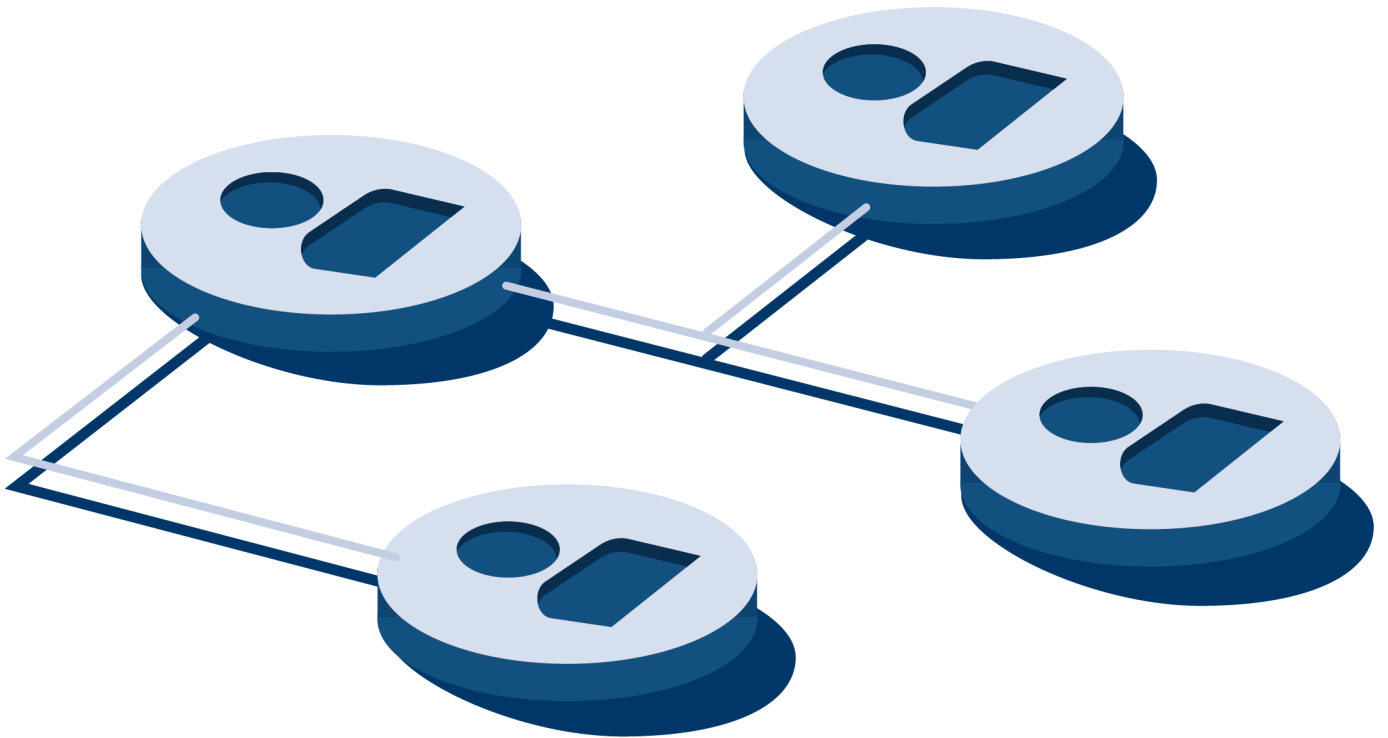
There has also been an independent audit of SRW flood gauge compliance with the *National Flood Warning Infrastructure Standard (2019)*. This has prompted an application to EMV Risk and Resilience Grants (2021) for funding to assess the identified gauges and upgrade as necessary to meet the Standard. Grant funds will be announced in July 2021 and the project completed by July 2022 if funding is provided.

The *Annual Dam Safety Report* has been submitted to the SRW Board.

During the year, SRW activated the *Corporate Incident Management Plan* on nine occasions, including for heavy rainfall in the Macalister and Thomson catchments and a pipeline failure in the west. The CIMPs involved activating an IMT under an Incident Commander, who called on trained team members from across the business.

04

Our Governance



Role of the board

In accordance with the Water Act 1989, the SRW board is responsible for:

- the strategic planning of the corporation
- the management of the affairs of the corporation.

In doing so, the board is mindful of the sustainable management principles for water corporations and acts as efficiently as possible, consistent with commercial practice.

Membership of the board

- The responsible Minister appoints the Chairman in accordance with the *Water Act 1989*.
- The responsible Minister similarly appoints Non-Executive directors
- The Deputy Chairman, one of the appointed directors, is appointed by the board.
- The board appoints the Managing Director.
- Directors are appointed by their qualifications and experience; they do not represent any particular constituency.
- The Responsible Minister sets remuneration for Non-Executive Directors.

Director profiles

Ms Diane James AM

Chairman

Ms James AM is a business consultant and company director. Her career includes establishing two start-up businesses and serving on numerous State and National boards. She is also Chairman of Goulburn-Murray Water and a former director of Barwon Water. Ms James was a founding director of GenU, a national disability, ageing and lifestyle services organisation and was Chairman of the Victorian Coastal Council for 12 years. She was a member of the EPA of Victoria Advisory Board. In recognition of her contribution to the environment and natural resource management, Ms James was awarded a Member of the Order of Australia (AM) in 2011. She is an accredited leadership coach, holds a Graduate Certificate in Innovation and Entrepreneurship and is a Fellow of the Australian Institute of Company Directors. She was appointed to the board on 1 October 2015.

Mr Michael Malouf AM

Deputy Chairman

Mr Malouf AM is the director of Malouf Management Services Pty Ltd and is a Sessional Member at Planning Panels Victoria. He was the chair of the Kardinia Park Stadium Trust and also a Director on the Western Victoria Primary Health Network. During his career, he has held CEO positions at Melbourne, Geelong and Wyndham City Councils, was the CEO of the Carlton Football Club, held executive roles for Pratt Holdings, was the Managing Director at Barwon Water and was the CEO of VicRoads. Mr Malouf was awarded a Member of the Order of Australia (AM) in 2020. He has a Master of Business Administration, Bachelor of Civil Engineering and is a Fellow of the Australian Institute of Company Directors, the Institution of Engineers and the IPAA. He was appointed to the board on 1 October 2015.

Ms Naomi Cleary

Director

Ms Cleary has extensive experience in the property sector. She is the former Chief Financial Officer of the Elmstone Property Group, and

a current director of Clearview Properties, a property investment vehicle. Ms Cleary is a director of the International Federation of Sport Climbing and Chair of the Oceania Council for Sport Climbing. She holds a Bachelor of Business Studies and is a graduate of the Australian Institute of Company Directors and CPA Australia. Ms Cleary was appointed to the board on 1 October 2015 and represents the rural water sector on the VicWater board.

Mr Christopher Edwards

Director

Mr Edwards was previously a board director of Westernport Water and holds current directorships of the National Stroke Foundation, Arch Mortgage Insurance (Hong Kong) and Manulife International (Hong Kong and China). He has held numerous senior accounting roles and audit committee appointments in Australia, the United Kingdom and the Asia Pacific region. Mr Edwards holds a Bachelor of Science (Economics) and is a Certified Practising Accountant and a Graduate of the Australian Institute of Company Directors. Mr Edwards was appointed to the board on 1 October 2019.

Mr Angus Hume AM

Director to 27 April 2021

Mr Hume AM holds qualifications in education and company directorship and is formerly a Fellow of the Australian Institute of Company Directors. His experience in natural resource management at regional, state and national levels extends through roles as the immediate past Chair of the Victorian Catchment Management Council, formerly Co-Chairman of the Gippsland Lakes Coordinating Committee, Chair of the West Gippsland Catchment Management Authority and Chair of NRM Regions Australia. Mr Hume continues to have family dairy farming interests in South Gippsland. He is also a past board member of the East Gippsland Catchment Management Authority. Mr Hume was awarded a Member of the Order of Australia (AM) in 2021. He was appointed to the SRW board on 1 October 2017.

Ms Peta Maddy

Director

Ms Maddy has a background in water engineering, strategy setting and management including her current role as a senior associate at the consulting firm Aither. She is a Commissioner and Deputy Chair of the Victorian Environmental Water Holder. Ms Maddy is also a past President of the Victorian branch of the Australian Water Association and was previously a director at Grampians Wimmera Mallee Water, where she chaired the Water Resources Committee. She also chaired the inter-departmental reference group for the Victorian Rural Drainage Strategy and was a member of the Victorian Catchment Management Council for six years. Ms Maddy has a Bachelor of Chemical Engineering (Honours), a Bachelor of Science (Pharmacology and Toxicology) and is a graduate of the Australian Institute of Company Directors. She was appointed to the board on 1 October 2017.

Ms Michelle McCrum (nee Murray)

Director

Ms McCrum brings extensive management consulting and project delivery experience to the SRW board. She is also a Director and Chairperson of the Board of Knox Basketball. Ms McCrum currently provides advisory services in the areas of transformational change and culture. She previously held executive roles at CBUS Industry Super and National Australia Bank. She enjoys mentoring young women in IT and takes an active interest in understanding the challenges facing our rural communities. She has a Bachelor of Science, Maths (Hons), from Oglethorpe University in Georgia, USA, and is a Graduate of the Australian Institute of Company Directors. Ms McCrum was appointed to the board on 30 April 2019.

Ms Kylie Steel

Director

Ms Steel has professional specialisation in environmental science and climate change. As a holder of several postgraduate qualifications in environment and scientific fields, she is a founder and director of SCB Consult, a niche

consultancy specialising in climate change, bushfire science and emergency management. She is a graduate of the Australian Institute of Company Directors Course and a director of the Barwon Health Foundation. She is passionate about environmental sustainability and natural resource management. Ms Steel was appointed to the board on 1 October 2019.

Mr Cameron FitzGerald

Managing Director

Mr FitzGerald has over two decades of professional experience with 16 of these years in the water sector. Having successfully delivered high profile transformative programs across the sector, Mr FitzGerald is committed to driving outstanding outcomes for Southern Rural Water's customers and local communities. Mr FitzGerald has worked at EPA Victoria, KPMG, City West Water and Melbourne Water and holds a Bachelor of Engineering (Chemical) with Honours from the University of Melbourne. He is a graduate of the Australian Institute of Company Directors. Mr FitzGerald was appointed Managing Director on 11 February 2019.



Notes:

The diagram above shows the Governance and Organisational Structure as at 30 June 2021

The Hon. Richard Wynne is acting on behalf of the Hon Lisa Neville MP, Minister for Water from 15 February 2021

Board Director Angus Hume AM resigned 27 April 2021.

Melissa Jeal was appointed 6 April 2021 to Corporation Secretary, prior to this the position was held by Stuart Wrigglesworth.

Craig Parker previously held the position of General Manager Service Delivery to 5 March 2021.

Nicole Griffin previously held the position General Manager Assets and Environment to 11 September 2020.

Board committees

The board has three committees to assist in the detailed examination of matters and to make recommendations to the board.

Committee & Membership	Responsibilities
<p>Audit, Risk and Governance Committee</p> <p>Naomi Cleary (Chairman) Michael Malouf AM Peta Maddy (from 2 December 2020) Michelle McCrum Christopher Edwards Angus Hume AM (until 27 April 2021)</p> <p>All members of the committee are independent.</p>	<p>Key responsibilities:</p> <ul style="list-style-type: none"> • integrity of the annual financial statements and financial reporting • exposure to legal and business risk and associated risk management • effectiveness of the external and internal audit functions • adequacy and effectiveness of financial management, financial control systems, and other internal controls • monitoring compliance with laws and regulations • fostering excellence in corporate governance.
<p>Asset Governance Committee</p> <p>Peta Maddy (Chairman) Diane James AM Michael Malouf AM Michelle McCrum Kylie Steel</p>	<p>Key Responsibilities</p> <ul style="list-style-type: none"> • adequacy and integrity of capital works planning • performance and governance of capital program delivery • Strategic Asset Management improvement program • dam safety performance including dam portfolio risk assessments and dam design review • environmental strategy implementation, including oversight of our Climate Adaptation Plan and emissions reductions
<p>People, Safety and Culture Committee</p> <p>Michael Malouf AM (Chairman) Diane James AM Naomi Cleary Christopher Edwards Angus Hume AM (until 27 April 2021) Peta Maddy Michelle McCrum Kylie Steel Cameron FitzGerald</p>	<p>Key Responsibilities</p> <ul style="list-style-type: none"> • oversight of the people and culture strategy • fosters excellence in remuneration practice, specifically to ensure that executive remuneration policies and procedures comply with government requirements and better practice • adherence to the agreed trademark behaviours • overview the progress of the Culture of Excellence and Safe, healthy, diverse and caring workplace objectives • the oversight of health, safety and wellbeing of all employees

Customer Consultative Committees

Directors also attend the scheduled customer consultative committees throughout the year, with one regular attendee and a second director attending as available.

- Macalister Customer Consultative Committee
 - Angus Hume AM (until 27 April 2021)
 - Christopher Edwards (from 4 May 2021)
 - Kylie Steel (attends as a second director when available)
- Southern Groundwater and Rivers Forum - Michelle McCrum.
- Werribee Bacchus Marsh Customer Consultative Committee – Peta Maddy and Kylie Steel (attends as a second director when available)

Board stakeholder engagement

Board members regularly represent SRW at a range of stakeholder meetings and events throughout the water sector and broader regional development industry.

When permitted under COVID-19 rules, board meetings are held at strategic locations across southern Victoria, providing the opportunity for inspection tours and meetings with customers and stakeholders to further extend relationships and to gain exposure to customer priorities and industry trends in development.

Board and board committee meetings attendances 2020-21 summary

Director	Board		Audit, Risk Governance Committee		Asset Governance Committee		People, Safety & Culture Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Diane James AM	12	12		5	4	4	4	4
Naomi Cleary	12	12	5	5			4	4
Christopher Edwards	12	12	5	5			4	4
Angus Hume AM (to 27 April 2021)	9	8	4	4			3	3
Peta Maddy	12	12	2	5	4	4	4	4
Michael Malouf AM	12	12	5	5	4	2	4	4
Michelle McCrum	12	11	5	5	4	4	4	3
Kylie Steel	12	12		1	4	4	4	4
Cameron FitzGerald	12	12	5	5	4	4	4	4

The Chairman and Managing Director have a standing invite and attend all committee meetings. All Board members are able to attend all committee meetings.

Organisational structure

Our structure is focused on enabling our people to be flexible, agile and collaborative. It promotes cross-functional work across all areas of the business to ensure we achieve operational excellence.

The business units delivering for our customers and community are:

Business unit:	Responsible for:
Service Delivery	Operating our irrigation districts including Macalister, Werribee and Bacchus Marsh as well as our major dams, and managing license diversions from surface and groundwater, and the construction of bores and dams.
Assets and Environment	Developing and delivering SRW's capital plan including critical modernisation projects, with a holistic focus on asset and environmental management, with a strong focus on our ongoing commitment to climate adaptation and emissions reduction.
People, Safety and Culture	Supporting the health, safety and wellbeing of our people. Managing the employment, engagement and development of a diverse, knowledgeable and engaged workforce. Managing our procurement, facilities and fleet to ensure contemporary, accessible and sustainable work environments and resources.
Strategy and Performance	Strategic planning, including of our water resources, business performance monitoring, pricing and communications and engagement activities for customers, stakeholders and community.
Customers and Technology	Providing customer service via telephone, online and face-to-face channels, supported by digital technologies aligned to customer expectations. Implementation of Information Technology systems and networks, and investment in technology to support our strategic objectives.
Finance and Governance	Supporting and delivering financial management, risk management and corporate governance.

05

Our People



People and Culture

SRW employs 160 people, who are geographically placed throughout worksites across southern Victoria. Our employees are skilled and experienced in their chosen fields.

Our people

Our people are at the centre of everything we do. It is our people who help us achieve our aspirations.

At SRW, we are committed to creating an environment where our people are valued, connected, agile and innovative. We achieve this by creating and supporting a culture of excellence which is achieved through our culture initiatives.

Our strategic People Plan aspires to enhance employee capability, professional development, focused on customer service delivery excellence. Success is delivered through clear link to our vision and strategy by understanding what we stand for, what defines 'us' and what sets us apart from the others.

Our culture continues to be a key feature of 2020-21 as we seek to shift company culture towards a modernised and values driven culture, generating thriving, sustainable and tangible success across the business.

We use internationally recognised benchmarking tools to track our progress and develop targeted strategies to improve our culture and engagement including:

- Insync Culture Survey which measures employee engagement and alignment. This tool helps us align our people programs with the organisation's overall vision strategy and trademark behaviours. In October 2020 we conducted our annual Culture and Engagement survey. This year, with more than 80 per cent of our people working from home due to COVID-19 restrictions, the survey included questions to gather data on flexible working and wellbeing. We achieved improved alignment and engagement scores with higher functioning teams and greater connection strategy.

- the People Matter Survey undertaken by the Victorian Public Sector Commission, results yet to be received at the time of reporting.

KEY INITIATIVES

Recruitment

At SRW we are committed to applying merit and equity principles when appointing staff. The selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of key selection criteria and other accountabilities without discrimination.

Employment and conduct principles

All SRW employees are provided with a copy of the Code of Conduct for Victorian Public Sector Employees, and our induction processes, policies and training reinforce many elements of the Code of Conduct, and by having an aligned set of policies including SRW's Trademark Behaviours and workplace legislation.

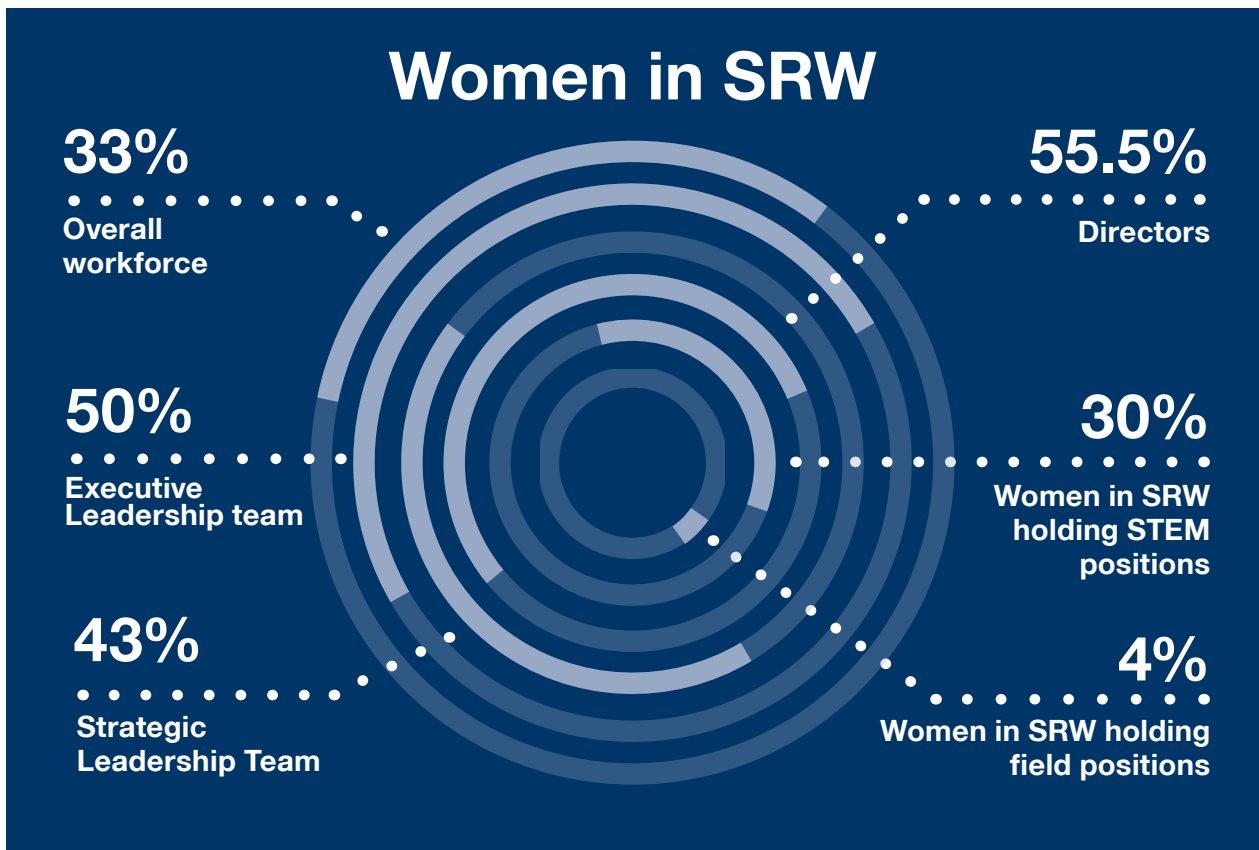
Diversity and Inclusion

We have a diverse workforce that reflects our communities.

We foster a workplace culture that is inclusive and collaborative, supporting the diversity of our people.

We have inclusive ways of working that bring the diversity of our people to life.

SRW is committed to gender equity and improving the representation of women in the water industry and other science, technology, engineering and mathematics (STEM) industries. Actions in gender equity in 2020-21 include: review of gender pay equity, celebration of International Women's Day and supporting women in leadership programs, including the Women in Water - Insight Leadership Program.



The *Gender Equality Act 2020* will play a key role in shaping our gender equality work to ensure we have an inclusive workplace.

Initiatives have been implemented to ensure gender diversity continues to improve across the organisation. The proportion of women in senior leadership positions includes:

- Directors – 55.5 per cent female
- Executive leadership team – 50 per cent female
- Strategic Leadership Team – 43 per cent female
- women in SRW holding STEM positions - 30 per cent female
- women in SRW holding field positions – 4 per cent female
- overall workforce – 33 per cent female.

We are also committed to providing employment opportunities for Aboriginal peoples and will continue to take action to ensure we have a culturally safe environment and promote the

attraction and retention of Aboriginal and Torres Strait Islander staff. About 1 per cent of our workforce identifies as Aboriginal or Torres Strait Islander.

New Ways of Working

Our response to the pandemic was aligned with prioritising our people at the centre of everything we do. We asked our people leaders to establish new operating rhythms within their teams and engage in new ways of working. We encouraged all our people to rise to this challenge. Key actions included the following:

- **Health and wellbeing** – virtual mindfulness sessions focused on the individual whilst working from home. We provided mental health workshops, as well as physical exercise sessions.
- **Connecting with employees** – we communicated regularly through various channels (intranet, email, online drop-in sessions). We had a weekly pulse survey as a part of our COVID-19 response which

checked in on engagement throughout the period and allowed us to focus efforts to maintain connectedness with our staff in the most effective way.

Customer Value – Providing outstanding service

We prioritise internal customer service better equipping our employees to provide outstanding service and customer value

In February 2021 we delivered Customer Service delivery excellence training in a blended mode of delivery through both face to face and online to upskill and improve SRW's approach internal and external customer service delivery, to enable us to continue delivery great value for customers.

Excellence – Empowering our people to deliver results

We inspire our people to achieve more than they thought possible.

We have created:

- an engaging and structured online onboarding and induction experience for new starters that accelerates the integration of new employees
- training matrices to capture current and future business unit training needs
- engaging eLearning courses in collaboration with subject matter experts
- the initial phases of an internal course library in our online learning and development system ensuring that employees are provided with contemporary, best practice training
- a Youth Engagement Program which links in vocational tertiary and secondary student work experience opportunities and programs by partnering with educational bodies. SRW will promote STEM careers at Careers Expos and work with government organisations committed to building youth capacity
- enhanced connectivity and collaboration across the business through Strategic Leadership Team led collaboration 'Co-lab' projects

Diversity goals

SRW is an inclusive and welcoming workplace where diversity and equal opportunity are valued. The following table outlines our progress against our diversity goals.

Diversity goals	Baseline 2013	June 2020	Target 2021	June 2021
Overall women at SRW	20%	33%	>34%	33%
Women holding executive positions	0%	57%	50%	50%
Women in SRW in the leadership group	NA	27%	>31%	43%
Women in SRW holding degree-required positions (other than engineering)	NA	38%	>40%	45%
Women in SRW holding STEM positions	NA	36%	>34%	30%
Women in SRW holding field positions *includes storage operators, water service officers, field officers and compliance officers but not supervisors or managers	NA	8%	>9%	4%
Under 25 years	4%	4%	>5%	2%
Maintain or increase proportion of staff who identify as of ATSI descent	2%	1%	>2%	1%

Future diversity goals: 2023 Targets

38% Overall women at Southern Rural Water

40% Women holding degree-required STEM positions

50% Women in executive positions

15% Women in field positions

35% Women in leadership positions

8% Employees under 25

50% women in degree-required positions (other than STEM)

2% Employees identify as Aboriginal or Torres Strait Islander

Workforce data

The following table discloses the headcount and full-time staff equivalent (FTE) of all employees of SRW in the last full pay period in June of the year 2020-21, and the last equivalent period 2019-20 .

	June 2021							June 2020						
	All Employees		Ongoing			Fixed Term & Casual		All Employees		Ongoing			Fixed Term & Casual	
	No.	FTE	FT	PT	FTE	No.	FTE	No.	FTE	FT	PT	FTE	No.	FTE
Gender														
Women	48	43	23	18	35.7	7	6.8	55	49.44	33	13	41.36	9	8.08
Men	112	111	97	9	104.7	6	6.0	113	111.47	98	7	103.47	8	8
Age														
15-24	3	3	1	1	2.0	1	1.0	6	6	6	0	6	0	0
25-34	27	26	21	3	22.8	3	3.0	28	27.45	22	2	23	5	4.45
35-44	42	40	30	8	36.4	4	3.8	51	48.31	38	8	43.31	5	5
45-54	47	45	38	6	42.4	3	3.0	44	42.64	35	3	37.01	6	5.63
55-64	33	32	26	6	31.0	1	1.0	33	31.88	26	6	30.88	1	1
65+	8	7	4	3	5.9	1	1.0	6	5.63	4	1	4.63	1	1
Band A-F														
A	19	17	11	6	15.1	2	2.0	21	18.65	12	6	16.2	3	2.45
B	57	56	51	5	55.1	1	1.0	63	61.93	55	3	57.3	5	4.63
C	31	29	23	7	28.0	1	1.0	30	27.96	25	5	27.96	0	0
D	21	20	16	5	19.8			22	20.43	17	5	20.43	0	0
E	19	18	16	3	18.5			18	17.94	17	1	17.94	0	0
F	5	5	3	1	4.0	1	1.0	6	6	5	0	5	1	1
Executive	8	8	0	0	0	8	7.8	5	5	5		5	5	5
Senior Management	0	0	0	0	0			2	2	2		2	2	2
Other	0	0	0	0	0			1	1	0	0	0	1	1
Total Employees	160	153	120	27	140	13	13	168	160.91	131	20	144.83	17	16.08

Health, Safety and Wellbeing

The health, safety and wellbeing of our people is our number one priority. In 2020 we introduced our new Trademark Behaviour 'Always Safe' and we work to ensure this is always top of mind for every single person who works for SRW.

Key Initiatives

Safety Performance

There was one lost time injury (LTI) for 2020-21. The lost time injury frequency rate (LTIFR) for staff is 3.8. This represents a decrease from 11.4 in 2019-20. We continue to provide ongoing education and information to improve performance.

We have increased our focus on near-miss and hazard reporting, particularly hazards, incidents and near misses that have a higher potential for injury.

Consultation

This year we redefined our health and safety consultation approach through a review of designated work groups, clarification of the role of health and safety representative, and increased engagement with the Health Safety and Environment Committee.

Risk Management

Our Health Safety and Wellbeing Team has strengthened our HSW Risk management framework and assurance program.

Mental Health and Wellbeing

As well as physical safety, we continue to explore new initiatives to support mental health and wellbeing. We established the Wellbeing @ SRW Program: highlights included mental health workshops and information sessions, mindfulness and meditations sessions and newsletters with stories and information from our staff.

Coronavirus (COVID-19) Response

SRW has a strong response in place for managing the impact of coronavirus (COVID-19) to ensure the safety of our staff, and the provision of essential services for our customers.

We established a consolidated COVID-19 Management Plan to cover the broad and diverse areas of SRW and all staff and contractors are well informed and practice COVIDsafe principles.

The pandemic has continued to impact the way our employees work and we increased investment in ergonomic assessments, EAP support and IT equipment and software to support their changed circumstances and needs.

We have continued to deliver our health check and flu vaccine programs to all staff.

Safety Culture Survey

Safety culture is measured using the Global Safety Index (GSI). We further improved our results in this year's survey, achieving 60.2 overall. This result places us within a 'Sustainable' Safety Culture Level. We will continue to work to strengthen our focus on safety through a new *Health and Safety Plan in 2021*.

OH&S indicators for 2020-21

Indicator	2020-21	2019-20	2018-19	2017-18
Number of lost time injuries for the year	1	3	4	2
Lost time injury frequency rate (per million hours worked)	3.8	11.4	14.2	7.3
Number of days lost due to injuries incurred during the year	21	315	18	248
Number of medical treatment injuries for the year	5	4	6	4
Medical treatment frequency rate (per million hours worked)	19.2	15.2	22.7	14.5
Total number of incidents (excl. near-misses)	9	13	24	15
Total number of incidents (excl. near-misses) per 100 FTE	6.2	8.1	15.0	8.9
Total number of near-misses reported	6	20	36	20
Frequency rate of near-misses reported	15.4	76.3	137.7	72.7
Number of first aid incidents	3	6	14	9
First aid treatment frequency rate	11.5	22.8	53.9	32.7
Standard lost claims exceeding employer liability (>10days)	1	2	0	1
Standard lost claims exceeding employer liability (>10days) per 100 FTE	0.68	1.2	0	0.59
Average cost per compensation claim	\$45,752.25	\$78,728	\$3,916	\$7,169
Number of reported hazards closed out	154	177	252	379
Number of reported hazards for the year per 100 FTE	137	174.0	158	226
Number of workplace inspections completed	57	72	52	50

06

Our Customers, Stakeholders & Community



Engagement objectives

Southern Rural Water is committed to developing resilient and trusted relationships with customers, stakeholders and communities.

Our *Engagement Strategic Plan* sets out our objectives, goals and actions for us to deliver. The plan builds on our strengths and shapes our ability to be a great partner through:

- effective and proactive engagement
- partnerships to deliver mutual objectives
- learning what our key audiences need from us
- sharing our priorities and progress.

Our primary engagement objective is to ensure our customers, stakeholders and communities have a wide range of opportunities to engage with us. We want them to find it easy to raise issues and open discussions, collaborate and deliver initiatives.

In addition to our offices providing frontline support and our field staff maintaining valuable customer relationships, our Customer Service team provides phone support and live online chat, and we maintain active social media pages, groups and e-newsletters.

Consultative committees

We meet regularly with our three board-appointed Customer Consultative Committees to ensure we also provide a formal process for customer participation in operational, strategic and long-term planning.

- Macalister Customer Consultative Committee (MCCC)
- Werribee Bacchus Marsh Customer Consultative Committee (WBMCCC)
- Southern Groundwater and Rivers Forum (SGRF)

These groups work with us to guide and inform our decision-making, and to help us shape future strategy and policy. Understanding our customers' priorities is critical to our success. The members are selected based on the knowledge they bring to the committee and their ability to reflect the diversity of the customer sector they represent.

These committees are responsible for:

- helping shape future plans, prices, investments, budgets and performance indicators
- feedback on pricing and billing arrangements
- feedback on customer communication activities
- providing a customer's perspective on business issues, with input into problem-solving
- linking SRW to the customer communities it serves.

They fulfill their duties responsibly and are often called upon to represent SRW's customers in media opportunities, or in engagement with Members of Parliament, and at community and industry events.

During the COVID-19 restriction period, these committees have continued to meet online. The committee members sometimes augment working groups and other committees as required. For instance, we have co-opted representatives from customer committees onto the Project Control Groups for major capital works, which supports the key role they play in the decision-making process. These committees will also be intrinsic part of the engagement for our next Price Submission.

In the more intensive areas of groundwater and surface water use, SRW maintains connection with local area committees annually, or as needed.

To deliver on our SRW vision, our goals are:



We create and promote opportunities for customers to collaborate with us on initiatives and solutions

We engage in a variety of ways to make it easy for customers to work with us, and for us to understand their priorities

We proactively celebrate the contribution customers make to our regions and share their success stories

We encourage two-way, timely communication with customers and respond promptly to their feedback, issues and ideas



We collaborate with partner agencies and groups to deliver services and projects of benefit to customers

We seek to build our profile and an understanding of our objectives with those who are influential in our sector

We work with Traditional Owners to understand their priorities, and learn how we can help them to achieve their goals

We show leadership as strong advocates in rural water management, driving debate and policy



We educate communities about our role and seek to learn how our operations affect them

We sponsor and participate in community projects and activities, where they complement our role

We ensure the public is aware of safe behaviours at or around our assets and facilities

We manage recreational use of our storages and seek opportunities to share resources for benefit of the community

Stakeholders

SRW's region includes Melbourne Water, three metropolitan urban water retailers, six regional urban water corporations, five catchment management authorities, regional and rural municipalities and urban municipalities.

SRW works closely with State Government, chiefly DELWP in its delegated licensing functions, the Department of Jobs, Precincts and Regions (Agriculture Victoria), as well as the Environment Protection Authority, Department of Health and Human Services and the Essential Services Commission.

We continue to advocate on customers and stakeholders' behalf to provide opportunities to grow regional economies.

We meet regularly with the urban water businesses, power companies and government departments who hold bulk entitlements in the storages we manage. Some of the many other stakeholders we engage with:

- the Department of Treasury and Finance
- primary industry groups such as the Victorian Farmers Federation and relevant commodity groups, United Dairyfarmers of Victoria, along with peak horticultural industry bodies
- the Energy and Water Ombudsman of Victoria
- Victorian Environmental Water Holder
- Federal Government agencies such as the Bureau of Meteorology
- environmental and sustainability groups
- Regional Development Victoria, including Great South Coast Food and Fibre Council and Food & Fibre Gippsland
- Gippsland Regional Water Alliance
- Gippsland Environmental Agencies (GEA) – MDs forum and Women in Leadership Group and the GLaWAC Working Group
- Integrated Water Management groups
- Pride in Water Alliance.

We have developed and implemented *Communications and Engagement Plans* for all our major projects and initiatives, including water auctions and sales, the MID, WID and BMID modernisation programs, water trading and the Barwon Downs stakeholder and community group

engagement.

Engagement in 2020-21 has included:

- individual meetings with customers in Werribee and Bacchus Marsh
- facilitating meetings between customers and DELWP to share information to information the Central and Gippsland Sustainable Water Strategy
- working with Agriculture Victoria, CMAs, other water corporations on joint programs with customers and communities, through delivery of major projects such as the MID2030
- participation in IWM Forums and project work with other water agencies across the state.
- the Managing Director and senior leadership team have also been involved in a range of partnerships and alliances with a shared objectives.
- staff at all levels look for opportunities to share and learn with our colleagues from other water corporations, local government and agencies

Partner survey

SRW undertook a Partner survey in 2020-21, to gain valuable insights from our key partners and stakeholders into areas of focus, as well as what is working well and areas for improvement. The following outlines the key findings:

- our stakeholders value great partnerships and feel we are performing well
- a large proportion see us as a trusted advisor
- we could expand our on the ground reach further into the south west of our region
- delivery of a consistent approach for all partners regardless of the contact within the business is essential

Barwon Community Leaders Group

We continued to meet with our Barwon Community Leaders group during the development of the *Barwon Rehabilitation and Environmental Protection Plan (REPP)*. The Plan was accepted and began to be implemented in March 2020.

We published a dedicated Barwon Downs micro-site and portal on our website for information regarding the REPP. We have continued our involvement with the Barwon Community Group and we are exploring ways to continue to involve them in the ongoing monitoring of the REPP.

Torquay Community Group

In October 2020 there was an incident involving a private potentially hazardous dam in the Torquay area which resulted in a community being evacuated for a period of 48 hours. In our response to the incident we issued a direction under Section 80 of the Water Act setting out some clear operating conditions for the dam owner to ensure the safety of the community. Following this we established the Torquay Community Group which is made up of a number of residents in the area. The focus of this group was to provide consistent information to the

residents throughout the response process. We have dedicated a website page on the project to provide information and frequently asked questions with regard to next steps.

Aboriginal engagement

Aboriginal people are the Traditional Owners and Custodians of the land and waters on which we work and live. We respect Aboriginal culture and the deep and ongoing connection Aboriginal people have to Country.

We commit to foster mutual understanding and respect, to build trust and develop meaningful working relationships with the Traditional Owner groups and Aboriginal communities across our region. We intend that these relationships will raise cultural awareness and deliver improved employment and economic benefits through participation in the water sector.

We are working with Traditional Owners in our region to understand their priorities and objectives, and learn how we can help them to achieve their goals. In doing so, we aim to deliver on our corporate goals and the Water for Victoria priorities in relation to recognising and including Aboriginal values for water.

Gunaikurnai Land and Waters Aboriginal Corporation – 2 GL of unallocated water

The Victorian Government announced the Gunaikurnai was to gain water ownership – a first of its kind in the state. SRW was able to support this significant step recognising Traditional Owners' deep connection to water through the licencing of 2GL of Mitchell River winterfill entitlement.



(Left) the Traditional Owner groups with RAPs in the SRW region.

Community

SRW engages in a variety of ways with the wider community across southern Victoria. This includes residents within our region and visitors to the region.

We partnered with Arts Assist Wyndham in the painting of a mural on the historic water tower at the Werribee office (pictured, right). The iconic tower now features images incorporating environmental values and the history of farming in the district. The mural was opened by the Victorian Treasurer on 27 March 2021 with our Chair and Managing Director in attendance.

The Broadening Horizons program is a significant commitment to developing relationships with our local secondary schools, and promoting pathways into careers associated with the water industry. SRW staff mentor groups of students who are undertaking scientific, data or environmental research to present at an annual expo for the school and wider community.

Our staff attend various community events to promote awareness of rural water management.



(Above) The opening of the mural on the historic water tower at the Werribee office.

Sponsorship

SRW is committed to building relationships through supporting community events and group activities. Our sponsorship priorities target not-for-profit activities to:

- strengthen local communities
- promote sustainable environmental practice
- educate, particularly on water-related topics.

SRW provides sponsorship to community groups and organisations, industry events or activities and to staff involved in charitable events. Our sponsorship in 2020-21 included:

- supporting local communities through sponsorship for the East Gippsland Field Days to subsidise ticket prices and encourage as many families as possible to have access to the important days
- supporting the East Gippsland Vegetable Innovation Days, by sponsoring its online videos after the field days/trial event was limited due to the pandemic
- a range of small community group sponsorships
- assistance for rural groups running activities to support farmer mental health during the drought and bushfire recovery period
- Water Week schools poster competition with Wannon Water and Glenelg Hopkins CMA.

Social Sustainability

Community Service Obligations

Concessions are available on domestic water charges for holders of valid concession cards. Irrigation water charges are not eligible. Groundwater licences are also not eligible, as we do not charge for domestic groundwater use.

Value of Community Service Obligation provided	2020-21	2019-20
Pensioner concessions	\$12,200	\$11,516

Hardship

A range of personal and external issues, including COVID-19, floods, market fluctuations and personal hardship, affect many of our customers'

businesses. During 2020-21, we have published specific and detailed information on the options available for our customers that may require financial assistance.

We updated our billing reminders to emphasise the range of options available to our customers.

We offer our customers payment options such as payment extension or individual payment plans. Where customers experience hardship, we seek to understand their situation and find mutually acceptable solutions. We have a [Debt Management Procedure](#) which is published on our website under the Customer Assistance options.

As of 30 June 2021	No of accounts	Value
Payment plans	65	\$914,219

Social Procurement

SRW operates in regional communities across Southern Victoria and recognises the impact of the opportunities that the organisations collective procurement spend could have to the social and environmental landscape.

SRW's 'Social Procurement Strategy' provides the governance framework in order to meet our compliance obligations in regards to the Victorian Government 2018 Social Procurement Framework. It also provides the flexibility for our organisation to operate beyond compliance to play a key role in leading regional communities in social and sustainable procurement practices which underpin economic growth, social inclusion and improving sustainable outcomes for the environment.

Procurement at SRW is categorised as;

- Goods and services; including business supplies and service contracts
- Construction; includes "Works" and "Construction services" as defined in the Ministerial Directions for Public Construction Procurement in Victoria.

SRW complies with the requirement to include social procurement framework outcomes as a part of tender evaluations for Individual capital procurement activities within the framework thresholds.

SRW seeks opportunities to consider social procurement in our undertaking of training, procurement of goods and services and labour hire recruitment.

- In support of our social procurement responsibilities, we seek to engage local trades and suppliers in the first instance when conducting routine facilities maintenance and cleaning contracts.
- In addition, we support social procurement initiatives when we engage our local disability support provider to undertake grounds maintenance at a number of our offices and public recreation areas.
- A separate and individual social procurement plan has been developed for the single large procurement for the proposed Newry Nuntin pipeline which will be
 - \$20M, the plan will target outcomes outlined in the SRW strategy. In delivering the Phase 2 Newry and Nuntin works, SRW will seek to ensure alignment between the objectives for, Local Jobs First, Major Skills Guarantee and Working for Victoria policy all targeting local disadvantaged unemployed demographics. SRW has a strong community focus and expects our preferred supplier to demonstrate engagement with and opportunities for local contractors and local training and employment on the project.

Recreational values

We acknowledge the strong association recreational users have with our public storages, and we remain committed to developing plans for their ongoing use.

All the recreational parks were very busy throughout the summer, perhaps as a consequence of travel restrictions resulting from the COVID-19 pandemic.

Blue Rock Lake has continued to grow in popularity with the public. The highlight of the year was the completion of the new \$300,000 all-abilities playground at the recreational park at Old Tanjil Road. The park has been very popular with high numbers of visitors throughout the year. The

recent addition of two new floating jetties has led to an increasing number of vessels being launched onto the water.

SRW welcomed the receipt of a grant from the Department of Transport's Boating Safety and Facilities Program. This has enabled SRW to upgrade the buoys and navigation aids at all the reservoirs open to boating. At Pykes Creek a new set of buoys will form a barrier across the swimming area. This will prevent other vessels from entering the area or beaching along the shore. This will ensure safer use of the area for swimmers.

(Pictured below) Blue Rock Lake



07 Our Environment



Environmental Strategy

The SRW Environmental Strategy continues to drive strategic initiatives and compliance actions, complementing SRW's Corporate Strategy. The Strategy sets objectives and targets under five key areas: Climate and Energy, Waste, Water Use, Waterway Health, and Biodiversity and the Land.

Climate Resilience

SRW has continued to move towards our target of zero net carbon emissions by 2025. SRW exceeded our emissions goal of 1,217 tCO₂-e, recording 824 tCO₂-e for the year. The commissioning of the Zero Emissions Water project has further reduced SRW's emissions associated with use of electricity, and ongoing reductions in vehicle use – primarily due to the effects of COVID-19 restrictions – have also contributed to the outcome.

SRW finalised our first *Climate Change Adaptation Plan*. The Plan is overseen by an internal committee and has identified five key objectives that seek to address knowledge gaps, embed climate adaptation in decision-making and infrastructure projects, defining SRW's role in assisting its customers and stakeholders, ensuring resilient water supplies and protecting biodiversity and ecosystems.

Environmental Improvement

SRW has made significant progress against our corporate objectives and targets in 2020-21.

- Waste: Waste to landfill totalled 31 tonnes for the financial year. Though COVID-19 restrictions on office access influenced this result, waste programs including separate waste streams for offices and recycling at depots have improved SRW waste practices.
- Waterway health: SRW is a research partner with DELWP, West Gippsland CMA and Monash University and other agencies investigating nutrient transport and dynamics in the Lake Wellington catchment area, including the MID. SRW has also continued to report on phosphorous loads to the Gippsland Lakes, which underpins actions taken by all agencies delivering actions under the *Lake Wellington Land & Water Management Plan*.

- Biodiversity and the land: SRW has continued to partner on projects with Melbourne Water to reduce weeds and pests on SRW land, particularly at Merrimu Reservoir and Melton Reservoir. SRW also maintains native vegetation offset sites at Lake Glenmaggie and Merrimu Reservoir, actively improving biodiversity values at these sites. Though delayed, SRW has prepared for revegetation works at Pykes Creek Reservoir following a planned removal of the pine trees currently on the site.

Regional Catchment Strategies

SRW has five catchment management partners across its region: Glenelg Hopkins, Corangamite, Port Phillip and Westernport, West Gippsland and East Gippsland.

SRW continues to contribute to strategy and biodiversity management across our region. During the reporting period we:

- contributed to the review of Regional Catchment Strategies in SRW's regions
- continued to collaborate with stakeholders on catchment management issues. This included municipal councils, crown land managers, individual property owners and parties looking at undertaking use and development activity in catchments
- produced local management rules for groundwater and rivers
- continued our program to meter all significant water users
- contributed to river monitoring through partnerships, such as the Gippsland Regional Water Monitoring Partnership
- contributed to the implementation of the *Lake Wellington Land and Water Management Plan*

- supported *Victoria's Water Recycling Action Plan* through the WID Recycled Water Scheme
- managed irrigation-induced salinity in the MID through the maintenance and operation of groundwater control pumps.

Victorian Biodiversity Strategy

SRW recognises the ecological linkages between different parts of the environment (e.g. streams, streamside vegetation, and the biodiversity they support) and is aware that our actions and strategies influence biodiversity conservation.

SRW works with government departments, local government and CMAs to support biodiversity conservation and protection activities when undertaking works and projects.

SRW worked with Grow West, Port Phillip and Westernport Catchment Management Authority and Melbourne Water to facilitate and support revegetation of land in the Werribee River catchment area. SRW is continuing to pursue opportunities to establish more vegetation on its land and is working with catchment management authorities on the potential for catchment revegetation works that also deliver carbon offsets for use in SRW meeting our pledge to be net zero emissions by 2025.

Victorian Waterway Management Strategy

The Victorian River Health Strategy provides a framework to manage and restore our rivers over the long term.

Key elements of the strategy relevant to SRW are:

- facilitating the movement of water to its highest value use
- providing and managing water for the environment
- restoring flow-stressed river systems.

SRW supports the Victorian Waterway Management Strategy through:

- complying with environmental obligations in bulk entitlements

- operating the MID Nutrient Monitoring Program
- facilitating the delivery of environmental water by working closely with Melbourne Water, the West Gippsland CMA and the Victorian Environmental Water Holder
- responding to environmental incidents
- participating in the joint Gippsland Water and WGCMA forums, advising on environmental water from Blue Rock Lake and Lake Glenmaggie
- participating in the Lake Wellington Sustainability Group, including assisting with implementation of the regional *Land and Water Management Plan*
- working with catchment partners such as Melbourne Water to achieve improvements in waterway condition near SRW assets (e.g. the Merrimu, Bacchus Marsh and Melton Reservoir initiatives).

SRW also carries out activities complementary to waterway health at its storages, such as erosion control works, the establishment of Native Vegetation Offset sites, and amenity upgrades.

Regional Waterway Strategies

Regional Waterway Strategies are required under the Water Act 1989 and identify high-value waterways and priority management activities over an eight-year period.

SRW's management area falls across five catchment management regions, which have the following Regional Waterway Strategies:

- East Gippsland Waterway Strategy 2014–2022
- West Gippsland Waterway Strategy 2014-2022
- Port Phillip & Westernport Waterway Strategy 2014-2022
- Corangamite Waterway Strategy 2014-2022
- Glenelg Hopkins Waterway Strategy 2014-2022.

SRW continues to be involved in the implementation of various sub-strategies.

State Environmental Protection Policy (Waters)

The State Environment Protection Policy (Waters) (SEPP) sets the framework for monitoring Victoria's waterways and assessing their relative health. It also provides regulation and compliance in matters affecting water quality throughout the state. Within the SEPP, the MID was identified as a source of nutrient pollution to the Gippsland Lakes. A specific requirement for SRW to monitor and reduce total phosphorous (TP) loads exiting the MID into the Gippsland Lakes was established in the previous SEPP.

The SEPP came into effect during the 2018-19 Financial Year, and included a new nutrient load reduction target of 15 tonnes (total) from the Lake Wellington catchment, including the MID.

SRW has operated a nutrient monitoring program since 2000. During that time, the program has been adjusted from a drain-based monitoring system to a river-based system. This has allowed more accurate estimates of the TP loads from the MID, and also takes into account upstream and non-irrigated sources of nutrients.

Data from the monitoring program has helped to inform the new load reduction targets for the updated SEPP, and the monitoring program will continue to be implemented to track progress against the load reduction targets. The reduction in outfalls from the modernised sections of the MID has also assisted in reducing the carriage of nutrients to the waterways and lakes system.

Native Vegetation Offset Credit Site

SRW manages two native vegetation offset credit sites, a 23.09ha site adjacent to Lake Glenmaggie, and a 46.6ha site adjacent to Merrimu Reservoir.

As part of the landowner agreement with DELWP to establish these sites, SRW committed to a 10 year management plan designed to improve the extent and quality of native vegetation on the sites and to protect the sites in perpetuity.

Management actions on the sites include the

removal and minimisation of weed species, the control of rabbits and monitoring for other pest species such as foxes and deer, and the restriction of public access to the sites to eliminate rubbish dumping, firewood collection, disturbance of vegetation by 4WD vehicles and the spread of weeds and pathogens.

Integrated Water Management

Integrated water management considers the entire water cycle to provide the best community outcomes when planning, delivering and operating infrastructure and water services.

The Department of Environment, Land, Water and Planning established Integrated Water Management forums to identify, coordinate and prioritise opportunities and areas that would benefit most from collaborative water cycle planning and management.

There are 15 IWM forum areas across Victoria, 14 of which have a Strategic Direction Statement, capturing the regional context, shared vision and water related outcomes.

Each forum is represented by water corporations, local government, catchment management authorities and Traditional Custodians. SRW participates in nine forums with a focus on relevant surface and groundwater information strategies and projects. SRW is also taking part in the development of the Western Growth Area Master Planning work for the Werribee catchment. This will outline options to provide a secure and fit for purpose water supply for SRW's Bacchus Marsh and Werribee Irrigation District customers

Greenhouse Gas Emissions and Net Energy Consumption

In 2016, the State Government announced a long-term target of zero net greenhouse gas emissions by 2050. As a result, the Victorian Water Sector submitted emissions reduction pledges for the period to 2025, and pathways to achieving net zero emissions by 2050.

SRW has made significant progress towards its pledge of achieving net zero carbon emissions by 2025.

In 2020-21, SRW:

- developed business cases for installing on-site batteries at two major offices and a depot, with intent to progress these projects in 2021-22
- continued to utilise solar panels to power automated systems in SRW's irrigation districts
- along with other Victorian water authorities, procured cheaper long-term renewable energy through the innovative Zero Emissions Water Ltd collaboration
- progressed opportunities to partner with CMAs and other water authorities to establish carbon offsets while achieving co-benefits

such as revegetation and biodiverse plantings

- identified a number of additional opportunities for solar PV systems, hydropower and improvements in vehicle fleet efficiency as part of a broader review of SRW's pathway to net zero by 2025.

SRW has reported its emissions in line with the National Greenhouse and Energy Reporting Scheme (NGERS) framework.

Overall, SRW is on track to achieve its goal of net zero emissions by 2025.

Service Delivery Category	Greenhouse gas emissions in tonnes of CO ₂					Commentary (including no. of RECs retired resulted in a reduction in reportable emissions)
	2020-21 Projected	2020-21 Results			Variance %	
		Scope 1 emissions	Scope 2 emissions	Total emissions		
Water Supply ¹	0.00	0.00	238.52	238.52	NA	Variance is due to the delay in commissioning of the Kiamal Solar Farm, which was originally expected to deliver 100% of the Large Scale Generation Certificate (LGC) to water corporations in Zero Emissions Water. The Maddingley Pump Station has also continued to be a large power consumer, with actual consumption exceeding baseline calculations. SRW will retire 185 LGC's received through ZEW for the 2020-21 FY to offset total Scope 2 emissions. This has been factored into the reported Scope 2 emissions in this section.
Vehicle Fleet ²	1217.00	585.30	0.00	585.30	-52%	Variance is primarily due to a reduction in travel during COVID-19 restrictions, subsequent increase in remote working and video conferencing, and other passive measures for reducing vehicle travel.
Other ³	0.00	0.00	0.00	0.00	0%	The closure of SRW Ballarat Office has removed SRWs last site consuming natural gas. All other gas consumption (welding gases) fell below NGER reporting thresholds.
TOTAL	1,217	585	239	824	-32%	The overachievement on SRWs projected targets are due to reductions in fleet emissions as a result of reporting under NGERS, reduced travel during COVID19 restrictions, and other passive measures. SRWs Scope 2 emissions are higher than projected, due to the Maddingley Pump Station.

¹ Water supply includes Scope 2 emissions generated from irrigation pumping stations, groundwater pumps and irrigation channel infrastructure.

² Vehicle fleet includes Scope 1 emissions generated from pool cars, machinery and fleet used for business purposes.

³ Other includes Scope 2 emissions from all other sites not included in water supply (offices, depots, recreation facilities etc.)

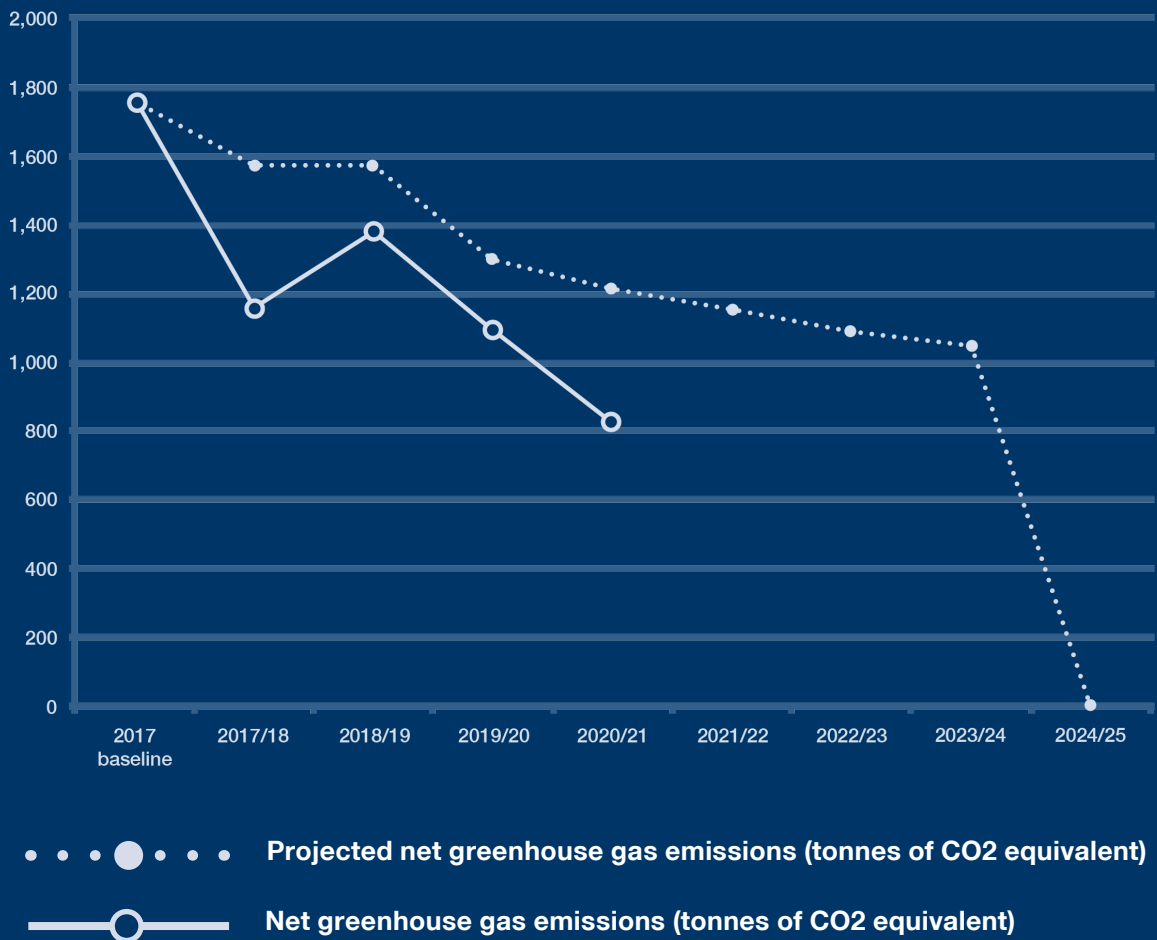
Electricity Consumption

Performance Indicator	2020-21 result (MWh)	2019-20 result (MWh)	Commentary
Water supply	428	445	Within normal range of consumption.
Other	286	283	Within normal range of consumption.
TOTAL	714	728	Within normal range of consumption.

Renewable Energy Consumption

Renewable electricity consumption categories	2019-20 Renewable electricity used (MWh)	2020-21 Renewable electricity used (MWh)	2020-2021 Renewable electricity consumption (% of total consumption)	Commentary
Renewable electricity consumption SRW received from the grid as a result of the Commonwealth Government's LRET.				
Total Grid-sourced (LRET estimation)		79.21	11%	Note this figure is only inclusive of power not covered by SRW purchasing green power.
Renewable electricity consumption as a result of SRW led/self-sourced activities and initiatives.				
Biogas	0	0	0	
Hydroelectric	0	0	0	
Solar	101	241	34%	Includes retirement of 185 LGCs sourced through Zero Emissions Water, and behind-the-meter generation.
Wind	0	0	0	
Other (Greenpower from Grid)	284	238	33%	
Total Corporation led/self-sourced.	385	479	67%	
TOTAL	385	559	78%	

Greenhouse Gas Emissions/ Target



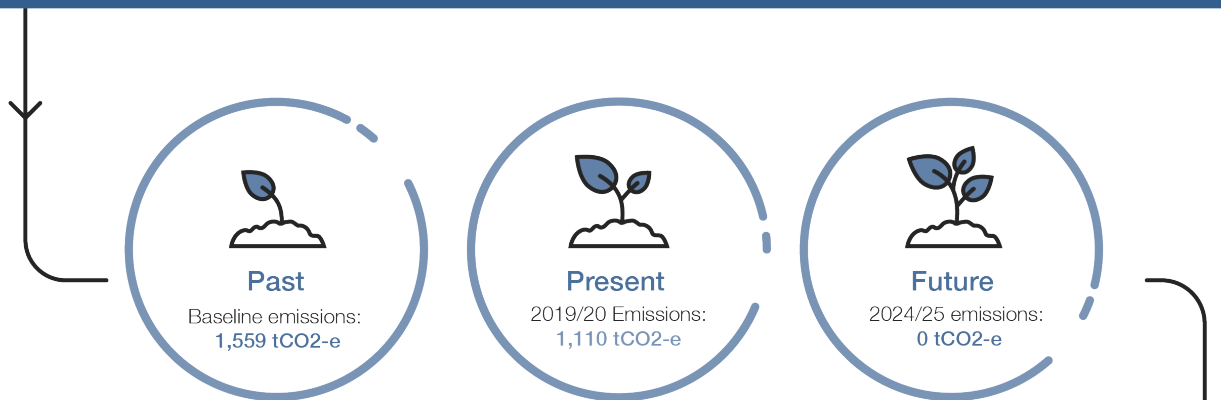
SRW's Net Zero 2025 Pledge:

SRW is committed to reducing our emissions by 100% by 2025

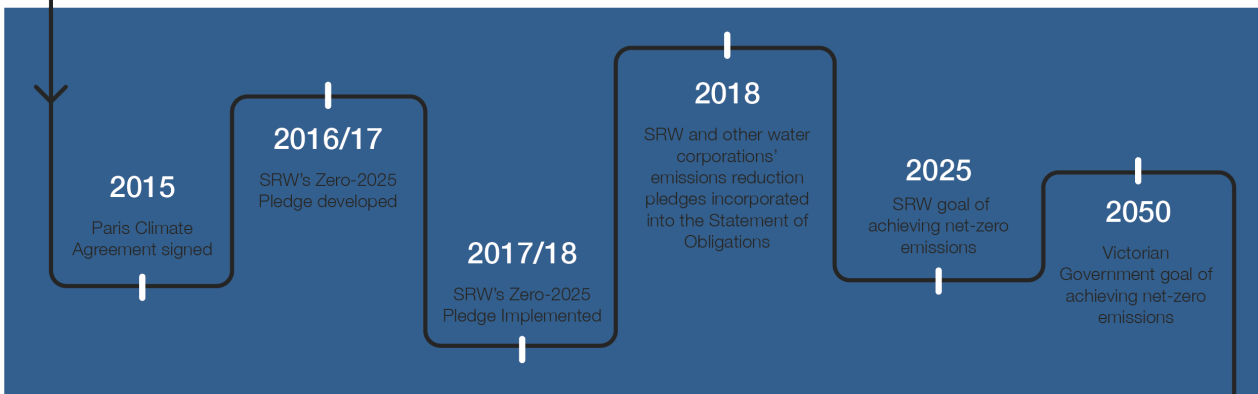
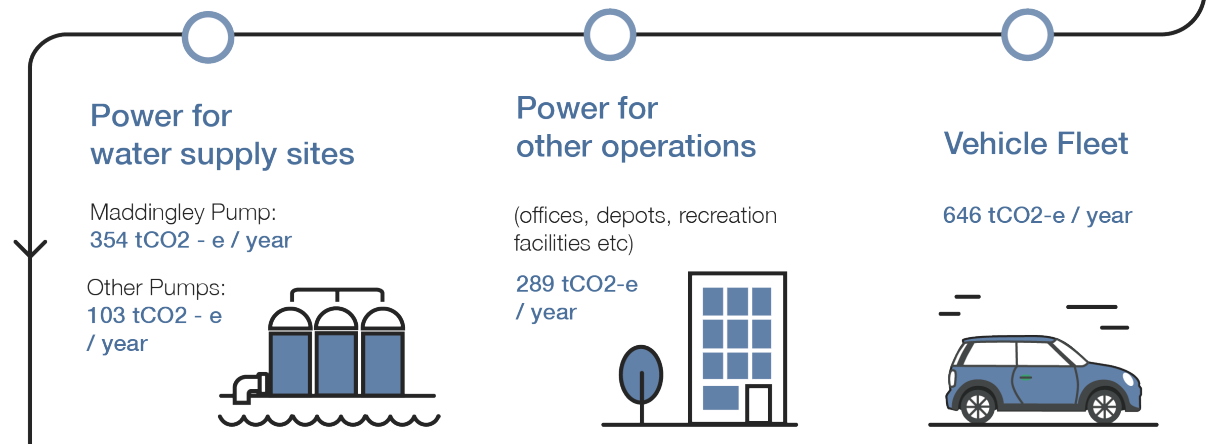


Net Zero Emissions

Refers to achieving an overall balance between greenhouse gas emissions produced by a corporation and greenhouse gases removed from the atmosphere



Current source of emissions from SRW's operations:



08

Bulk Entitlements



Bulk Entitlements

A Bulk Entitlement Order is a set of operating rules for a reservoir.

At SRW we have entitlements associated with the following Bulk Entitlement Orders:

- Latrobe
- Maribyrnong
- Tarago
- Yallourn Energy
- Werribee
- Thomson/Macalister.

Because more than one organisation or group can have shares (or entitlement) in the water being held in a reservoir, each shareholder must follow rules about:

- the volumes that can be taken from the reservoir, system or waterway
- costs of managing the system, and how they are shared.

At a number of reservoirs, SRW acts as the storage manager on behalf of all shareholders. As a storage manager, we:

- allocate water (both increases and decreases) according to the inflow and capacity shares held by shareholders
- ensure that we meet the rules for passing flows downstream for environmental purposes
- release water to meet a shareholder's request.

Passing flows are a vital part of our Bulk Entitlement Orders and are met before allocation requests are supplied.

Bulk Entitlement (Thomson/Macalister - Southern Rural Water) Conversion Order 2001

The following information is provided in accordance with Section 20.1 of the Thomson/Macalister Bulk Entitlement Order

		Volume (ML)
At 1 July 2020	Volume of water held at Lake Glenmaggie ¹	139,797
	Share of Thomson Reservoir storage capacity (under Clause 9)	39,021
Annual 2020-21		
a(i)	Releases from the Thomson Reservoir to supply primary entitlements	12,081
a(ii)	Share of Thomson Reservoir storage capacity (under clause 9)	41,637
a(iii)	Inflows attributed (under clause 10.1 and 10.2)	16,804
At 30 June 2021		
Annual 2020-21	Taken from waterway: (Note 1)	
e(i)	Northern Channel 1	41,341
e(ii)	Southern Channel 1	77,799
e(iii)	Eastern Channel 1	27,394
e(iv)	Cowwarr Channel 1	11,826
e(v)	Southern Channel to Thomson Channel	1,341
(i)	Water taken by the primary entitlement holders	138,615
Annual 2020-21	Water pumped to supply primary entitlement holders	
g(i)	Lake Glenmaggie	0
g(ii)	Macalister River	4,464
g(iii)	Thomson Reservoir	0
g(iv)	Thomson River	9,028
g(v)	Rainbow Creek	4,201
(h)	Volume of water held at Lake Glenmaggie (July 1 2021)	139,483
	Environmental allocation (2020-21 season)	18,691
	Environmental carryover (2019-20 season)	7,648
	Total available to environment (2020-21 season)	26,339
	Environmental release (including carryover)	9,010
	Write off unused carryover (due to storage spilling)	7,648
(j)	Environmental carryover available (2021-22 season)	9,681
(j)	Credits granted (under clause 17)	Nil
(k)	Temporary or permanent transfers of a bulk entitlement or any other entitlement to SRW	Nil
(l)	Alteration made to Schedules 1 or 2 under sub-clause 8.1	Nil
(m)	Number, amount and places of origin and destination of transfers of primary entitlement	Nil
(n)	Amendments	Nil
(o)	New bulk entitlements granted	Nil
(p)	Programs approved to date under sub-clause 18.2	Programs being implemented
(q)	Programs approved to date under sub-clause 19.3	Programs being implemented
(r)	Any failure by SRW to comply with any provision of this bulk entitlement	Nil
(s)	Any difficulty experienced or anticipated by SRW in complying with this bulk entitlement and any remedial action taken or proposed	Nil

Note 1. 20.1 (c), (d) and (e). Daily volumes have been recorded at Lake Glenmaggie, Cowwarr Weir, Wandocka (environmental flow), Maffra Weir (environmental flow), Main Northern Channel, Main Eastern Channel, Main Southern Channel and Cowwarr Channel and can be provided upon request

Bulk Entitlement (Latrobe Reserve) Order 2013

The following information is provided in accordance with Section 15.1 of the Bulk Entitlement (Latrobe Reserve) Order 2013:

Annual 2020-21		Volume (ML)
(b)	Volume of water taken by Reserve Holder from Blue Rock Reservoir under this entitlement	Note 1
(c)	The amount of water in the Reserve Holder's share of Blue Rock Reservoir under this entitlement	
	1 July 2020	37,432
	30 June 2021	37,439
(d)	The amount of annual losses debited to the Reserve Holder's share of Blue Rock	1195.7
(e)	The annual amount of any internal spill of water from or to the Reserve Holder's share of storage in Blue Rock	486 to reserve. Nil from reserve
(f)	The implementation of a metering program:	Note 2
(g)	Any assignment of all or part of a water allocation available under this entitlement	Nil
(h)	Any transfer of all or part of this bulk entitlement to any person	Nil
(i)	Any amendment to this bulk entitlement.	Nil
(j)	Any failure by the Reserve Holder to comply with any provision of this bulk entitlement	Nil
(k)	Any existing or anticipated difficulties experienced by the Reserve Holder in complying with this bulk entitlement	Nil

Note 1. 15.1 (b) 800 ML was made available to entitlement holders in the Latrobe system in line with the rules of the bulk entitlement with 50 ML purchased

Note 2 (f) The metering program used for the Reserve Holder is that used by SRW for its bulk entitlement metering requirements

Bulk Entitlement (Latrobe-Southern Rural Water) Conversion Order 1996

The following information is provided in accordance with Section 16.1 of the Bulk Entitlement Order 1996.

Annual 2020-21		Volume (ML)
	The amount of water in Blue Rock Reservoir	
(e)	1 July 2020	198,337
	30 June 2021	198,337
	The amount of water in Lake Narracan	
	1 July 2020	4,722
	30 June 2021	5,165
(f)	The amount of water in the Entitlement Holder's share of Blue Rock Reservoir - 2.10%, as at 30 June 2021	4,166
	The annual amount of water taken by the Entitlement Holder	
(g)	Upstream of Yallourn Weir	15
	Downstream of Yallourn Weir	8,218
(h)	The amount of annual losses debited to the Entitlement Holder's share of Blue Rock Reservoir (due to evaporation)	1195.7
(i)	The annual amount of any internal spill of water to the Entitlement Holder's share of storage in Blue Rock Reservoir.	486.8
(j)	Any periods of rationing and the degree of rationing of licence holders listed under Schedule 1	Nil
	Implementation of programs approved under sub-clauses 14.2 and 15.1.	Note 2
(l)	Environmental Management Plan	Program being implemented
	A metering program in line with the bulk entitlement guidelines.	Program being implemented
(m)	Temporary or permanent transfers of a bulk entitlement of all or part of the bulk entitlement	Nil
(mA)	Temporary or permanent transfer of all or part of this bulk entitlement or assignment of all or part of a water allocation available under a bulk entitlement to an entitlement holder	Nil
(o)	Amendments to this bulk entitlement	Nil
	The annual amount supplied to any group of licence holders specified by the Minister:	
	Drought Reserve:	0
	Gippsland Water	4,339
(p)	Loy Yang A	28,367
	Loy Yang B	19,643
	SECV	1,184
	SRW	3,923
	Tru Energy	39,800
	Victorian Environmental Water Holder	0
(q)	Failures in complying with this bulk entitlement	Nil
(r)	Existing or anticipated difficulties by the Entitlement Holder in complying with the Bulk Entitlement	Nil

Note 1. 16.1 (a), (b), (c), (d) Daily volumes have been recorded and can be provided upon request.

Note 2. 16.1 (l) Approval by DELWP of an Environmental Management Plan SRW had previously submitted. Approval by DELWP of an SRW metering plan for this system in line with the bulk entitlement guidelines.

Note 3. The following information is provided in accordance with Clause 15.4 of the Bulk Entitlement Order 1996.

The Entitlement Holder has a network of meters installed within its low-quality water system that enables it to determine the low-quality water usage by both the Loy Yang A and Loy Yang B power stations. This equipment is checked monthly for validity and annually for signal integrity.

Bulk Entitlement (Werribee System - Irrigation) Conversion Order 1997

The following information is provided in accordance with Section 18.1 of the Werribee Bulk Entitlement Order.

Annual 2020-21		Volume (ML)
(g)	Releases necessary to supply transfers of primary entitlements	0
	Water taken from the waterway for the year at each of the diversion weirs and pumps specified in clause 10:	
(h)	Bacchus Marsh Diversion Weir	303
	Werribee Diversion Weir	8,575
	Maddingley pumps	2,236
	Water taken by SRW from the system waterway at each of the diversion weirs:	
	Lerderderg Weir to Goodmans Creek	15,048 (SRW's share 1504)
	Goodmans Creek to Merrimu Reservoir	9,592 (SRW's share 959)
	Werribee Upper Diversion Weir to Pykes Creek	4,279
	Volume of water taken by primary entitlement holders:	
(i)	• High and low reliability water shares	9,235 ML
	• Myrniong	48.84
	Volume of water taken by primary entitlement holders including outfalls:	
	Bacchus Marsh	2206 + (50.97 Outfalls)
	River diverters	641
	Myrniong	48.84
	Werribee	6,388 + (194.24 Outfall)
(k)	Credits granted (under clause 15)	Nil
(l)	Temporary or permanent transfer of the bulk entitlement	Nil
(m)	Bulk entitlement or licence transferred to the Authority	Nil
(n)	SRW applied the following restrictions to primary entitlement holders in the Werribee and Bacchus Marsh irrigation districts and licensed diverters on the Werribee River: ³	100% HRWS and 100% LRWS
(p)	Trades of primary entitlement ⁴	1,824
(r)	Changes to this bulk entitlement	Nil
(s)	New bulk entitlements granted	Nil
(t)	Environmental management program approved to date under sub-clause 16.3	Program being implemented ⁵
(t)	Metering program approved to date under sub-clause 17.3	Program being implemented ⁶
(u)	Any failure by the authority to comply with provisions of the bulk entitlement	Nil
(v)	Compliance: difficulty in complying with the bulk entitlement and any remedial action taken	Nil

Note 1. 18.1 (a) (i) and (ii), (b), (c), (d) and (f) Daily volumes have been recorded and can be provided upon request. These include the daily flow passing each of the storages including Pykes Creek Reservoir, Melton Reservoir and Lake Merrimu. If required, SRW will also report on the daily passing flow on each of the following diversion structures: Upper Werribee Diversion Weir, Bacchus Marsh Diversion Weir, Lerderderg Diversion Weir, Goodmans Creek Diversion Weir and Werribee Diversion Weir.

Note 2. 18.1 (e) Release made under flood management are available on the water register

Note 3: 18.1 (n) Detailed allocation history is available in a table on p18.

Note 4. 18.1 (p) Further details including number, places of origin and destination are available under the water register.

Note 5. 18.1 (t) SRW has previously submitted an Environmental Management Plan to the Department of Environment, Land, Water and Planning.

Note 6. 18.1 (t) SRW has submitted a metering plan for the Werribee system in line with the bulk entitlement guidelines.

Bulk Entitlement (Tarago River - Southern Rural Water) Conversion Order 2009

The following information is provided in accordance with Section 15.1 of the Tarago Bulk Entitlement Order 2009.

Annual 2020-21	Volume (ML)
(b)	Annual releases made from the Tarago Reservoir to supply primary entitlements 0
(c)	SRW's Bulk Entitlement Metering Program was approved by the responsible Minister in April 2012. No amendments were made in 2020-21 Program being implemented

Note 1. 15.1 (a) Daily amounts can be provided on request.

Note 2. 15.1 (b) Take from Tarago Reservoir remains within the annual average amount of 1,260 ML over any period of five consecutive years

Note 3. 15.1 (d) and (e) SRW has complied with the provisions of the bulk entitlement.

Note 4. 15.1 (f) There have not been any failures in complying with the provisions of the bulk entitlement in this financial year.

Bulk Entitlement (Latrobe - Loy Yang B) Conversion Order 1996

The following information is provided in accordance with Section 12.1 of the Bulk Entitlement Order 1996.

Annual 2020-21	Volume (ML)
(c)	Water taken by SRW at its pumping station 19,643
(d)	Works undertaken as part of the metering program (Note 2) Program being implemented
(e)	Temporary or permanent transfers of all or part of the bulk entitlement Nil
(eA) (f)	Temporary or permanent transfers of licences to this bulk entitlement or licences to this bulk entitlement Nil
(g)	Amendments Nil

Note 1. 12.1 (a), (b) Daily volumes have been recorded and can be provided upon request.

Note 2. 12.1 (d) In accordance with Clause 11.4, the Entitlement Holder has a network of meters installed within its low quality water system that enables it to determine the low quality water usage by both the Loy Yang A and Loy Yang B power stations. This equipment is checked monthly for validity and annually for signal integrity.

Note 3: 12.1 (h) and (i) There have been no failures in complying with the provisions of the bulk entitlement in this financial year. There are no existing or anticipated difficulties in complying with the Bulk Entitlement.

Bulk Entitlement (Maribyrnong - Southern Rural Water) Conversion Order 2000

The following information is provided in accordance with Section 19.1 of the Maribyrnong Bulk Entitlement Order.

		Volume (ML)
Annual 2020-21		
a (i)	Water released to supply licence entitlements	0
a (ii)	SRW's share of Rosslynne Reservoir at 30 June 2021	533
a (iii)	Inflows, taking into account evaporation and measurement discrepancies	316.8
a (iv)	Allowances for transfer and operating losses	0
a (v)	Water deducted for passing flow requirements	110
(b)	SRW had no difficulty in achieving full compliance with the passing flows	Yes
(c)	Water taken from the waterway by primary entitlement holders	0
Annual 2019-20		
(d)	Temporary or permanent transfers from this bulk entitlement	Nil
(e)	Temporary or permanent transfer to SRW	Nil
(f)	Alterations to Schedule 1 or 2	Nil
(g)	Temporary transfers within the system	Nil
(h)	Amendments to this bulk entitlement	Nil
(i)	New bulk entitlements granted	Nil

Note 1. 19.1 (j) SRW has previously submitted an Environmental Management Plan to the Department of Environment, Land, Water and Planning and the program is being implemented This includes the implementation of a metering program.

Note 2. 19.1 (k) SRW has complied with all provisions of this bulk entitlement.

Note 3. 19.1 (l) SRW complied with the bulk entitlement passing flow requirement at the Sunbury gauging station however, this continues to be a challenge due to the distance between the release point and the gauging site and the varying system losses during summer.

09

Our
Business



Financial Management Compliance Attestation Statement

I, Diane James, on behalf of the Responsible Body, certifies that the Gippsland and Southern Rural Water Corporation has no Material Compliance Deficiencies with respect to the applicable Standing Directions of the Minister for Finance under the Financial Management Act 1994 and Instructions.



Diane James AM
Chairman
Gippsland and Southern Rural Water Corporation

Dated 7 September 2021

Building Act 1993

SRW complies with the building maintenance provisions of the Building Act 1993. The buildings it owns or leases comply with these requirements. We own office facilities at Maffra and Werribee and occupy six additional leased sites. We have one owned operations depot and one leased at Werribee.

We comply with the Building Act 1993, the Building Regulations 2006 and associated statutory requirements and amendments. We maintain internal control systems to ensure compliance with our Certificate of Occupancy and engage suitable qualified contractors to conduct regular maintenance to ensure our owned and leased facilities are maintained to compliance and provide a safe workplace for our staff.

In 2020-21

Number of major works projects undertaken (>\$50 000)	0
Number of building permits, occupancy permits or certificate of final inspection issued in relation to buildings owned	0 building permits 0 occupancy permits 0 certificates of occupancy
Number of emergency orders and building orders issued in relation to buildings	0 emergency orders 0 building orders
Number of buildings that have been brought into conformity with building standards during the year	0 building brought into conformity

Water Act 1989

There are no additional disclosures required to be made in the annual report under the *Water Act 1989*.

Local Jobs First Act 2003

The *Local Jobs First Act 2003* introduced in August 2018 brings together the Victorian Industry Participation Policy (VIPP) and Major Project Skills Guarantee (MPSG) policy which were previously administered separately.

SRW is required to apply the Local Job First policy in all projects valued at \$3 million or more in Metropolitan Melbourne or for statewide projects, or \$1 million or more for projects in regional Victoria.

MPSG applies to all construction projects valued at \$20 million or more.

The MPSG guidelines and VIPP guidelines will continue to apply to MPSG applicable and VIPP applicable projects respectively where contracts have been entered prior to 15 August 2018.

Projects Commenced – Local Jobs First Standard

During 2020-21, SRW completed two Local Jobs First Standard projects, totalling \$4.4 million. The projects were in regional Victoria, with a commitment of 99.1 per cent local content, MSPG did not apply.

The outcomes reported from the implementation of the Local Jobs First policy where information was provided, were as follows:

- an average of 99.1% of local content commitment was recorded;
- a total of 34.3 jobs (annualised employee equivalent (AEE)) were supported, including the creation of four new jobs and the retention of 30.3 existing jobs (AEE);
- There were two small to medium enterprises that prepared a *VIPP Plan* or *Local Industry Development Plan (LIDP)* for contracts. 51

small to medium-sized businesses were engaged through the supply chain on completed Standard Projects

Projects completed – Local Jobs First Strategic

During 2020-21, SRW completed one Local Jobs First Strategic Projects, valued at \$65 million. This project was based in regional Victoria with an average estimated local content of 97 per cent for works and 70 per cent for pipeline. MSPG did not apply to this project which commenced before July 2018.

The outcomes reported from the implementation of the policy where information was provided were as follows:

- an average of 98.4% of local content commitment was recorded for construction works and 81.3 per cent commitment was recorded for pipeline.
- a total of 239 jobs (annualised employee equivalent (AEE)) were supported, across the life of the project 2018-21, including the creation of 63 new jobs and the retention of 176 existing jobs (AEE);

Five new apprenticeships, traineeships and cadets were supported and four existing apprenticeships, traineeships retained;

- There were five small to medium enterprises that prepared a VIPP Plan or Local Industry Development Plan (LIDP) for contracts. 371 small to medium-sized businesses were engaged through the supply chain on completed Strategic Projects.

Reporting requirements – all projects

SRW commenced one project prior to 1 July 2020 with a total of 86 per cent estimated to be of local content for which a LIDP was prepared for contracts, and which remains ongoing during 2021-22.

Public Interest Disclosures Act 2012

The *Public Interest Disclosures Act 2012* enables people to make disclosures about improper conduct by public officers and public bodies.

The Act aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

What is a public interest disclosure?

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

SRW is a public body for the purposes of the Act.

What is improper or corrupt conduct?

Improper or corrupt conduct involves substantial:

- mismanagement of public resources
- risk to public health or safety or the environment
- corruption.

The conduct must be criminal in nature or a matter for which an officer could be dismissed.

How do I make a Public Interest Disclosure?

You can make a public interest disclosure about SRW or our board members, officers or employees by contacting IBAC on the contact details provided below.

Please note that SRW is not able to receive public interest disclosures.

How can I access SRW's procedures for the protection of persons from detrimental action?

SRW has established procedures for the protection of persons from detrimental action in reprisal for making a public interest disclosure about SRW or our employees. You can access SRW's procedures on the website at:

www.srw.com.au/about-us/our-procedures/

Contacts

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

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

Mail: IBAC, GPO Box 24234, Melbourne Victoria 3001

Internet: www.ibac.vic.gov.au

Phone: 1300 735 135

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

Information and Communication Technology (ICT) expenditure

For the 2020-21 reporting period, SRW had a total ICT expenditure of \$7.298m, with the details shown below.

BAU ICT expenditure	Non-BAU ICT expenditure	Operational expenditure	Capital expenditure
<i>Total</i>	<i>Total = A+ B</i>	<i>A</i>	<i>B</i>
\$3.436m	\$3.862m	\$0.000m	\$3.862m

Government advertisement expenditure

SRW's expenditure in the 2020-21 reporting period on government campaign expenditure did not exceed \$100,000.

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.

SRW continues to comply with the requirements of the Competitive Neutrality Policy.

Corporate water consumption

SRW's corporate water consumption for 2020-21 was 4,242 kilolitres. Total consumption for the year per full-time equivalent employee was 27.72

kilolitres. SRW uses water for amenities, lawns, gardens, vehicle washing and miscellaneous uses as well as for capital projects and construction.

Additional information available on request

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by SRW and are available (in full) on request, subject to the provisions of the *Freedom of Information Act 1982*:

- details of publications produced by SRW about itself, and how these can be obtained
- details of any major external reviews carried out on SRW
- details of major research and development activities undertaken by SRW
- details of major promotional, public relations and marketing activities undertaken by SRW to develop community awareness of the entity and its services
- a statement on industrial relations within SRW
- details of changes in prices, fees, charges, rates and levies charged
- a statement of completion of declarations of pecuniary interests by relevant officers.

Additional information included in annual report

Details in respect of the following items have been included in SRW's annual report, on the pages indicated below:

- assessments and measures undertaken to improve the occupational health and safety of employees (on page 44-45)
- a list of SRW's major committees, the purposes of each committee, and the extent to which the purposes have been achieved (on page 47-50).

Information that is not applicable to SRW

The following information is not relevant to SRW for the reasons set out below:

- a declaration of shares held by senior officers (no shares have been issued in SRW's name)
- details of overseas visits undertaken (no board members or senior executives took overseas work-related trips)

To request information, contact:

SRW
Freedom of Information Officer
PO Box 153,
Maffra,
Victoria, 3860

Freedom of information

The *Freedom of Information Act 1982* (the Act) allows the public a right of access to documents held by SRW. The purpose of the Act is to extend as far as possible the right of the community to access information held by government departments, local councils, Ministers and other bodies subject to the Act.

An applicant has a right to apply for access to documents held by SRW. This comprises documents both created by SRW or supplied to SRW by an external organisation or individual, and may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes. Information about the type of material produced by SRW is available on SRW's website under its Part II Information Statement. The Act allows SRW to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include: cabinet documents; some internal working documents; law enforcement documents; documents covered by legal professional privilege, such as legal advice; personal information about other people; and information provided to SRW in-confidence.

From 1 September 2017, the Act has been amended to reduce the Freedom of Information (Fol) processing time for requests received from 45 to 30 days. In some cases, this time may be extended.

If an applicant is not satisfied by a decision made by SRW, under section 49A of the Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

Making a request

Fol requests can be lodged online at www.foi.vic.gov.au. An application fee of \$30.10 applies. Access charges may also be payable if the document pool is large, and the search for material, time consuming.

Access to documents can also be obtained through a written request to SRW's Freedom of Information team, as detailed in s17 of the *Freedom of Information Act 1982*.

When making an Fol request, applicants should ensure requests are in writing, and clearly identify what types of material/documents are being sought.

Requests for documents in the possession of SRW should be addressed to:

The Freedom of Information Officer, Hayley Johnson, SRW PO Box 153 Maffra Vic 3860

Fol statistics/timeliness

During 2020-21, SRW received five (5) applications. During this period three outstanding request from 2019-20 were finalised and one application was withdrawn. Of these requests:

- 0 were from Members of Parliament
- 0 from the media
- the remainder were from the general public.

SRW made seven Fol decisions during the 12 months ended 30 June 2021.

During 2020-21, no requests were subject to VCAT appeal.

Further information regarding the operation and scope of Fol can be obtained from the Act, regulations made under the Act and foi.vic.gov.au.

To request information, please contact:

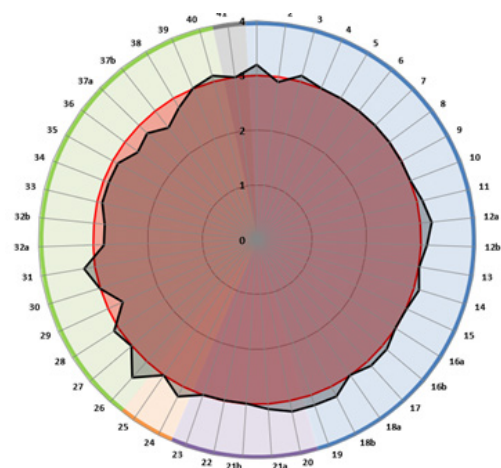
The Freedom of Information Officer, Hayley Johnson, SRW PO Box 153 Maffra Vic 3860

Asset Management Accountability Framework (AMAF) maturity assessment

The following sections summarise SRW’s assessment of maturity against the requirements of the Asset Management Accountability Framework (AMAF). The AMAF is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements. These requirements can be found on the DTF website (<https://www.dtf.vic.gov.au/infrastructure-investment/asset-management-accountability-framework>).

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

Leadership and Accountability



Target Overall

Legend	
Status	Scale
Not Applicable	N/A
Innocence	0
Awareness	1
Developing	2
Competence	3
Optimising	4
Unassessed	U/A

(requirements 1-19)

SRW has met or exceeded our target maturity level under most requirements within this category. One area of developing or partial competency was noted for 'resourcing and skills' however SRW has improvement plans in place and continually assesses workforce and training needs through annual updates of its Strategic Asset Management Plan. SRW also has implemented a specific training plan in relation to asset management software and maintenance planning.

Planning (requirements 20-23)

SRW has met or exceeded our target maturity level in this category.

Acquisition (requirements 24 and 25)

SRW has met or exceeded our target maturity level in this category.

Operation (requirements 26-40)

SRW has met or exceeded our target maturity level under most requirements within this category. Where maturity gaps exist in some requirements for 'Information Management' and 'Monitoring & Preventative Action' and 'Maintenance of Assets', SRW has demonstrated improvements since the 2019-20 and has improvement plans in place to address these maturity gaps. Notably, SRW has prepared an Asset Information Strategy and related improvement plans for maintenance scheduling and practices.

Disposal (requirement 41)

SRW has met our target maturity level in this category.

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Financial Overview



Financial overview

Economic regulation

Economic regulation of Southern Rural Water is guided by a range of legislation, including the Essential Services Commission Act 2001, the Water Industry Act 1994 as amended by the Water Legislation (Essential Services Commission and other Amendments Act 2003) and other water industry legislation (including the Water Act 1989, and the Environment Protection Act 1970). More information on the regulatory framework is set out within the Water Industry Regulatory Order (WIRO) made by the Governor-in-Council.

Pricing principles

SRW operates on a full cost-recovery basis, ensuring pricing is sufficient to cover annual costs and to provide for future investment needs. Pricing is founded upon the following principles:

- SRW prices shall accord with Government and COAG policies, with particular reference to National Competition Policy
- Pricing shall meet the full cost of operation
- SRW shall set separate prices for each specific service supplied
- SRW prices shall be equitable and avoid cross subsidy
- SRW will engage with customer committees on pricing and consider their recommendations in making pricing decisions
- SRW prices shall be set to contribute to the investment needs of the business concerned

Our annual prices are submitted to the Essential Services Commission (ESC) for determination

This annual assessment is made in accordance with the price determination set by the ESC for the five-year period ending 30 June 2023.

On completion of the ESC's annual determination, SRW publishes prices in the Weekly Times, and communicates directly to customers through newsletters and fact sheets.

Financial management

Long-term financial viability is a key pillar of our financial management. Finances are managed so the organisation is economically sustainable and each business unit fully recovers its own costs. The operations of SRW are separated into four discrete business units:

- Eastern Irrigation
- Western Irrigation
- Headworks
- Groundwater and Rivers

Each business unit maintains its own financial records with an expectation that revenues are sufficient to cover direct costs and an equitable share of corporate and other shared costs. This financial information is available to our customer committees for consultation, along with being available to the broader customer base.

Performance 2020-21

Our operating loss before tax was \$8.1m compared with a budgeted loss of \$11.9m.

SRW prices are approved by the Essential Services Commission to recover the full cost of operation. While the full cost of operation includes funding for the future investment needs of the business, our pricing is designed to reimburse depreciation and capital charges associated with regulatory assets only.

Regulatory assets exclude acquisitions and construction prior to 1 July 2004, or assets funded directly by customer or government contribution. As reported by the Comprehensive Operating Statement, depreciation expense is largely associated with non-regulatory assets. For the 2020-21 financial year, the Corporation recorded \$12.4m of non-recoverable depreciation.

The Five-Year Financial Summary table describes our financial position once these non-regulatory charges are excluded, which reports an operating profit before statutory adjustments of \$6.3m surplus for the 2020-21 financial year compared with a *Corporate Plan* budget of \$2.04m surplus.

The improvement in our 2020-21 result compared with the *Corporate Plan* by \$2.8m is largely attributed to:

- Improvements to our operating result from:
 - \$2.2m of Werribee irrigation assets contributed to SRW as a result of works completed by the Level Crossing Removal Authority
 - \$1.5m of capital grants received for Macalister irrigation modernisation works and an all-abilities playground at Blue Rock Reservoir.
 - \$1.0m net gain on the disposal of non-current assets \$1.0m higher than target, mostly due to the sale of surplus land proceeded earlier than forecast.
 - lower interest charges of \$0.4m due to capital expenditure program timing and lower interest rates
- Offset by:
 - increase in employee benefit expenses due to additional penalty payments for extra work, such as our emergency response to high stream flow events (\$0.3m) and less staff costs capitalised due to a greater emphasis upon capital expenditure planning (\$0.4m)
 - asset write-off expenses increased by \$0.6m for infrastructure assets written-off as a result of being replaced.

As the factors which led to the difference to the budgeted Net Result are one-off in nature and were not known at the time of setting the 2020-21 corporate plan, the Corporation has not set a remediation plan for these variations.

Significant changes in financial position

Expenditure on capital projects was \$13.6m for the financial year (2020-21 \$26.9m). A large proportion of this expenditure is associated with irrigation modernisation works (\$9.0m)

As planned within the 2020-21 Corporate Plan, the cash operating surplus of the Corporation is insufficient to fund our capital expenditure program, and it is necessary for Southern Rural Water to utilise debt facilities and access government capital contributions to fund this level of expenditure.

In 2020-21, funding of the gap between operating cashflows and capital expenditure was provided from the receipt of government capital

contributions for MID2030 modernisation projects (\$19.6m) and Bacchus Marsh modernisation projects (\$1m). As the MID2030 Phase 2 funds were largely unspent in 2020-21, SRW holds a cash balance of \$22m at June 2021. This balance is expected to be fully spent in 2021-22 by the delivery of the planned capital expenditure program.

An asset revaluation of water infrastructure, land and buildings was performed by the Valuer-General Victoria in 2020-21. This revaluation increased the book value for SRW's assets by \$40.8m. This increase to the value of property, plant and equipment was largely offset by the impairment of assets scheduled for replacement as a result of Macalister and Werribee irrigation modernisation works (\$29.9m).

Major changes or factors affecting performance

There were no major factors affecting performance other than those discussed in this report.

Subsequent events which will affect operations in future years

There were no subsequent events that will affect operations in future years, other than those already discussed in this report.

Capital Projects

Southern Rural Water manages three major capital projects. None of these three major projects were completed during the reporting period (for more detail, see pages 25-28). For information on recent capital projects managed by Southern Rural Water and the broader Victorian public sector,

Capital Plan Expenditure 2020-21	Expenditure \$000s
Eastern Irrigation	
MID Modernisation Phase 1B	2,336
MID Modernisation Phase 2	5,243
MID siphon replacement program	906
Western Irrigation	
WID Modernisation	303
BMID Modernisation	269
Headworks	
Maffra Weir operating gear refurbishment	1,690
Blue Rock all-abilities playground	332
Total	11,079

please refer to the most recent Budget Paper No. 4 State Capital Program (BP4) available on the Department of Treasury and Finance's website at: <https://www.budget.vic.gov.au/budget-papers>. See also page 28 for headworks projects. SRW projects with expenditure greater than \$250,000 in 2020-21 can be seen on the previous page:

Consultancies

Each year we engage consultants to provide expert analysis and advice, to facilitate decision-making, and provide skills not currently available within our organisation.

Greater than \$10,000

During 2020-21 we contracted 13 consulting firms

for operating contracts greater than \$10,000 to provide advice, skills and services. The total cost of these consultancies in 2020-21 was \$994,647. Refer to the table below for more detail. For comparison, during 2019-20 we engaged 18 consulting firms at a total cost of \$461,890.

Less than \$10,000

During 2020-21 we contracted 17 consulting firms for operating contracts less than \$10,000 to provide advice, skills and services. The total cost of these consultancies in 2020-21 was \$124,412. For comparison, during 2019-20 we engaged 13 consulting firms at a total cost of \$145,581

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee	Expenditure 2019-20	Future expenditure
AUSTRALIAN DAMS & WATER CONSULTANTS PTY	Dam Safety Management Audit	Mar-21	Apr-21	22,150	20,150	2,000
CULTURALCHEMY PTY LTD	SLT Strategy workshop	Feb-21	Feb-21	15,402	15,402	-
CULTURALCHEMY PTY LTD	Service Delivery Team Workshops	Oct-20	Nov-20	16,625	16,625	-
EARTHEON PTY LTD	Koo Wee Rup hydrogeological study	Jul-20	Jun-21	45,389	30,389	-
GUNAIKURNAL LAND AND WATERS ABORIGINAL C	MID2030 Phase 2 Newry & West Boisdale Assessment	Sep-20	Dec-20	35,171	35,171	-
HUNTER GEOTECHNICAL PTY LTD	Specialist dams engineering advice relating to the farm dam in Torquay	Oct-20	Oct-20	18,182	15,220	-
HYDRO TASMANIA (ENTURA)	Glemaggie Dam spillway gates operating gear design review	Aug-19	Jul-20	86,837	86,837	-
HYDRO TASMANIA (ENTURA)	EM Act (Part 7A) Statutory Audit - Southern Rural Water Emergency Management Network	Dec-20	Feb-21	15,000	15,000	-
HYDROGEOLOGIC PTY LTD	Barwon Downs independent technical review panel	Sep-20	Dec-20	50,000	15,750	-
HYDROLOGY AND RISK CONSULTING PTY. LTD.	Rainfall forecast guideline and reviewing flood management plans for SRW, GMW and Coliban	Dec-20	Jun-21	77,280	62,600	14,680
PAQUA CONSULTING	MID Phase 2 - MNC Scenario Analysis	May-21	Jun-21	22,000	21,765	235
PITCHER PARTNERS CONSULTING PTY LTD	Probity Services for MID Phase 2	Mar-21	Jun-21	39,300	10,262	29,038
RM CONSULTING GROUP (RMCG)	SVID Phase 3 Consultancy	Nov-20	Jun-21	361,763	361,763	-
SGM CONSULTING (AUS) PTY LTD	Review of statutory and regulatory processes to manage potentially hazardous private dams.	Dec-20	Jan-21	25,500	25,500	-
SMEC AUSTRALIA PTY LTD	DAM surveillance - Annual	Jul-20	Jun-21	134,865	106,135	28,730
SMEC AUSTRALIA PTY LTD	Annual inspections and reporting - Rosslynne, Blue Rock, Yallourn and Werribee storages	Jul-20	Jun-21	34,765	23,094	11,672
SMEC AUSTRALIA PTY LTD	Melton Spillway Condition Review	Jul-20	Jun-21	63,400	63,400	-
SMEC AUSTRALIA PTY LTD	Inspection of Blue Rock main conduit and standpipe including report	Sep-20	Nov-20	11,800	11,800	-
SMEC AUSTRALIA PTY LTD	Yallourn Weir Right Abutment Stabilisation Investigations	Jan-21	Jun-21	67,100	57,785	9,315

Five-year financial summary

Revenue	2020-21 \$	2019-20 \$	2018-19 \$	2017-18 \$	2016-17 \$
	000s	000s	000s	000s	000s
Fees and charges	26,556	26,231	27,285	27,285	26,978
Storage operator charges	4,481	4,536	3,882	3,882	3,714
Government grants	2,756	370	7,525	886	1,354
Other	6,587	5,432	3,111	2,320	2,933
Total revenue	40,380	36,569	41,803	34,373	34,979
Expenditure					
Operations and maintenance	19,100	20,278	20,316	20,155	18,684
Other	10,312	9,208	8,904	8,603	8,570
Earnings before interest, taxation, impairment and depreciation	10,968	7,083	12,583	5,517	3,664
Depreciation	16,632	16,622	14,927	14,418	14,135
Asset write-off and impairment	611	0	0	98	4061
Finance cost	1,846	1,806	1,489	1,067	1,025
Total expenditure	48,501	47,914	45,636	44,341	46,475
Equity					
Net operating statutory loss before tax	(8,121)	(11,345)	(3,833)	(9,968)	(11,496)
Movement in retained earnings	(7,299)	(10,449)	(828)	(6,985)	(8,010)
Balance Sheet					
Current assets	32,650	21,205	24,526	14,040	13,459
Non-current assets	1,437,654	1,448,276	1,439,758	1,254,011	1,240,229
Total assets	1,470,304	1,469,481	1,464,284	1,268,051	1,253,688
Current liabilities	16,961	17,766	17,890	15,738	13,844
Non-current liabilities	278,430	295,977	240,722	237,248	248,645
Total liabilities	295,391	313,743	258,612	252,986	262,489
Net cash inflow from operations	4,168	8,648	12,916	4,608	7,154
Payments for infrastructure, property, plant and equipment	13,590	29,180	46,659	28,951	19,280
Financial result reconciliation					
Net operating statutory loss	(8,121)	(11,345)	(3,833)	(9,968)	(11,496)
Add back non-regulatory depreciation and impairment	12,396	12,726	12,052	11,405	10,691
Less renewals charge	0	0	-	(1,109)	(1,061)
Add non-regulatory asset transfers and write-offs	611	0	-	98	4,061
Add major projects expensed	1,393	3,212	2,882	1,599	921
Operating profit before statutory adjustments	6,279	4,593	11,101	2,025	3,116

Five-year performance summary

Performance Indicator	2020-21 \$ 000s	2019-20 \$ 000s	2018-19 \$ 000s	2017-18 \$ 000s	2016-17 \$ 000s
Internal Financing Ratio	31.54%	29.77%	27.93%	16.32%	37.11%
Gearing Ratio	4.22%	3.35%	3.35%	2.25%	1.75%
Interest Cover(Cash)	3.40	11.20	11.20	7.80	10.90
Return on Assets	-0.47%	-0.21%	-0.21%	-0.74%	-0.86%
Return on Equity	-0.63%	-0.08%	-0.08%	-0.69%	-0.79%

PART B

Financial Report



How this report is structured

Gippsland and Southern Rural Water Corporation (the Corporation) has pleasure in presenting its audited general purpose financial statements for the financial year ended 30 June 2021. It is presented in the following structure:

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Gippsland and Southern Rural Water Corporation

Comprehensive Operating Statement
For the financial year ended 30 June 2021

		2020-2021 \$'000	2019-2020 \$'000
Revenue	Notes		
<i>Revenue from operating activities</i>			
Service and usage charges	2.1	31,925	31,712
Chargeable works	2.2	395	245
Government grants and contributions	2.3	1,264	237
Interest income	2.5	22	22
Other income		564	376
<i>Revenue from non-operating activities</i>			
Fair value of assets received free of charge	2.6	2,271	0
Government grants and contributions for capital purposes	2.3	1,492	133
Sale of water and entitlements	2.4	1,465	3,550
Net gain on disposal of non-current assets	4.1.5	982	294
Total revenue		40,380	36,569
Expenses			
Bulk water	3.3	1,141	1,116
Environmental contribution	8.2	530	541
Employee benefits	3.1.1	17,591	16,788
Interest	6.1.2	1,846	1,806
Chargeable works	2.2	395	245
Repairs and maintenance	3.2	1,332	1,384
Supplies and services	3.4	8,413	9,408
Depreciation of regulatory asset base	4.1.4	3,939	3,624
Depreciation of other assets	4.1.4	12,396	12,726
Write-off of infrastructure, property, plant and equipment	4.1.1	611	0
Intangible asset write-offs	4.2.1	10	4
Amortisation	4.2	297	272
Total expenses		48,501	47,914
Net result before tax		(8,121)	(11,345)
Income tax revenue	8.1.1	822	896
Net result for the period		(7,299)	(10,449)

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

Gippsland and Southern Rural Water Corporation

Comprehensive Operating Statement (continued)
For the financial year ended 30 June 2021

		2020-2021 \$'000	2019-2020 \$'000
	Notes		
Net result for the period		(7,299)	(10,449)
Other comprehensive income for the period			
<i>Items that will not be reclassified to net result</i>			
Net gain on revaluation of infrastructure, property, plant and equipment	4.1.1	40,798	0
Impairment/write-off of infrastructure, property, plant and equipment	4.1.1	(29,868)	0
Income tax relating to these items	8.1.1	(2,840)	0
Reduction in opening deferred taxes resulting from reduction in tax rate	8.1.1	14,086	23,960
Other comprehensive income for the period, net of income tax		<u>22,176</u>	<u>23,960</u>
Comprehensive result		<u><u>14,877</u></u>	<u><u>13,511</u></u>

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

Gippsland and Southern Rural Water Corporation

Balance Sheet
As at 30 June 2021

		2020-2021 \$'000	Restated 2019-2020 \$'000
	Notes		
Assets			
Current assets			
Cash and cash equivalents	6.3	22,012	11,346
Receivables	5.1	4,488	3,754
Contract assets	5.2	5,666	1,904
Other non-financial assets		484	448
Assets classified as held for sale	4.3	<u>0</u>	<u>3,753</u>
Total current assets		32,650	21,205
Non-current assets			
Infrastructure, property, plant and equipment	4.1.1	1,434,788	1,425,922
Right-of-use assets	6.2.1	1,240	1,478
Intangible assets	4.2	<u>1,626</u>	<u>1,550</u>
Total non-current assets		1,437,654	1,428,950
Total assets		<u>1,470,304</u>	<u>1,450,155</u>
Liabilities			
Current liabilities			
Payables	5.3	3,875	4,517
Contract liabilities	5.4	1,782	3,546
Interest bearing liabilities	6.1	6,100	4,560
Lease liabilities	6.2.1	193	192
Employee benefits	3.1.2	<u>5,011</u>	<u>4,951</u>
Total current liabilities		16,961	17,766
Non-current liabilities			
Payables		5	6
Interest bearing liabilities	6.1	55,900	58,140
Lease liabilities	6.2.1	1,125	1,333
Employee benefits	3.1.2	489	516
Deferred tax liabilities	8.1.2	<u>218,601</u>	<u>230,667</u>
Total non-current liabilities		276,120	290,662
Total liabilities		<u>293,081</u>	<u>308,428</u>
Net assets		<u>1,177,223</u>	<u>1,141,727</u>
Equity			
Contributed capital	9.1.1	476,260	455,641
Asset revaluation reserve	9.1.2	701,392	679,216
Accumulated surplus	9.1.3	<u>(429)</u>	<u>6,870</u>
Total equity		<u>1,177,223</u>	<u>1,141,727</u>

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

Gippsland and Southern Rural Water Corporation

Statement of Changes in Equity
For the financial year ended 30 June 2021

	Notes	Asset Revaluation			Total \$'000
		Contributed Capital \$'000	Reserve \$'000	Accumulated Funds \$'000	
Balance as at 1 July 2019		452,974	669,267	18,454	1,140,695
Prior period error	9.1.2, 9.1.3	0	(14,011)	0	(14,011)
Adoption of new accounting standards: AASB 15 Revenue from contracts with customers	9.1.3	0	0	(1,135)	(1,135)
Restated balance as at 1 July 2019		<u>452,974</u>	<u>655,256</u>	<u>17,319</u>	<u>1,125,549</u>
Net result for the period		0	0	(10,449)	(10,449)
Other comprehensive income	9.1.2, 9.1.3	0	23,960	0	23,960
Total comprehensive income for the period		<u>0</u>	<u>23,960</u>	<u>(10,449)</u>	<u>13,511</u>
Transfer to/from accumulated deficit		0	0	0	0
Transactions with the State Government in its capacity as owner	9.1.1	2,667	0	0	2,667
Balance as at 30 June 2020		<u>455,641</u>	<u>679,216</u>	<u>6,870</u>	<u>1,141,727</u>
Net result for the period		0	0	(7,299)	(7,299)
Other comprehensive income	9.1.2, 9.1.3	0	22,176	0	22,176
Total comprehensive income for the period		<u>0</u>	<u>22,176</u>	<u>(7,299)</u>	<u>14,877</u>
Transfer to/from accumulated deficit		0	0	0	0
Transactions with the State Government in its capacity as owner	9.1.1	20,619	0	0	20,619
Balance as at 30 June 2021		<u><u>476,260</u></u>	<u><u>701,392</u></u>	<u><u>(429)</u></u>	<u><u>1,177,223</u></u>

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

Gippsland and Southern Rural Water Corporation

Cash Flow Statement
For the financial year ended 30 June 2021

		2020-2021 \$'000	2019-2020 \$'000
	Notes		
Cash flows from operating activities			
<i>Receipts</i>			
Receipts from service and usage charges		36,314	35,961
Receipts from State Government			
-Operating	2.3	854	1,040
-Capital		0	1,625
Interest received		22	23
Goods and Services Tax received from the ATO		2,201	4,164
<i>Payments</i>			
Payments to suppliers and employees		(33,414)	(32,398)
Interest paid		(1,746)	(1,722)
Goods and Services Tax paid to the ATO		(63)	(45)
Net cash inflow from operating activities	6.3.1	4,168	8,648
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(13,590)	(29,180)
Proceeds from sale of infrastructure, property, plant and equipment	4.1.5	757	701
Payments for intangible assets	4.2	(381)	(566)
Net cash outflow from investing activities		(13,214)	(29,045)
Cash flows from financing activities			
Proceeds from new borrowings (i)		3,860	18,270
Repayment of existing borrowings		(4,560)	(4,610)
Principal element of lease liability		(207)	1,526
Proceeds from contributions by State Government in its capacity as owner	9.1.1	20,619	9,667
Net cash inflow from financing activities		19,712	24,853
Net increase in cash and cash equivalents		10,666	4,456
Cash and cash equivalents at the beginning of the financial year		11,346	6,890
Cash and cash equivalents at the end of the financial year	6.3	22,012	11,346

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

(i) \$3.86m of the new borrowings was applied to repay a maturing loans of \$3.39m at 30 June 2021

1. About this report

Establishment of the Corporation

Gippsland and Southern Rural Water Authority (SRW or the Corporation) was established on 1 July 1995, by a Ministerial Order under section 98 of the *Water Act 1989*, dated 30 June 1995. The Authority's name was changed on 1 July 2007 to Gippsland and Southern Rural Water Corporation under Section 85(1) of the *Water Act 1989*, inserted by Section 54 of the *Water Governance Act 2006*. The business name of the Corporation is Southern Rural Water (SRW).

The Corporation is a not-for-profit entity owned by the State Government of Victoria, reported and domiciled in Victoria.

Basis of accounting

The financial report includes separate financial statements for Southern Rural Water (the Corporation) as an individual reporting entity. This financial report is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, Statutory Certification and Notes accompanying these statements for the period ending 30 June 2021. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS), 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 purposes of preparing the financial statements.

Where appropriate, those AAS paragraphs 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 Gippsland and Southern Rural Water Corporation Board of Directors on 7 September 2021.

The principal address is:

Gippsland and Southern Rural Water Corporation
88 Johnson Street
Maffra VIC 3860

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 report is 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 12 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.

Comparative information

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

Accounting estimates

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

Judgements, 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 or "AAS" that have significant effects on the financial statements and estimates relate to:

- accrued water usage charges
- the fair value of land, buildings, infrastructure, plant and equipment (Note 7.3)
- estimation of useful lives (Note 4.1.4)
- the impairment of assets (Note 4.1.4)
- recognition of deferred tax assets and liabilities (Note 8.1)
- accrued income (Note 5.2)
- employee benefit provisions (Note 3.1)
- contingent assets and liabilities (Note 7.2)
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (Note 3.1.3)
- determining whether the performance obligations are sufficiently specific so as to determine whether the arrangement is within the scope of AASB 15 or AASB 1058; refer note 2.1 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
- for leases, determining whether the arrangement is in substance short-term arrangement; refer note 6.2.1
- estimating discount rate when not implicit in the lease, refer note 6.2

COVID-19 pandemic

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

The consequential impacts on the Corporation have included, but are not limited to:

- ensuring a strong response and putting provisions in place to continue to provide essential water services for the Corporation's customers;
- support for employees working from home;
- supporting customers experiencing financial difficulties through arrangements such as our hardship program, more time to pay arrangements and payment plans;

As a result of the Corporation's consideration of the impacts of the COVID-19 pandemic on the Corporation's operations, there are no changes to the assessment of accounting estimates for the financial year ended 30 June 2021.

For the year ended 30 June 2021, the Corporation recognised a net loss of \$7.3m. The Corporation's net current assets/liabilities as at 30 June 2021 were \$15.69m. The Corporation has \$22.01m of resources comprising cash and cash equivalents, other highly liquid assets and unused credit lines available at the date of authorisation of these financial statements.

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

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

Further COVID-19 related disclosures have been added to this financial report to reflect management's judgements and assessments. These can be found in notes 4.1.2, 4.1.4, 5.1.1 and 5.3.

Compliance information

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

2. Funding delivery of our services**Introduction**

This section 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. The Corporation harvests, stores and manages water in reservoirs. This water is then supplied to irrigators, urban water corporations and power generators, or retained for the government. The Corporation also implements government regulations and policy for groundwater and surfacewater management in accordance with delegated powers from the *Water Act 1989*. The Corporation derives the majority of its revenue from charges for water entitlements. The majority of these charges are a fixed amount per entitlement, however variable usage charges are applied in some areas.

Income is recognised to the extent it is probable the economic benefits will flow to the Corporation and the income can be reliably measured at fair value. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes.

2.1 Revenue from contracts with customers

	Notes		
Revenue from service and usage charges	2.1.1	31,925	31,712
Total revenue from contracts with customers		<u>31,925</u>	<u>31,712</u>

2.1.1 Revenue from service and usage chargesService charges*Fixed charges*

Water service charges			
Irrigation, diversion and groundwater		23,701	23,349
Recycled water		1,411	1,385
Storage operator charges		4,481	4,536
Other charges			
Bore construction, application fees, transfer fees and information statements		888	945
		<u>30,481</u>	<u>30,215</u>

Water usage charges*Variable usage charges*

Irrigation, diversion and groundwater		1,397	1,433
Recycled water		47	64
		<u>1,444</u>	<u>1,497</u>
Total revenue from service and usage charges		<u>31,925</u>	<u>31,712</u>

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

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Fixed water and service charges (including recycled water and storage operator charges)	Fixed water and service charges are recognised as revenue when the services have been provided or service charge has been made. Fixed water and service charges are billed in advance and recognised evenly throughout the financial year to reflect continuous service being provided to customers. Fixed water and service charges are based a fixed fee for access to water and recycled water. The charges are payable within 28 days.	Revenue is recognised over time.
Other charges	Other charges revenue is recognised as the work is performed by the Corporation, rather than on receipt of the bore construction, application, transfer or information statement fees. The charges are payable within 28 days.	Revenue is recognised at a point in time as the work is performed by the Corporation.
Water usage charges	Irrigation, diversion and groundwater charges are recognised as revenue when the meters are read. Meter readings are undertaken progressively during the year and at end of each respective season, which aligns with the end of the financial year as there are no further deliveries after the end of season meter read. The charges are payable within 28 days.	Revenue is recognised over time as service is provided.

2.2 Chargeable works

Chargeable works	395	245
Total chargeable works	<u>395</u>	<u>245</u>

The Corporation often undertakes capital works for its customers. The cost of these works is included as a separate line of expenditure and revenue in the Comprehensive Operating Statement, and are recognised as the work is performed.

	2020-2021 \$'000	2019-2020 \$'000
2.3 Government grants and contributions		
Operating		
State Government		
<u>AASB 1058 revenue recognition</u>		
Macalister Irrigation District MID2030 phase 2 development *	0	153
<u>AASB 15 revenue recognition</u>		
Emergency water supply points program +	0	84
Southern Victoria irrigation development feasibility study phase 3 +	0	0
Dam safety flood mitigation modelling +	0	0
Working for Victoria +	124	0
Water market transparency in Southern Victoria +	250	0
MID2030 Phase 2 building works governance +	180	0
SVID Phase 2 Avon irrigation district +	200	0
SVID Phase 2 Latrobe irrigation district +	100	0
Non-operating		
State Government		
<u>AASB 1058 revenue recognition</u>		
Blue Rock all-abilities playground *	0	0
MID2030 Phase 2 *	0	133
Total government grants and contributions	<u>854</u>	<u>370</u>

*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, resulting in a deferral of income as compared to accounting under AASB 1004.

The Corporation has determined that all grant income is recognised as income of not-for-profit entities in accordance with AASB 1058, except for grants that are enforceable and with sufficiently specific performance obligations and accounted for as revenue from contracts with customers in accordance with AASB 15.

Income from grants that are enforceable and with sufficiently specific performance obligations are accounted for as revenue from contracts with customers. This is recognised based on the consideration specified in the funding agreement and to the extent that it is highly probable a significant reversal of the revenue will not occur. The funding payments are normally received in advance or shortly after the relevant obligation is satisfied.

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when the Corporation has an unconditional right to receive cash which usually coincides with receipt of cash. On initial recognition of the asset, the Corporation recognises any related contributions by owners, increases in liabilities, decreases in assets, and revenue ('related amounts') in accordance with other Australian Accounting Standards. Related amounts may take the form of:

- contributions by owners, in accordance with AASB 1004 Contributions (AASB 1004);
- revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15;
- a lease liability in accordance with AASB 16 Leases (AASB 16);
- a financial instrument, in accordance with AASB 9 Financial Instruments (AASB 9);
- a provision, in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets (AASB 137).

A government grant is not recognised until there is reasonable assurance that the Corporation will comply with the conditions attaching to it, and that the grant will be received. Government grants relating to costs are deferred and recognised in profit and loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.4 Sale of water and entitlements

Sale of created water shares (i)	0	377
Sale of water (ii)	0	3
Sale of surface and groundwater licences (iii)	1,465	3,170
Total sale of water and entitlements	<u>1,465</u>	<u>3,550</u>

(i) Where the responsible minister approves an amendment to a Bulk Entitlement Order, to issue new water shares, the Corporation recognises this revenue at the time these new water entitlements are sold. Total proceeds are recorded in the Comprehensive Operating Statement as revenue from non-operating activities.

In 2013, the Corporation completed water saving projects from the MID2030 leading works and MID2030 Phase 1A projects in the Macalister Irrigation District. Water saving studies confirmed that the project had saved 2,881 ML of water each year. In October 2014 the Minister for Water approved the amendment of the Thomson/Macalister bulk water entitlement and the creation of these new water entitlements. No auction took place in 2020-21 (\$0.377m in 2019-20).

(ii) During 2020-21, the Corporation didn't conduct any auctions selling seasonal allocations from water entitlements.

(iii) During 2020-21, the Corporation conducted an auction of unregulated surfacewater licences in the Mitchell and Latrobe River catchments and sold 2,050 ML of licensed volume. The proceeds raised of \$1.465m have been recorded in the Comprehensive Operating Statement as revenue.

Sale of water and entitlements are recognised as revenue when the auction concludes.

2.5 Interest Income

Interest from financial assets not at fair value through profit and loss

Interest on bank deposits	22	22
Total interest income	<u>22</u>	<u>22</u>

Interest income includes interest received on bank term deposits and other investments. Interest income is recognised using the effective interest method, which allocates the interest over the relevant period.

2.6 Fair value of assets received free of charge recognised as income

Infrastructure at fair value	2,271	0
Total fair value of assets received free of charge recognised as income	<u>2,271</u>	<u>0</u>

Contributions of resources received free of charge or for nominal consideration are recognised at their fair value when the Corporation obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

3. The cost of delivering services**Introduction**

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

3.1 Expenses incurred in delivery of services

	Notes		
Employee benefits in the Comprehensive Operating Statement	3.1.1	17,591	16,788
Repairs and maintenance	3.2	1,332	1,384
Bulk water	3.3	1,141	1,116
Supplies and services	3.4	8,413	9,408
Total expenses incurred in delivery of services		28,477	28,696

3.1.1 Employee benefits in the Comprehensive Operating Statement

Employee benefits			
- salaries and wages		12,767	11,628
- annual leave		1,287	1,152
- long service leave		333	572
- employer superannuation contribution		1,517	1,458
- payroll tax		865	832
- termination benefit		57	248
- other		765	898
Total employee benefit costs		17,591	16,788

Employee expenses include all costs related to employment including wages and salaries, superannuation, fringe benefits tax, leave entitlements, redundancy payments and workcover premiums.

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

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

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

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.

Current provisions:

<i>Annual leave</i>		
Unconditional and expected to settle within 12 months	1,016	987
Unconditional and expected to settle after 12 months	820	827
<i>Long service leave</i>		
Unconditional and expected to settle within 12 months	1,867	1,611
Unconditional and expected to settle after 12 months	539	766
<i>Provisions for on-costs</i>		
Unconditional and expected to settle within 12 months	523	471
Unconditional and expected to settle after 12 months	246	289
Total current provisions for employer benefits	5,011	4,951
Non-current provisions		
Long service leave	414	437
On-costs	75	79
Total non-current provisions for employee benefits	489	516
Total provisions for employee benefits	5,500	5,467
Reconciliation of movement in on-cost provision		
Opening balance	839	792
Additional provisions recognised	5	47
Closing balance	844	839
Current	769	760
Non-current	75	79
	844	839

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

Liabilities for wages and salaries (including non-monetary benefits, annual leave, and on-costs) are recognised in the provision for employee benefits as current liabilities, because the Corporation does not have an unconditional right to defer settlement of these liabilities.

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

On-costs

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

Long service leave

Long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL (representing seven or more years of continuous service) 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 – the component the Corporation expects to wholly settle within 12 months; or
- present value – the component the Corporation does not expect to wholly settle within 12 months.

Conditional long service leave 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 long service leave 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 Comprehensive Operating Statement.

3.1.3 Superannuation

The Corporation's obligations for contributions to the Fund are recognised as an expense in the Comprehensive Operating Statement when they are made or due.

The Corporation makes the majority of its employee 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.

The Corporation contributes in respect of its employees to the following superannuation schemes. Contributions by the Corporation (excluding any unfunded liability payments) to the superannuation plans for the financial year ended 30 June 2021 are detailed below:

		2020-2021 \$'000	Contribution rate	2019-2020 \$'000	Contribution rate
Accumulation schemes:					
(a)	Vision Super	839	9.50%	837	9.50%
(b)	Other superannuation schemes	957	9.50%	907	9.50%
Defined benefit schemes:					
(c)	Government Superannuation Office - New Scheme	39	7.5% - 11.4%	41	7.4% - 11.6%
	Total employer contribution	1,835		1,785	

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2021.

Accumulation (items a - b)

Contributions to the accumulation plans are expensed as the contributions are paid or become payable. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2021, this was 9.5% as required under Superannuation Guarantee (SG) legislation).

Defined benefit (item c)

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 the Corporation in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

The Corporation makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

A triennial actuarial review for the Defined Benefit category as at 30 June 2020 was conducted and completed by the due date of 31 December 2020.

The vested benefit index (VBI) of the Defined Benefit category of which the Corporation is a contributing employer was 104.6%. The financial assumptions used to calculate the VBI were:

- Net investment returns [5.6% pa]
- Salary information [2.5% pa] for two years and [2.75% pa] thereafter
- Price inflation (CPI) [2.0% pa.]

As at 30 June 2021, an interim actuarial investigation is underway as the Fund provides lifetime pensions in the Defined Benefit category. Vision Super has advised that the estimated VBI at 30 June 2021 was 109.7%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2020 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.

Employer contributions

Regular contributions

On the basis of the results of the 2020 triennial actuarial investigation conducted by the Fund Actuary, the Corporation makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2021, this rate was 9.5% of members' salaries (9.5% in 2019-2020). This rate is expected to increase in line with any increases in the SG contribution rate and was reviewed as part of the 30 June 2020 triennial valuation. In addition, the Corporation reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

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

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

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

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

The 2020 triennial actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which the Corporation is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. A full investigation was conducted as at 30 June 2020.

The Fund's actuarial investigation identified the following for the Defined Benefit category of which the Corporation is a contributing employer:

	2020(Triennial)\$m	2019(Interim)\$m
• A VBI surplus	\$100.0	\$151.3
• A total service liability surplus	\$200.0	\$233.4
• A discounted accrued benefits surplus	\$217.8	\$256.7

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 as at 30 June 2020.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2020.

The Corporation was notified of the 30 June 2020 VBI during August 2020 (2019: August 2019).

The 2021 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2021 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2021.

	2020-2021 \$'000	2019-2020 \$'000
3.2 Repairs and maintenance		
Repairs and maintenance	1,332	1,384
Total repairs and maintenance	<u>1,332</u>	<u>1,384</u>

Routine maintenance, repair costs and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, the cost is capitalised and depreciated.

3.3 Bulk water

Recycled water	1,141	1,116
Total bulk water	<u>1,141</u>	<u>1,116</u>

Recycled water is supplied by a contract between Melbourne Water and the Corporation for distribution to customers in the Werribee Irrigation District.

3.4 Supplies and services

Supplies and services

- Insurance	500	436
- Motor vehicle operating costs	568	664
- Professional services	2,280	1,282
- Telecommunications	431	421
- Computer software maintenance	569	369
- Utilities	281	267
- Regulatory fees	216	216
- Training	109	191
- Project works not capitalised	1,393	3,212
- Other services	2,066	2,350
Total supplies and services	<u>8,413</u>	<u>9,408</u>

Supplies and services costs are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

4. Key assets available to support output delivery

Introduction

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

4.1 Infrastructure, property, plant and equipment

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

Year ended 30 June 2021

	Land \$'000	Water infrastructure \$'000	Machinery, fittings and equipment \$'000	Plant \$'000	Motor vehicles \$'000	Buildings \$'000	Capital works in progress \$'000	Total \$'000
At 1 July 2020	33,946	1,391,218	1,624	495	2,540	5,348	10,077	1,445,248
Prior period error - impairment/write-off	0	(19,326)	0	0	0	0	0	(19,326)
At 1 July 2020 adjusted	33,946	1,371,892	1,624	495	2,540	5,348	10,077	1,425,922
Additions - new assets	131	0	0	0	192	0	14,553	14,876
Additions - asset renewal	0	0	0	0	0	0	0	0
Transfers	0	11,423	140	250	0	0	(11,813)	0
Revaluation	(6,045)	46,309	0	0	0	534	0	40,798
Impairment/write-off	0	(30,479)	0	0	0	0	0	(30,479)
Disposals	0	0	0	0	(204)	0	0	(204)
Depreciation of regulatory asset base	0	(2,856)	(380)	(75)	(515)	(326)	0	(4,152)
Depreciation of other assets	0	(11,973)	0	0	0	0	0	(11,973)
At 30 June 2021	28,032	1,384,316	1,384	670	2,013	5,556	12,817	1,434,788

At 1 July 2020

Gross carrying amount	33,946	1,445,798	5,735	1,603	4,221	6,397	10,077	1,507,777
Accumulated depreciation	0	(54,580)	(4,111)	(1,108)	(1,681)	(1,049)	0	(62,529)
Net carrying amount	33,946	1,391,218	1,624	495	2,540	5,348	10,077	1,445,248

At 30 June 2021

Gross carrying amount	28,032	1,481,167	5,874	1,853	3,927	6,929	12,817	1,540,599
Accumulated depreciation	0	(96,851)	(4,490)	(1,183)	(1,914)	(1,373)	0	(105,811)
Net carrying amount	28,032	1,384,316	1,384	670	2,013	5,556	12,817	1,434,788

Year ended 30 June 2020

	Land \$'000	Water infrastructure \$'000	Machinery, fittings and equipment \$'000	Plant \$'000	Motor vehicles \$'000	Buildings \$'000	Capital works in progress \$'000	Restated Total \$'000
At 1 July 2019	33,976	1,353,765	1,749	574	2,681	3,367	42,385	1,438,497
Additions - new assets	0	0	0	0	820	0	19,232	20,052
Additions - asset renewal	0	0	0	0	0	0	3,232	3,232
Transfers	0	52,223	244	0	0	2,305	(54,772)	0
Disposals	(30)	0	0	0	(378)	0	0	(408)
Depreciation of regulatory asset base	0	(3,084)	(369)	(79)	(583)	(220)	0	(4,335)
Depreciation of other assets	0	(11,686)	0	0	0	(104)	0	(11,790)
At 30 June 2020	33,946	1,391,218	1,624	495	2,540	5,348	10,077	1,445,248

At 1 July 2019

Gross carrying amount	33,976	1,393,576	5,491	1,602	4,380	4,091	42,385	1,485,501
Accumulated depreciation	0	(39,811)	(3,742)	(1,028)	(1,699)	(724)	0	(47,004)
Net carrying amount	33,976	1,353,765	1,749	574	2,681	3,367	42,385	1,438,497

At 30 June 2020

Gross carrying amount	33,946	1,445,798	5,735	1,603	4,221	6,397	10,077	1,507,777
Accumulated depreciation	0	(54,580)	(4,111)	(1,108)	(1,681)	(1,049)	0	(62,529)
Net carrying amount	33,946	1,391,218	1,624	495	2,540	5,348	10,077	1,445,248

4.1.2 Initial recognition and subsequent measurement

Infrastructure, property, plant and equipment

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

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

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water and drainage infrastructure, plant, equipment and motor vehicles, used by the Corporation in its operations. Items with a cost or value in excess of \$10,000 (2020: \$10,000) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed, with the exception of those assets under the threshold that are considered as attractive assets.

The accounting policy relating to right-of-use assets have been disclosed in Note 6.2.

Leasehold improvements

The cost of 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 10 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 4.1.2 for fair value disclosures.

Revaluation of infrastructure, property, plant and equipment

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

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

Revaluations may occur more frequently if fair value assessments indicate material changes in values. In such instances, interim managerial revaluations are undertaken in accordance with the requirements of FRD 103H. The Corporation in conjunction with VGV, monitors changes in the fair value of each asset class through relevant data sources, in order to determine whether a revaluation is required.

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

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

4.1.3 Accounting for revaluation movements

Infrastructure, property, plant and equipment

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

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

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

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

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

4.1.4 Depreciation and impairment

Depreciation is distinguished by:

- regulated asset base: expenditure that is recoverable from customers within prices authorised by the Water Industry Regulatory Order; and
- other assets: depreciation of assets acquired or constructed prior to 1 July 2004, or assets funded directly by customers or government contribution.

All non-current physical assets that have a finite useful life 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.

Physical assets with indefinite useful lives are not depreciated, and this includes:

- earthen storage embankments;
- tunnels and other excavations;
- irrigation channel excavation and base material; and
- drain excavations.

Land is not depreciated.

Motor vehicles are depreciated on a diminishing balance basis, over their estimated useful life, commencing from the time the asset is held ready for use.

Depreciation of other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their remaining estimated useful lives, 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 date.

The accounting policy relating to right-of-use assets have been disclosed in Note 6.2.

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

Class of Asset	Periods
Buildings	10 to 50 years
Water Infrastructure	
Storage embankments	350 years
Storage spillways	100 years
Storage discharge control structures	80 years
Storage civil works	50 years
Storage mechanical and electrical	25 years
Irrigation pipes	50 to 90 years
Irrigation structures, meters and pumps	25 to 75 years
Irrigation channels	100 years
Irrigation channel excavation and base material	Indefinite
Earthen storage embankments	Indefinite
Tunnel and other excavations	Indefinite
Drain excavations	Indefinite
Plant, equipment and other	
Machinery and tools	2 to 33 years
Computer equipment	4 to 10 years
Furniture and fittings	2 to 25 years
Motor vehicles	2 to 4 years
Plant	5 to 20 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. The impacts of COVID-19 and climate-related emerging risks were taken into account when estimating the useful life of these assets.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

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, 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 impact of climate risk is not a key assumption in the 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 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*.

Whilst the potential risks and related opportunities from climate related change are considered as part of the Corporation's asset impairment review methodology and processes, based on what is currently known, it is not expected that climate risks will have a significant impact on the Corporation's principal activities, particularly from an asset impairment standpoint.

4.1.5 Net gain on disposal of non-current assets

The net gain on disposal of assets includes the following specific net gains and expenses:

Proceeds from sale of infrastructure, property, plant and equipment

Written down value of disposed infrastructure, property, plant and equipment

Net gain on disposal of assets

	4,808	701
	<u>(3,826)</u>	<u>(407)</u>
	<u>982</u>	<u>294</u>

4.2 Intangible assets

	Software \$'000	Water allocation \$'000	Implementation in progress \$'000	Total \$'000
Year ended 30 June 2021				
At 1 July 2020	826	218	506	1,550
Additions	0	0	383	383
Transfer	401	0	(401)	0
Assets written off	0	(10)	0	(10)
Amortisation	(297)	0	0	(297)
At 30 June 2021	<u>930</u>	<u>208</u>	<u>488</u>	<u>1,626</u>
At 1 July 2020				
Cost (gross carrying amount)	8,757	218	506	9,481
Accumulated amortisation	(7,931)	0	0	(7,931)
Net carrying amount	<u>826</u>	<u>218</u>	<u>506</u>	<u>1,550</u>
At 30 June 2021				
Cost (gross carrying amount)	9,158	208	488	9,854
Accumulated amortisation	(8,228)	0	0	(8,228)
Net carrying amount	<u>930</u>	<u>208</u>	<u>488</u>	<u>1,626</u>
	Software \$'000	Water allocation \$'000	Implementation in progress \$'000	Total \$'000
Year ended 30 June 2020				
At 1 July 2019	642	222	397	1,261
Additions	0	0	565	565
Transfer	456	0	(456)	0
Assets written off	0	(4)	0	(4)
Amortisation	(272)	0	0	(272)
At 30 June 2020	<u>826</u>	<u>218</u>	<u>506</u>	<u>1,550</u>
At 1 July 2019				
Cost (gross carrying amount)	8,300	222	397	8,919
Accumulated amortisation	(7,658)	0	0	(7,658)
Net carrying amount	<u>642</u>	<u>222</u>	<u>397</u>	<u>1,261</u>
At 30 June 2020				
Cost (gross carrying amount)	8,757	218	506	9,481
Accumulated amortisation	(7,931)	0	0	(7,931)
Net carrying amount	<u>826</u>	<u>218</u>	<u>506</u>	<u>1,550</u>

Recognition and measurement

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

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

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

- a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) an intention to complete the intangible asset and use or sell it;
- c) the ability to use or sell the intangible asset;
- d) the intangible asset will generate probable future economic benefits;
- e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) the ability to measure reliably the expenditure attributable to the intangible asset during its development. [AASB 138.57]

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

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

	Software	Water allocation
Useful lives	Finite	Indefinite
Amortisation method used	3 to 10 years straight line	Not amortised or revalued
Internally generated / acquired	Acquired	Acquired
Impairment assessment / Recoverable amount testing	Annually and where an indicator of impairment exists	Annually and where an indicator of impairment exists

Water allocation

The Corporation holds a water allocation within the Thomson Reservoir. This follows the purchase of 3,000ML of water allocation from Macalister Irrigation District water share owners in June 2016. The Minister for Water assigned this water allocation of 3,000ML to City West Water and Western Water for storage until the Corporation directs the delivery of the water. The water allocation was acquired by the Corporation to enable the sale of new water allocations to Werribee and Bacchus Marsh irrigators.

Amortisation

Charge for the period

- Software	297	272
Total amortisation	<u>297</u>	<u>272</u>

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 section 4.1.3.

4.2.1 Intangible asset write-offs

Written down value of intangible assets written off	10	4
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The Corporation holds a water allocation within the Thomson Reservoir. This water allocation was assigned to City West Water and Western Water in June 2016.

The Corporation has assessed the current holding of this allocation, and has written down the value of water allocation lost.

Total intangible asset write-offs	<u>10</u>	<u>4</u>
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4.3 Assets classified as held for sale

Freehold land held for sale	<u>0</u>	<u>3,753</u>
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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. At 30 June 2020, the Corporation considered that the sale of several parcels of land was highly probable, and expected to be completed within 12 months (30 June 2021 \$Nil). 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.

2020-2021
\$'000

2019-2020
\$'000

5. Other assets and liabilities

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

5.1 Receivables

Contractual

Service and usage charges

4,204

3,568

Allowance for expected credit losses

(95)

(95)

Statutory

GST input tax credit receivables

379

281

Total current receivables

4,488

3,754

Total receivables

4,488

3,754

Receivables consist of contractual receivables, such as debtors in relation to goods and services, and accrued service and usage charges. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment. Trade receivables are due for settlement no more than 28 days from the date of recognition for water utility debtors, and no more than 28 days for other debtors. Contractual receivables are classified as financial instruments and categorised as loans and receivables.

Accrued income consists of revenue earned during the financial year in relation to variable usage charges in the Corporation's irrigation districts. This revenue is billed early in the next financial year.

5.1.1 Impairment of contractual receivables

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

On that basis, the loss allowance as at 30 June 2021 was determined as follows for trade receivables:

30 June 2021	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0%	0%	0%	3%	2%
Gross carrying amount-service and usage charges (\$'000)	109	758	71	3,268	4,206
Loss allowance (\$'000)	0	0	0	95	95
1 July 2020	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0%	0%	0%	3%	3%
Gross carrying amount-service and usage charges (\$'000)	273	530	79	2,834	3,716
Loss allowance (\$'000)	0	0	0	95	95

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. Impairment losses on receivables are presented in other expenses within the Comprehensive Operating Statement.

The circumstances associated with COVID-19 were considered by the Corporation in its determination of expected credit losses.

No interest is charged for the first 28 days from the invoice date. Thereafter, interest is charged at 5.0 per cent on the outstanding balance. The average credit period for sales of goods / services and for other receivables is 28 days. There are no material financial assets that are individually determined to be impaired.

Past due but not impaired trade receivables relate to a number of independent customers for whom there is no recent history of default. Excluding a small number of recycled water charges, the Corporation's credit risk for water customers is mitigated by the *Water Act 1989*, where outstanding trade receivables are secured by a charge against the associated land or water share. The Corporation considers that underlying land and water share assets within each irrigation district provide adequate market value to support our trade receivable balance. The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due. There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

5.2 Contract assets

Current contract asset relating to:

Accrued revenue

5,666

1,904

Loss allowance

0

0

Total contract assets

5,666

1,904

Contract assets relating to service and usage charges:

Accrued revenue

Accrued revenue is recognised for water 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 services provided for but not billed at the end of the reporting period.

Contract assets reconciliation

Opening balance 1 July

1,904

1,904

Less: Amounts billed during the year

(1,904)

0

Add: Amount accrued at year end (to be billed)

5,666

0

Additional provisions (raised)/reversed

0

0

Carrying amount as at 30 June

5,666

1,904

Significant changes in contract assets

Contract assets have increased as the Corporation has provided for a significant sale of land that will settle in early 2021-22.

2020-2021
\$'000

2019-2020
\$'000

5.3 Payables

Contractual

Trade creditors	3,687	4,291
Advances for capital and other works	140	138

Statutory

Fringe Benefits Tax payable	48	88
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Total current payables 3,875 4,517

Total payables 3,875 4,517

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 payables for supplies and services have an average credit period of 30 days. No interest is charged on the 'other payables' for the first 30 days from the date of the invoice. Thereafter, interest is charged dependent upon the terms and conditions of the supplier's contract.

As part of the Corporation's response to COVID-19 pandemic, payments for supplies and services are made once the obligation has been verified, which means that payment regularly occurs prior to the contractual due date.

5.3.1 Ageing analysis of contractual payables

	Carrying amount \$'000	Nominal amount \$'000	Maturity dates					
			Less than 1 month \$'000	1-3 months \$'000	3 months - 1 year \$'000	1 - 5 years \$'000	5+ years \$'000	
2021								
Supplies and services	3,827	3,827	3,819	2	6	0	0	
Total	3,827	3,827	3,819	2	6	0	0	
2020								
Supplies and services	4,429	4,429	4,391	28	10	0	0	
Total	4,429	4,429	4,391	28	10	0	0	

5.4 Contract liabilities

Contract Liabilities - Customers paid in advance	95	116
Unearned income - AASB 1058	0	1,493
Unearned income - AASB 15	1,687	1,937
Total contract liabilities	1,782	3,546

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 reconciliation

Customers paid in advance

Opening balance 1 July	3,546	66
Add: Payments received for performance obligations yet to be completed during the period	15	116
Less: Revenue recognised in the reporting period for the completion of a performance obligation	(38)	(66)
Unearned income - AASB 1058		
Add: Grant revenue received during the year	0	1,625
Less: Grant revenue recognised during the year	(1,492)	(133)
Unearned income - AASB 15		
Opening balance transition adjustment	0	1,135
Add: Grant revenue received during the year	854	1,040
Less: Grant revenue recognised for performance obligations met during the year	(1,103)	(237)
Closing balance 30 June	1,782	3,546

Significant changes in contract liabilities

Contract liabilities have decreased as the Corporation has delivered the project outcomes of grants received in 2019-20.

5.5 Investment in ZEW Ltd

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

On 30 October 2018, a Members' Agreement was entered into between the water corporations and ZEW in order to regulate their rights and obligations as members of ZEW and as participants in the project. The Members' Agreement establishes the operating activities of ZEW and the decision-making responsibilities of the ZEW directors.

Under the Members' Agreement the Corporation's liability as a member is limited to \$10 in the event of a winding up. As required by Australian accounting standards, the Corporation has assessed the nature of its relationship with ZEW, and has concluded that it does not have control, joint control or significant influence over ZEW. ZEW is a related party of the Corporation.

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

The solar farm energy generator experienced a construction delay due to 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. Corporation's share of the settlement is \$14.9k which has been recognised in the Comprehensive Operating Statement as other income in the 2019-20 financial year.

Further extensions were granted until 31 January 2021 as a result of delays in commissioning ZEW's section of the solar farm which delayed the meeting of the conditions precedents. The Corporation share of the settlement for these further delays was \$6.1k which was recognised in the Statement of Comprehensive Income as other income in the 2020-21 financial year. On 22 January 2021, the conditions precedent in the PPA was completed. The Corporation now has an obligation to purchase its percentage of energy allocation under the Members' Agreement. The financial impact of the Members' Agreement with ZEW has resulted in increased revenue and expenses.

The Members' Agreement specifies that ZEW may call on the Corporation to make a loan available to ZEW amounting to \$8.6k. The loan, if requested by ZEW, would meet the definition of a financial asset as it gives rise to a contractual right for us to receive cash from ZEW at the end of the loan term. At 30 June 2021, ZEW had requested and received a loan payment of \$5k. At 30 June, 2021 the fair value of the ZEW loan is an asset of \$5k. The fair value of the CFD derivative instrument associated with the Members' Agreement is based on the discounted cash flow technique. The selection of variables requires significant judgement and assumptions in estimating the fair value of derivatives. In the absence of an active market, the fair value of the Corporation's CFD derivative is valued using unobservable inputs such as future wholesale electricity prices provided by DELWP's independent advisor and comparable risk free rates of zero coupon government bonds obtained from the Reserve Bank of Australia. The assumptions underpinning the estimate of future wholesale electricity prices included factors influencing supply and demand fluctuations, and the economic impact of coronavirus (COVID-19). In addition, assumptions are applied to forecast the renewable energy generation volumes over the life of the derivative instrument. At 30 June 2021, the fair value of the CFD instrument is a liability of \$46.5k.

2020-2021
\$'000

2019-2020
\$'000

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 borrowings) 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 provide additional, specific financial instrument disclosures.

6.1 Interest bearing liabilities

Current interest bearing liabilities

Treasury Corporation of Victoria (TCV) - Unsecured

6,100	4,560
<u>6,100</u>	<u>4,560</u>

Total current interest bearing liabilities

Non-current

Treasury Corporation of Victoria (TCV) - Unsecured

55,900	58,140
<u>55,900</u>	<u>58,140</u>

Total non-current interest bearing liabilities

<u>62,000</u>	<u>62,700</u>
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Total interest bearing liabilities

Interest bearing liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Interest bearing liabilities are subsequently measured at amortised cost.

Financial liabilities – Service concession arrangements are measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the Corporation and the operator. 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 date.

The Corporation has classified borrowings which mature within 12 months as non-current liabilities on the basis that the Corporation 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.

Current interest bearing liabilities are all held with TCV, either as:

- An '11am' at call debt facility which has no fixed term to maturity
- Fixed - Semi Annual Credit Foncier facilities with repayments of interest and principal twice annually
- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$50k) twice annually and a final \$2.60m maturity in June 2022
- Fixed - Rate facility with repayments of interest twice annually and a final \$1.75m maturity in June 2022
- Fixed - Rate facility with repayments of interest twice annually and a final \$1.00m maturity in June 2022

Non-current interest bearing liabilities are all held with TCV, either as:

- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$75k) twice annually and a final \$2.50m maturity in June 2023
- Fixed - Rate facility with repayments of interest twice annually and a final \$1.75m maturity in June 2023
- Fixed - Rate facility with repayments of interest twice annually and a final \$1.00m maturity in June 2023
- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$25k) twice annually and a final \$0.83m maturity in June 2024
- Fixed - Rate facility with repayments of interest twice annually and a final \$3.75m maturity in June 2024
- Fixed - Rate facility with repayments of interest twice annually and a final \$1.00m maturity in June 2024
- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$50k) twice annually and a final \$0.44m maturity in June 2025
- Fixed - Rate facility with repayments of interest twice annually and a final \$1.50m maturity in June 2025
- Fixed - Rate facility with repayments of interest twice annually and a final \$2.50m maturity in June 2025
- Fixed - Rate facility with repayments of interest twice annually and a final \$2.50m maturity in June 2025
- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$50k) twice annually and a final \$2.20m maturity in June 2026
- Fixed - Rate facility with repayments of interest twice annually and a final \$3.25m maturity in June 2026
- Fixed - Rate facility with repayments of interest twice annually and a final \$0.77m maturity in June 2026
- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$75k) twice annually and a final \$1.50m maturity in June 2027
- Fixed - Rate facility with repayments of interest twice annually and a final \$2.75m maturity in June 2027
- Fixed - Rate facility with repayments of interest twice annually and a final \$2.50m maturity in June 2027
- Fixed - Rate facility with repayments of interest twice annually and a final \$5.00m maturity in June 2028
- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$50k) twice annually and a final \$2.00m maturity in June 2028
- Fixed - Rate facility with repayments of interest twice annually and a final \$6.00m maturity in June 2029
- Fixed - Rate facility with repayments of interest twice annually and a final \$6.00m maturity in June 2030
- Fixed - Rate facility with repayments of interest twice annually and a final \$3.86m maturity in June 2031

These debt facilities are provided by TCV consistent with the Financial Accommodation issued by the Treasurer of Victoria to the Corporation, in accordance with section 8 of the *Borrowing and Investment Powers Act 1987*.

The borrowings are not directly secured by assets of the Corporation but have the benefit of the Treasurer's guarantee to TCV dated 25 April 2002.

The borrowings are in Australian dollars and accordingly the Corporation does not face a foreign exchange risk in relation to these balances.

6.1.1 Maturity analysis of interest bearing liabilities

	Carrying amount \$'000	Nominal amount \$'000	Maturity dates			
			1-3 months \$'000	3 months - 1 year \$'000	1 - 5 years \$'000	5+ years \$'000
2021						
Treasury Corporation of Victoria (TCV)	62,000	63,655	375	5,725	25,940	29,960
2020						
Treasury Corporation of Victoria (TCV)	62,700	65,662	585	3,975	25,470	32,670

6.1.2 Interest expense

Interest on loans from Treasury Corporation of Victoria (TCV)	1,240	1,226
Interest on leases under AASB 16	52	60
Financial accommodation levy	554	520
Total interest expense	1,846	1,806

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, financial accommodation levy 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 Leases

Information about leases for which the Corporation is a lessee is presented below

The Corporation's leasing activities

The Corporation leases various properties. Rental contracts are typically made for fixed periods of 5 years, but may have extension options as described below. Contracts may contain both lease and non-lease components. The Corporation allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Corporation is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Corporation revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Corporation.

The Corporation applies the revaluation model in AASB 116 to right-of-use assets that relate to a class of infrastructure, property, plant and equipment. The revaluation model is applied to all of the right-of-use assets that relate to that class of infrastructure, property, plant and equipment.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Corporation. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by Corporation and not by the respective lessor.

Residual value guarantee

To optimise lease costs during the contract period, the Corporation sometimes provides residual value guarantees in relation to equipment leases.

Critical judgements in determining the lease term

In determining the lease term, the Corporation considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of \$0.

Definition of a lease

For any new contracts entered into on or after 1 July 2019, the Corporation considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Corporation assesses whether the contract meets three key evaluations:

- Whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Corporation and for which the supplier does not have substantive substitution rights;
- Whether the Corporation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and the Corporation has the right to direct the use of the identified asset throughout the period of use; and
- Whether the Corporation has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

Separation of lease and non-lease components

At inception or on reassessment of a contract that contains a lease component, the lessee is required to separate out and account separately for non-lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or the Corporation's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivable;
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- payments arising from purchase and termination options reasonably certain to be exercised; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to Comprehensive Operating Statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease or the Corporation's incremental borrowing rate. TCV/Department of Treasury's (DTF) calculator is used to determine incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Corporation is exposed to future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities. This includes exposure arising from:

- variable lease payments;
- extension options and termination options; and
- residual value guarantees.

Short-term leases and leases of low-value assets

The Corporation has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. Low-value assets comprise IT-equipment and photo copiers with individual values less than \$10,000 when new.

6.2.1 Right-of-use-assets and lease liabilities

This note provides information for leases where the Corporation is a lessee.

The Balance Sheet shows the following amounts relating to leases:

Right-of-use assets

Buildings	1240	1478
Total	<u>1240</u>	<u>1478</u>
Lease liabilities		
Current	193	192
Non – Current	1125	1333
Total lease liabilities	<u>1318</u>	<u>1525</u>

Additions to the right-of-use assets during the 2021 financial year were \$Nil.

6.2.2 Amounts recognised in the Comprehensive Operating Statement

The following amounts are recognised in the Comprehensive Operating Statement relating to leases:

Depreciation charge of right-of-use assets (buildings)	215	225
Interest expense (included in finance cost)	52	60
Expense relating to short-term leases (included in administrative and other operating expenses)	0	0
Expense relating to leases of low-value assets that are not short-term leases (included in administrative and other operating expenses)	0	0
Total	<u>267</u>	<u>285</u>

6.2.2 Amounts recognised in the Statement of Cash Flows

The following amounts are recognised in the Statement of Cashflows relating to leases.

Principal payments of lease liabilities	<u>207</u>	<u>-1,526</u>
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2020-2021
\$'000

2019-2020
\$'000

6.3 Cash flow information and balances

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

For Cash Flow Statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the Balance Sheet, as indicated in the reconciliation below.

Cash on hand	2	2
Cash at bank	893	1,029
Deposits at call	21,117	10,315
Balance as per cash flow statement	<u>22,012</u>	<u>11,346</u>

6.3.1 Reconciliation of net result for the period to cash flow from operating activities

Net loss for the period before income tax (8,121) (11,345)

Non-cash movements:

Depreciation and amortisation	16,632	16,623
Gain on sale of fixed assets	(982)	(294)
Written down value of transferred assets	0	0
Written down value of destroyed, lost or de-commissioned assets	942	1,494

Movements in assets and liabilities:

Increase in inventories	(17)	(38)
Decrease/(Increase) in current receivables	3,440	(529)
Increase/(Decrease) in contract assets	(3,761)	438
Increase/(Decrease) in other current assets	(39)	57
Increase/(Decrease) in provision for employee benefits	229	(110)
Decrease/(Increase) in contract liabilities	(4,185)	2,295
Increase in payables	30	57

Net cash flows from operating activities 4,168 8,648

6.3.2 Financing facilities

Unsecured loan facilities with various maturity dates through to 2020-21 and which may be extended by mutual agreement

Amount used	62,000	62,700
Amount unused	40	530
Total	<u>62,040</u>	<u>63,230</u>

6.4 Commitments for expenditure

Commitments for future expenditure include Operating and Capital commitments arising from contracts.

These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated.

These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

6.4.1 Total commitments payable

Nominal Amounts: 2021

	Less than 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Operating and lease commitments payable	2,487	6,228	6,877	15,592
Capital expenditure commitments payable	6,829	0	0	6,829
Environmental contribution levy commitments	530	1,060	0	1,590
Total commitments (inclusive of GST)	9,846	7,288	6,877	24,011
Less GST recoverable	847	566	625	2,038
Total commitments (exclusive of GST)	8,999	6,722	6,252	21,973

Nominal Amounts: 2020

	Less than 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Operating and lease commitments payable	1,967	6,423	7,252	15,642
Capital expenditure commitments payable	5,761	500	0	6,261
Environmental contribution levy commitments	530	1,590	0	2,120
Total commitments (inclusive of GST)	8,258	8,513	7,252	24,023
Less GST recoverable	703	629	659	1,991
Total commitments (exclusive of GST)	7,555	7,884	6,593	22,032

7. Risks, contingencies and valuation judgements

Introduction

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

7.1 Interest bearing liabilities

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	Amounts payable to government and agencies
Other receivables	Other payables
Term deposits	Interest bearing liabilities:
Investment in Zero Emissions Water (ZEW)	Bank overdraft

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

The Corporation's financial assets and liabilities are classified as Level 1 under the fair value hierarchy, apart from receivables and payables, which are classified as Level 2 under the fair value hierarchy.

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 (excluding statutory receivables); and
- term deposits.

Financial liabilities initially recognised at fair value, plus or minus any direct transaction costs. 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 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 (including finance lease 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.

Derecognition of financial assets and liabilities

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

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

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

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

Impairment of financial assets

At the end of each reporting period, the Corporation assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit and loss, are subject to annual review for impairment.

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

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

7.1.1 Financial instruments: Categorisation

All financial assets and financial liabilities of the Corporation are measured 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. This note presents information about the Corporation's exposure to each of these risks, and the objectives, policies and processes for measuring and managing risk.

The Corporation's Board of Directors has the overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Corporation. The Corporation uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, and other price risks and ageing analysis for credit risk.

Risk management is monitored by the Audit, Risk and Governance Committee under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as credit risk, use of financial instruments, and investment of excess liquidity.

Specifically, the Corporation manages financial risk by adoption of a Treasury Management Policy that is consistent with State Government Treasury Management Guidelines. The Treasury Management Guidelines conform with the *Borrowing and Investment Powers Act (BIP Act)*, which provides statutory corporations their authority to borrow and invest.

Department of Treasury and Finance requirements dictate that all new borrowings must be approved by the Treasurer of Victoria. Annually, a Financial Accommodation approval is provided by the Treasurer which is consistent with the Corporation's budget planning, and cash requirements. At 1 July 2020, the Corporation held a Financial Accommodation approval for the 2020-21 financial year for \$62.04m of borrowings (1 July 2019 \$72.23m of borrowings).

In accordance with DTF guidance, in order to minimise credit risk exposure to the Corporation, the Treasury Management Policy limits investment of surplus funds to financial institutions approved by DTF. During the 2020-21 financial year surplus funds were invested with the National Australia Bank, and Westpac only.

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 principally of irrigation customers, large commercial and public sector enterprises supplied under a bulk entitlement order, as well as State Government departments. Notwithstanding the ongoing monitoring of these debts, the Corporation considers recoverability as virtually certain given covenants established by the *Water Act 1989*, and the credit worthiness of the State Government. The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables (refer to section 5.1).

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

Except as otherwise detailed in Note 1, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents the Corporation's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Corporation is continuously monitoring and assessing its credit risk profile due to the current economic impacts affecting customers. As a result, the Corporation has adjusted the credit risk profile in assessing the expected loss allowance in 2020-21 (refer to Note 1).

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

Climate related risk

Climate change is a risk to the Corporation. Climate change risk includes the physical risk which can cause direct damage to assets or property as a result of rising global temperatures as well as transition risks which arise from the transition to a low-carbon economy. The corporation is primarily exposed to climate change risk by a deterioration to climate change risk by a deterioration to water availability for our customers from lower rainfall and warmer temperatures, and the associated impact on their medium to long term viability. The corporation also faces physical risks associated with an increase in extreme short-term weather events impacting assets and operations. The Corporation will further enhance the understanding of exposure of climate change risk in the process of executing the Corporation's climate change adaptation plan over the next 3 years. As at 30 June 2021, the Directors considered climate-related risk in the preparation of the financial statements.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its 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 and by continuously monitoring forecasts and actual cash flows, and matching the maturity profiles of financial assets and financial liabilities. Annually, the Corporation completes a Corporate Plan which includes financial estimates for a five year period. This plan incorporates a cashflow forecast that then facilitates application to DTF for any necessary Financial Accommodation. Financial Accommodation establishes the Corporation's approval to establish borrowing facilities. At 30 June 2021, the Corporation had not accessed \$0.04m (2020: \$0.53m) of this Financial Accommodation.

In light of the Corporation's planned Capital expenditure program, and our ongoing need for debt funding to support this program, the Corporation's ability to meet liabilities as they fall due is reliant upon the issue of a suitable Annual Borrowing Approval by the Treasurer. The Corporation's financial liability maturities have been disclosed in Note 6.1.

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 foreign exchange risk, interest rate risk and other price risk. The Corporation's exposure to market risk is primarily through interest rate risk. There is no exposure to foreign exchange risk and insignificant level of 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's exposure to market interest rates relates primarily to the Corporation's funds invested, and borrowed, with the Treasury Corporation of Victoria. Both investment of funds and short-term borrowings are held at variable market rates. The Corporation's non-current borrowings are at fixed interest rates.

The Corporation has minimal exposure to interest rate risk through its holding of cash assets and other financial assets. The Corporation manages this risk by maintaining a conservative investment portfolio whereby investment of surplus funds is restricted to DTF approved financial instruments that offer fixed or floating interest rates tied to prevailing market rates.

Interest rate risk on borrowed funds is managed by entering into debt facilities with a balanced term profile to avoid a concentration of maturities. In this way, the Corporation's aggregate interest rate is an average of recent market rates, which limits exposure to interest re-pricing in any one period.

b. Foreign exchange risk

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

c. Other price risk

The Corporation has no significant exposure to other price risk.

Market risk sensitivity analysis

The sensitivity analysis below has taken into consideration past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets. The Corporation believes that a movement of 1% in interest rates is reasonable over the next 12 months.

Interest rate exposure on 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.

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

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

30 June 2021	Interest rate exposure					Interest rate risk sensitivity					
	Carrying amount	Weighted average interest rate %	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	+1% Result \$'000	+1% Equity \$'000	-1% Result \$'000	-1% Equity \$'000		
Contractual Financial Assets											
Cash assets and deposits at call	22,012	0.10%	22,010	0	2	220	220	(220)	(220)		
Receivables	4,109		0	0	4,109	0	0	0	0		
	26,121		22,010	0	4,111	220	220	(220)	(220)		
Contractual Financial Liabilities											
Payables and accruals	3,687		0	0	3,687	0	0	0	0		
Interest bearing liabilities	62,000	2.98%	0	62,000	0	0	0	0	0		
Advances for capital and other works	140		0	0	140	0	0	0	0		
	65,827		0	62,000	3,827	0	0	0	0		
Total	(39,706)		22,010	(62,000)	284	220	220	(220)	(220)		

30 June 2020	Carrying amount					Interest rate risk sensitivity					
	Carrying amount	Weighted average interest rate %	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	+1% Result \$'000	+1% Equity \$'000	-1% Result \$'000	-1% Equity \$'000		
Contractual Financial Assets											
Cash assets and deposits at call	11,346	0.19%	11,344	0	2	113	113	(113)	(113)		
Receivables	3,473		0	0	3,473	0	0	0	0		
	14,819		11,344	0	3,475	113	113	(113)	(113)		
Contractual Financial Liabilities											
Payables and accruals	4,291		0	0	4,291	0	0	0	0		
Interest bearing liabilities	62,700	2.88%	0	62,700	0	0	0	0	0		
Advances for capital and other works	138		0	0	138	0	0	0	0		
	67,129		0	62,700	4,429	0	0	0	0		
Total	(52,310)		11,344	(62,700)	(954)	113	113	(113)	(113)		

7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

The Corporation has no contingent assets at 30 June 2021 (2020: Nil)

Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
 - the amount of the obligations cannot be measured with sufficient reliability.

The Corporation has no contingent liabilities at 30 June 2021 (2020: Nil)

7.3 Fair value determination

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

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

The following assets and liabilities are carried at fair value:

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

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

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

Fair value hierarchy

In determining fair values, a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

- 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 input that is significant to the fair value measurement is unobservable.

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

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

How this section is structured

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

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

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

7.3.1 Fair value of financial instruments measured at amortised cost

	Carrying amount 30 June 2021	Fair value 30 June 2021	Carrying amount 30 June 2020	Fair value 30 June 2020
	\$'000	\$'000	\$'000	\$'000
Financial Liabilities				
Lease liabilities	1,318	1,318	1,525	1,525
Loans from TCV	62,000	63,655	62,700	65,662
Total of financial liabilities at fair value	63,318	64,973	64,225	67,187

7.3.2 Fair value determination - Non-financial physical assets
Fair value measurement hierarchy for assets as at 30 June 2021

	Carrying amount as at 30 June 2021 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 (i) \$'000	Level 2 (i) \$'000	Level 3 (i) \$'000
Land at fair value				
Non-specialised land	3,160	0	3,160	0
Specialised land	24,872	0	0	24,872
Total of land at fair value	28,032	0	3,160	24,872
Buildings at fair value				
Non-specialised buildings	5,556	0	0	5,556
Total of buildings at fair value	5,556	0	0	5,556
Water infrastructure at fair value				
Reservoirs and weirs	766,857	0	0	766,857
Tunnels	49,988	0	0	49,988
Irrigation channels and pipes	253,843	0	0	253,843
Irrigation drains	51,213	0	0	51,213
Irrigation structures, meters and pumps	262,414	0	0	262,414
Total of water infrastructure at fair value	1,384,316	0	0	1,384,316
Machinery, fittings and equipment at fair value				
Machinery and tools	276	0	0	276
Computer equipment	692	0	0	692
Furniture and fittings	416	0	0	416
Total of machinery, fittings and equipment at fair value	1,384	0	0	1,384
Motor vehicles and plant at fair value				
Motor vehicles	2,013	0	0	2,013
Plant	670	0	0	670
Total of motor vehicles and plant at fair value	2,683	0	0	2,683

Fair value measurement hierarchy for assets as at 30 June 2020

	Carrying amount as at 30 June 2020 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 (i) \$'000	Level 2 (i) \$'000	Level 3 (i) \$'000
Land at fair value				
Non-specialised land	2,841	0	2,841	0
Specialised land	31,105	0	0	31,105
Total of land at fair value	33,946	0	2,841	31,105
Buildings at fair value				
Non-specialised buildings	5,348	0	0	5,348
Total of buildings at fair value	5,348	0	0	5,348
Water infrastructure at fair value				
Reservoirs and weirs	793,922	0	0	793,922
Tunnels	62,043	0	0	62,043
Irrigation channels and pipes	255,973	0	0	255,973
Irrigation drains	52,262	0	0	52,262
Irrigation structures, meters and pumps	227,018	0	0	227,018
Total of water infrastructure at fair value	1,391,218	0	0	1,391,218
Machinery, fittings and equipment at fair value				
Machinery and tools	365	0	0	365
Computer equipment	791	0	0	791
Furniture and fittings	468	0	0	468
Total of machinery, fittings and equipment at fair value	1,624	0	0	1,624
Motor vehicles and plant at fair value				
Motor vehicles	2,540	0	0	2,540
Plant	495	0	0	495
Total of motor vehicles and plant at fair value	3,035	0	0	3,035

Notes:

(i) Classified in accordance with the fair value hierarchy, see Note 7.3

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2021.

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 property, plant and equipment and infrastructure through relevant data sources to determine whether revaluation is required.

Non-specialised land

For non specialised land, an independent valuation was performed by the Valuer-General Victoria (VGV) to determine the 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 the sales analysed, an appropriate rate per square metre or per hectare has been applied to the subject asset. The effective date of the valuation is 30 June 2021.

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

Non-specialised buildings

An independent valuation of non-specialised buildings was performed by VGV and used depreciated replacement cost to estimate fair value. The effective date of the valuation is 30 June 2021.

As depreciation adjustments are considered as significant, unobservable inputs in nature, the buildings are classified as Level 3 fair value measurements.

Specialised land

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 is classified as Level 3 assets.

CSO adjustments to land values have taken into account the planning restrictions applying to their use, as well as the restrictions and impacts of the existence of water infrastructure assets (drains, channels and reservoirs), but not the value of those assets (which are separately recorded as infrastructure assets). In the case of land used for reservoirs, the valuation performed by VGV recognises an associated CSO by valuing land above the full supply level at 80% of surrounding land values, and below the full supply level at 8% of adjacent land value.

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

Water infrastructure

Water infrastructure is valued using the depreciated replacement cost method. This cost represents the replacement cost of the asset/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 infrastructure was performed by VGV. Water Infrastructure assets are valued by VGV at fair value. As the Corporation is categorised as not-for-profit, fair value is assessed as depreciated replacement cost. The effective date of the valuation is 30 June 2021. Important aspects to this valuation approach were:

- Replacement cost is determined on an 'Optimum Modern Equivalent' basis. This assessment calculates replacement cost by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained. In this way, value is not attributed to excess capacity, over design or redundancy.
- Depreciation is calculated using a straight line methodology, and in order to determine the depreciated value, condition assessments are used to calculate the remaining useful life

As depreciation adjustments are considered as significant, unobservable inputs in nature, water infrastructure is classified as Level 3 fair value measurements.

Machinery, fittings and equipment

Machinery, fittings and equipment is held at fair value. When machinery, fittings 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 depreciated replacement cost method.

As depreciation adjustments are considered as significant, unobservable inputs in nature, machinery, fittings and equipment are classified as Level 3 fair value measurements.

Motor vehicles and plant

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

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

As depreciation adjustments are considered as significant, unobservable inputs in nature, motor vehicles and plant are classified as Level 3 fair value measurements.

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

Service concession assets

Service concession assets are valued using the current replacement cost method adjusted for the associated depreciations. Service concession assets are classified as level 3 fair value measurements as they contain significant unobservable inputs and adjustments.

Fair value assessments

The Corporation conducted fair value assessments at 30 June 2021 of all asset classes, with no material movements identified since the managerial revaluation undertaken as 30 June 2019.

7.3.3 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 separately changes during the period.

Reconciliation of Level 3 fair value (\$'000) at 30 June 2021

Asset type	Opening balance	Additions	Transfers	Disposals	Depreciation	Impairment/write-off	Revaluation	Unrealised gains/(losses) on non-financial assets	Closing balance
Specialised land	31,105	0	0	0	0	0	(6,233)	0	24,872
Non-specialised buildings	5,348	0	0	0	(326)	0	534	0	5,556
Reservoirs and weirs	793,922	0	322	0	(4,294)	(14)	(23,079)	0	766,857
Tunnels	62,043	0	0	0	(94)	0	(11,961)	0	49,988
Irrigation channels and pipes	255,972	0	10,002	0	(4,197)	(26,569)	18,635	0	253,843
Irrigation drains	52,262	0	0	0	(237)	0	(812)	0	51,213
Irrigation structures, meters and pumps	227,018	0	1,099	0	(6,007)	(23,222)	63,526	0	262,414
Machinery and tools	365	0	0	0	(89)	0	0	0	276
Computer equipment	791	0	116	0	(214)	0	0	0	693
Furniture and fittings	468	0	24	0	(76)	0	0	0	416
Motor vehicles	2,540	0	192	(204)	(515)	0	0	0	2,013
Plant	495	0	250	0	(75)	0	0	0	670

Reconciliation of Level 3 fair value (\$'000) at 30 June 2020

Asset type	Opening balance	Additions	Transfers	Disposals	Depreciation	Impairment/write-off	Revaluation	Unrealised gains/(losses) on non-financial assets	Closing balance
Specialised land	31,105	0	0	0	0	0	0	0	31,105
Non-specialised buildings	3,367	0	2,305	0	(324)	0	0	0	5,348
Reservoirs and weirs	796,970	0	1,201	0	(4,249)	0	0	0	793,922
Tunnels	62,138	0	0	0	(95)	0	0	0	62,043
Irrigation channels and pipes	221,219	0	38,956	0	(4,203)	0	0	0	255,972
Irrigation drains	52,512	0	30	0	(280)	0	0	0	52,262
Irrigation structures, meters and pumps	220,926	0	12,036	0	(5,944)	0	0	0	227,018
Machinery and tools	390	0	65	0	(91)	0	0	0	365
Computer equipment	978	0	16	0	(203)	0	0	0	791
Furniture and fittings	381	0	163	0	(76)	0	0	0	468
Motor vehicles	2,681	0	819	(378)	(582)	0	0	0	2,540
Plant	574	0	0	0	(79)	0	0	0	495

Notes:

Description of significant unobservable inputs to Level 3 valuations (i)

Asset class	Fair value at 30 June 2020 (\$'000)	Fair value at 30 June 2021 (\$'000)	Valuation technique (ii)	Significant unobservable inputs (ii)
Specialised land	31,105	24,872	Market / Adjusted	Community Service Obligation (CSO) adjustment to market value
Non-specialised buildings (52)	5,348	5,556	Depreciated replacement cost	Building cost, cost approach using best available evidence from recognised building cost indicators and or quantity surveyors and examples of current cost
Reservoirs (7)	741,630	715,633	Depreciated replacement cost	Cost per reservoir Useful life of reservoirs
Weirs (6)	52,292	51,224	Depreciated replacement cost	Cost per weir Useful life of weirs
Tunnels (3)	62,043	49,988	Depreciated replacement cost	Cost per tunnel Useful life of tunnels
Irrigation channels	166,354	141,474	Depreciated replacement cost	Cost per metre of channel Useful life of irrigation channels
Irrigation pipes	89,618	112,369	Depreciated replacement cost	Cost per metre of pipeline Useful life of irrigation pipes

Description of significant unobservable inputs to level 3 valuations (i)

Asset class	Fair value at 30 June 2020 (\$'000)	Fair value at 30 June 2021 (\$'000)	Valuation technique (ii)	Significant unobservable inputs (ii)
Irrigation drains	52,262	51,213	Depreciated replacement cost	Cost per metre Useful life of irrigation drains
Irrigation structures, meters and pumps	227,018	262,414	Depreciated replacement cost	Cost per unit Useful life of irrigation structures
Machinery and tools	365	276	Depreciated replacement cost	Cost per unit Useful life of machinery and tools
Computer equipment	791	693	Depreciated replacement cost	Cost per unit Useful life of computer equipment
Furniture and fittings	468	416	Depreciated replacement cost	Cost per unit Useful life of furniture and fittings
Motor vehicles	2,540	2,013	Depreciated replacement cost	Cost per unit Useful life of motor vehicles
Plant	495	670	Depreciated replacement cost	Cost per unit Useful life of plant

Notes:

(i) These significant unobservable inputs remain unchanged from 30 June 2020.

(ii) Illustrations on the valuation techniques, significant unobservable inputs and the related quantitative range of those inputs are indicative and should not be directly used without consultation with VGV.

8. Statutory obligations**Introduction**

The section included disclosures in relation to the Corporation's statutory obligations.

8.1 Tax**8.1.1 Income tax**

The Corporation is subject to the National Tax Equivalent Regime (NTER), pursuant to section 88(1) of the *State Owned Enterprises Act 1992*, which is administered by the Australian Taxation Office.

The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 26% (2020: 27.5%), adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Change in estimate - income tax rate

The standard corporate income tax rate applicable to entities meeting the definition of base rate entities changed from 30% to 27.5% on 31 August 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 Corporation has assessed that it is eligible to apply the lower corporate income tax rate from 1 July 2018.

For the 2020-21 financial report, the Corporation has applied the change in the tax rate from 27.5% to 26% 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 effect of this reassessment in the current financial year is a decrease to the deferred tax liability balance (\$12.59m), a decrease to income tax revenue (\$1.50m) and an increase to the asset revaluation reserve (\$14.09m).

From 1 July 2021, the corporate tax rate is further reduced to 25%.

Income statement

Current tax	0	0
Movement in deferred tax	(822)	(896)
	<u>(822)</u>	<u>(896)</u>

Tax reconciliation

Net result before income tax	<u>(8,121)</u>	<u>(11,345)</u>
Tax at the Australian tax rate of 26% (2020: 27.5%)	(2,111)	(3,120)
Tax effect of amounts which are not assessable/deductible (taxable) in calculating taxable income		
Sponsorships and entertainment	0	2
Adjustment in respect of income tax of previous year	89	(1)
Non-reciprocal capital grant	(304)	0
Reduction in opening deferred taxes resulting from reduction in tax rate	1,504	2,223
Income tax revenue	<u>(822)</u>	<u>(896)</u>
Income tax recognised in Other Comprehensive Income		
Reduction in opening deferred taxes resulting from reduction in tax rate	(14,086)	(23,960)
Net gain on revaluation of infrastructure, property, plant and equipment	10,608	0
Impairment/write-off of infrastructure, property, plant and equipment	(7,766)	0
Income tax revenue (expense) recognised in Other Comprehensive Income at the Australian tax rate of 26% (2020: 27.5%)	<u>(11,244)</u>	<u>(23,960)</u>

	2020-2021 \$'000	Restated 2019-2020 \$'000
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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 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.

Deferred tax assets

The balance comprises temporary differences attributable to:

Employee entitlement provision	1,429	1,503
Benefit of carry forward tax losses	<u>89,045</u>	<u>106,062</u>
	90,474	107,565
Offset against deferred tax liabilities	<u>(90,474)</u>	<u>(107,565)</u>
	<u>0</u>	<u>0</u>

Deferred tax liabilities

The balance comprises temporary differences attributable to:

Cumulative depreciation and amortisation	74,942	79,983
Net gain on revaluation of infrastructure, property, plant and equipment	247,005	285,300
Reduction in opening deferred taxes resulting from reduction in tax rate	(12,872)	(21,737)
Offset from deferred tax assets	<u>(90,474)</u>	<u>(107,565)</u>
	<u>218,601</u>	<u>235,982</u>

Movement in deferred tax liabilities

Carrying amount 1 July	235,982	260,838
Prior period error	(5,315)	0
Debited to other comprehensive income	(11,244)	(23,960)
Debited to the net result	<u>(822)</u>	<u>(896)</u>
	<u>218,601</u>	<u>235,982</u>

8.2 Environmental contribution

Environmental contribution levy

	<u>530</u>	<u>541</u>
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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.

8.3 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. At the date of this report, the Corporation does not expect to pay a dividend in respect of the 2020-21 financial year.

9. Other disclosures

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

9.1 Equity

9.1.1 Contributed capital

Contributed Capital

Balance at 1 July	455,641	452,974
Capital transactions with the State Government in its capacity as owner arising from:		
Contribution - Macalister Irrigation System (MID2030 Phase 2 project)	18,630	0
Contribution - Macalister Irrigation System (MID2030 Phase 1B project)	1,000	1,174
Contribution - Werribee Irrigation System (Modernisation project)	0	1,493
Contribution - Bacchus Marsh Irrigation System (Modernisation project)	989	0
Balance 30 June	476,260	455,641

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

9.1.2 Asset revaluation reserve

	2020-2021			
	Land \$'000	Buildings \$'000	Water Infrastructure \$'000	Total \$'000
Asset revaluation reserve	20,889	1,986	670,352	693,227
Increase in opening asset revaluation reserve resulting from reduction in tax rate	433	41	13,612	14,086
Prior year error	0	0	(19,326)	(19,326)
Prior year error - tax (26%)	0	0	5,315	5,315
Revaluation increment on non-current assets	(6,045)	534	46,309	40,798
Revaluation increment - tax (at 26%)	1,572	(139)	(12,040)	(10,607)
Impairment/write-off of non-current assets	0	0	(29,868)	(29,868)
Impairment/write-off of non-currents assets - tax (at 26%)	0	0	7,767	7,767
Closing balance	16,849	2,422	682,121	701,392

	2019-2020			
	Land \$'000	Buildings \$'000	Water Infrastructure \$'000	Total \$'000
Asset revaluation reserve	20,167	1,917	647,184	669,267
Increase in opening asset revaluation reserve resulting from reduction in tax rate	722	69	23,169	23,960
Closing balance	20,889	1,986	670,352	693,227

9.1.3 Accumulated surplus

Accumulated surplus at beginning of reporting period	6,870	18,454
Adjustment to opening balance on adoption of new accounting standards	0	(1,135)
Net result for the period	(7,299)	(10,449)
Accumulated surplus at end of reporting period	(429)	6,870

9.2 Events occurring after the balance date

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation in future financial years.

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, as required by *AASB 124 Related Party Disclosures*. The responsible Ministers during the 2020-21 reporting period was the Hon Lisa Neville MP, Minister for Water (1 July 2020 to 14 February 2021), and the Hon Richard Wynne MP, Acting Minister for Water (15 February to 30 June 2021). Remuneration paid to the responsible Ministers is shown in the financial statements of the Department of Parliamentary Services. The names of persons who were directors of Gippsland and Southern Rural Water Corporation at any time during the financial year are as follows:

Name	Title	Period of appointment during the 2020-21 reporting period
Members of Corporation Board:		
Ms D James AM	Chairman	1 July 2020 to 30 June 2021
Mr M Malouf AM	Deputy Chairman	1 July 2020 to 30 June 2021
Ms N Cleary	Director	1 July 2020 to 30 June 2021
Mr A Hume	Director	1 July 2020 to 27 April 2021
Ms P Maddy	Director	1 July 2020 to 30 June 2021
Ms M Murray	Director	1 July 2020 to 30 June 2021
Ms K Steel	Director	1 July 2020 to 30 June 2021
Mr C Edwards	Director	1 July 2020 to 30 June 2021
Mr C FitzGerald	Managing Director and Accountable Officer	1 July 2020 to 30 June 2021

Mr C Parker (General Manager Customer Service) acted in the position of Managing Director and Accountable Officer from 19 September 2020 - 27 September 2020.

Ms E Hunter (General Manager Strategy and Performance) acted in the position of Managing Director and Accountable Officer from 2 April 2021 - 11 April 2021.

Remuneration

Remuneration received or receivable by the responsible persons in connection with the management of the Corporation during the reporting period was in the range: \$590,000– \$590,999 (\$590,000 – \$599,999 in 2019-20).

9.4 Remuneration of executives

The number of executive officers, other than the Minister and accountable officers, 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 (as defined in AASB 119 *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. Accordingly, remuneration is determined on an accrual basis, 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, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long-service benefit or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

	Total remuneration	
Remuneration		
Short-term employee benefits	925	996
Post-employment benefits	89	90
Other long-term benefits	24	31
Total remuneration	1,038	1,117
Total number of executives	5	5
Total annualised employee equivalents	4.0	5.0

Notes:

(i) The total number of executive officers includes the Managing Director, who meets the definition of Key Management Personnel (KMP) of the entity under AASB 124 *Related Party Disclosures* and is also 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.

9.5 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 (KMP)

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

Compensation of KMPs

Short-term employee benefits	544	543
Post-employment benefits	49	47
Other long-term benefits	7	8
Total	600	598

Notes: Note that KMPs are also reported in the disclosure of remuneration of executive officers (Note 9.4).

Significant transactions with government-related entities

During the year, the Corporation received funding of \$25.34 million (2020: \$23.62 million) and made payments of \$6.89 million (2020: \$6.89 million) with the following government-related entities:

Government-related entity receipts

Entity name	Brief description of main activity		
Department of Environment, Land, Water and Planning	Contributed capital funding in relation to modernisation of irrigation districts (refer Notes 9.1.1 and 2.3)	20,619	2,667
Department of Environment, Land, Water and Planning	Grant funding in relation to various projects (refer Note 2.3)	854	2,665
Treasury Corporation of Victoria	Loan accommodation funding in relation to the Corporation's capital expenditure requirements (refer Note 6.1)	3,860	18,270
Zero Emissions Water	Promote energy and emissions reduction initiatives to reduce carbon emissions	6	15
Total		25,339	23,617

		2020-2021 \$'000	2019-2020 \$'000
Government-related entity payments			
Entity name	Brief description of main activity		
Treasury Corporation of Victoria	Repayments of loan accommodation in relation to the Corporation's capital expenditure	4,560	4,610
Treasury Corporation of Victoria	Payments of interest on loan accommodation funding (refer Note 6.1.2)	1,240	1,226
Department of Environment, Land, Water and Planning	Payments of environmental contribution (refer Note 8.2)	530	541
Department of Treasury and Finance	Payments of financial accommodation levy (refer Note 6.1.2)	554	520
Zero Emissions Water	Promote energy and emissions reduction initiatives to reduce carbon emissions	5	0
Total		<u>6,889</u>	<u>6,897</u>
Government-related entity payables			
Entity name	Brief description of main activity		
Treasury Corporation of Victoria	Accrued interest on loan accommodation funding (refer Note 6.1.2)	123	158
Department of Treasury and Finance	Accrued payments of financial accommodation levy (refer Note 6.1.2)	135	141
Department of Environment, Land, Water and Planning	Accrued payments of groundwater monitoring activities	0	0
Total		<u>258</u>	<u>299</u>

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. stamp duty and other government fees and charges. 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.

Other related parties - Zero Emissions Water

The Corporation Secretary of Southern Rural Water is a director and Company Secretary of Zero Emissions Water. Transactions by the Corporation with Zero Emissions Water are entered in common with other members of the scheme and occur on an arm's length basis.

9.6 Remuneration of auditors

Victorian Auditor-General's Office

Audit of the financial statements

48	48
<u>48</u>	<u>48</u>

Total remuneration of auditors

9.7 Ex-gratia expense

Compensation

0	0
<u>0</u>	<u>0</u>

Total ex gratia expense

Ex gratia expenses are the voluntary payments of money or other non-monetary benefit (e.g. a write off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability of or claim against the Corporation.

9.8 Correction of a prior period error

The Corporation has identified a prior period error. This is explained below and has since been adjusted for the error and restated each of the affected financial statements for the 2019-2020 financial year, as shown in the tables below.

Infrastructure asset values overstated

Whilst preparing for the asset revaluation for 2020-21, the Corporation identified that \$19.3m of previously disposed infrastructure assets were included in the 2019-20 fixed assets balance. These assets were disposed of prior to 1 July 2019, however, were not removed from the asset register. The error was re-stated at 1 July 2019 as an adjustment to reduce water infrastructure assets (\$19.3m), the asset revaluation reserve (\$14.0m) and the deferred tax (\$5.3m) balances. The impact on depreciation for 2019-20 was deemed to be immaterial and not included in the table below.

Impact of correction of an error on the comprehensive operating statement

	For the period ended 30 June 2021	For the period ended 30 June 2020 (restated)	Prior period error	For the period ended 30 June 2020 (as previously presented)
Revenue				
Revenue from operating activities	31,925	31,712	0	31,712
Service and usage charges	395	245	0	245
Chargeable works	1,264	237	0	237
Government grants and contributions	22	22	0	22
Interest income	564	376	0	376
Other income				
Revenue from non-operating activities				
Fair value of assets received free of charge	2,271	0	0	0
Government grants and contributions for capital purposes	1,492	133	0	133
Sale of water and entitlements	1,465	3,550	0	3,550
Net gain on disposal of non-current assets	982	294	0	294
Total revenue	40,380	36,569	0	36,569
Expenses				
Bulk water	1,141	1,116	0	1,116
Environmental contribution	530	541	0	541
Employee benefits	17,591	16,788	0	16,788
Interest	1,846	1,806	0	1,806
Chargeable works	395	245	0	245
Repairs and maintenance	1,332	1,384	0	1,384
Supplies and services	8,413	9,408	0	9,408
Depreciation of regulatory asset base	3,939	3,624	0	3,624
Depreciation of other assets	12,396	12,726	0	12,726
Asset write-offs	611	0	0	0
Intangible asset write-offs	10	4	0	4
Amortisation	297	272	0	272
Total expenses	48,501	47,914	0	47,914
Net result before tax	(8,121)	(11,345)	0	(11,345)
Income tax revenue	822	896	0	896
Net result for the period	(7,299)	(10,449)	0	(10,449)
Other comprehensive income for the period				
<i>Items that will not be reclassified to net result</i>				
Net gain on revaluation of infrastructure, property, plant and equipment	40,798	0	0	0
Write-off of infrastructure, property, plant and equipment	(29,868)	0	0	0
Income tax relating to these items	(2,840)	0	0	0
Reduction in opening deferred taxes resulting from reduction in tax rate	14,086	23,960	0	23,960
Other comprehensive income for the period, net of income tax				
Comprehensive result	14,877	13,511	0	13,511

Impact of correction of an error on the balance sheet

	For the period ended 30 June 2021	For the period ended 30 June 2020 (restated)	Prior period error	For the period ended 30 June 2020 (as previously presented)
Assets				
Current assets				
Cash and cash equivalents	22,012	11,346	0	11,346
Receivables	4,488	3,754	0	3,754
Contract assets	5,666	1,904	0	1,904
Other non-financial assets	484	448	0	448
Assets classified as held for sale	0	3,753	0	3,753
Total current assets	32,650	21,205	0	21,205
Non-current assets				
Infrastructure, property, plant and equipment	1,434,788	1,425,922	(19,326)	1,445,248
Right-of-use assets	1,240	1,478	0	1,478
Intangible assets	1,626	1,550	0	1,550
Total non-current assets	1,437,654	1,428,950	(19,326)	1,448,276
Total assets	1,470,304	1,450,155	(19,326)	1,469,481
Liabilities				
Current liabilities				
Payables	3,875	4,517	0	4,517
Contract liabilities	1,782	3,546	0	3,546
Interest bearing liabilities	6,100	4,560	0	4,560
Lease liabilities	193	192	0	192
Employee benefits	5,011	4,951	0	4,951
Total current liabilities	16,961	17,766	0	17,766
Non-current liabilities				
Payables	5	6	0	6
Interest bearing liabilities	55,900	58,140	0	58,140
Lease liabilities	1,125	1,333	0	1,333
Employee benefits	489	516	0	516
Deferred tax liabilities	218,601	230,667	(5,315)	235,982
Total non-current liabilities	276,120	290,662	(5,315)	295,977
Total liabilities	293,081	308,428	(5,315)	313,743
Net assets	1,177,223	1,141,727	(14,011)	1,155,738
Equity				
Contributed capital	476,260	455,641	0	455,641
Asset revaluation reserve	701,392	679,216	(14,011)	693,227
Accumulated surplus	(429)	6,870	0	6,870
Total equity	1,177,223	1,141,727	(14,011)	1,155,738

Impact of correction of an error on the cash flow statement

	For the period ended 30 June 2021	For the period ended 30 June 2020 (restated)	Prior period error	For the period ended 30 June 2020 (as previously presented)
Cash flows from operating activities				
<i>Receipts</i>				
Receipts from service and usage charges	36,314	35,961	0	35,961
Receipts from State Government				
-Operating	854	1,040	0	1,040
-Capital	0	1,625	0	1,625
Interest received	22	23	0	23
Goods and Services Tax received from the ATO	2,201	4,164	0	4,164
<i>Payments</i>				
Payments to suppliers and employees	(33,414)	(32,398)	0	(32,398)
Interest paid	(1,746)	(1,722)	0	(1,722)
Goods and Services Tax paid to the ATO	(63)	(45)	0	(45)
Net cash inflow from operating activities	4,168	8,648	0	8,648
Cash flows from investing activities				
Payments for infrastructure, property, plant and equipment	(13,590)	(29,180)	0	(29,180)
Proceeds from sale of infrastructure, property, plant and equipment	757	701	0	701
Payments for intangible assets	(381)	(566)	0	(566)
Net cash outflow from investing activities	(13,214)	(29,045)	0	(29,045)
Cash flows from financing activities				
Proceeds from new borrowings	3,860	18,270	0	18,270
Repayment of existing borrowings	(4,560)	(4,610)	0	(4,610)
Principal element of lease liability	(207)	1,526	0	1,526
Proceeds from contributions by State Government in its capacity as owner	20,619	9,667	0	9,667
Net cash inflow from financing activities	19,712	24,853	0	24,853
Net increase in cash and cash equivalents	10,666	4,456	0	4,456
Cash and cash equivalents at the beginning of the financial year	11,346	6,890	0	6,890
Cash and cash equivalents at the end of the financial year	22,012	11,346	0	11,346

9.9 Australian Accounting Standards issued that are not yet effective

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

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

Topic	Key requirements	Effective date	Estimated Impact
AASB 17 <i>Insurance Contracts</i>	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 reinsurance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities. AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts was issued in July 2020 with the intention to reduce the costs application and easing transition by deferring its effective date to annual periods beginning on or after 1 January 2023 instead of 1 January 2021. This standard currently does not apply to the not-for-profit public sector entities.	1 January 2023	The assessment has indicated that there will be no significant impact for the Corporation.
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	Amends AASB 101 to require a liability to be classified as current when companies do not have a substantive right to defer settlement at the end of the reporting period.	1 January 2023	The standard is not expected to have a significant impact on the Corporation.
AASB 2020-3 <i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>	Amendments to existing accounting standards, particularly in relation to: AASB 1 - simplifies the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. AASB 3 - to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. AASB 9 - to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. AASB 116 - to require an entity to recognise the sales proceeds from selling items produced while preparing infrastructure, property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset. AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> - to specify the costs that an entity includes when assessing whether a contract will be loss-making. AASB 141 <i>Investment Property</i> - to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.	1 January 2022	The 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 2020-21 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

Standard
<p>AASB 2020-2 <i>Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.</i></p> <p>AASB 1060 <i>General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C).</i></p> <p>AASB 2020-3 <i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments.</i></p> <p>AASB 2020-7 <i>Amendments to Australian Accounting Standards – Covid-19-Rent Related Concessions: Tier 2 Disclosures.</i></p> <p>AASB 2020-8 <i>Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform – Phase 2.</i></p> <p>AASB 2020-9 <i>Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments.</i></p> <p>AASB 2021-1 <i>Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities.</i></p> <p>AASB 2021-2 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definitions of Accounting Estimates.</i></p>

GIPPSLAND AND SOUTHERN RURAL WATER CORPORATION
Statutory Certification

The attached financial statements for Gippsland and Southern Rural Water Corporation have been prepared in accordance with Standing Directions 5.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

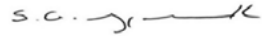
We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2021 and the financial position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

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

We authorise the attached financial statements for issue on 7 September 2021.



Ms Diane James AM
Chairman
Gippsland and Southern Rural Water Corporation
Dated on 7 September 2021



Mr Stuart Wrigglesworth
Chief Financial Officer
Gippsland and Southern Rural Water Corporation
Dated on 7 September 2021



Mr Cameron FitzGerald
Managing Director
Gippsland and Southern Rural Water Corporation
Dated on 7 September 2021

Independent Auditor's Report

To the Board of the Gippsland and Southern Rural Water Corporation

Opinion	<p>I have audited the financial report of the Gippsland and Southern Rural Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2021 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • statutory certification. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2021 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report. 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. 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>
Other Information	<p>The Board is responsible for the "other information" included in the corporation's Annual Report for the year ended 30 June 2021. The other information in the Annual Report does not include the financial report, the performance report and my auditor's reports thereon. My opinion on the financial report does not cover the other information included in the Annual Report. Accordingly, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial report, my responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a materially misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.</p>

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
13 September 2021



Paul Martin
as delegate for the Auditor-General of Victoria

PERFORMANCE REPORT

KPI Number	Key Performance Indicator	2019-20 Result	2020-21 Result	2020-21 Target	% Variance to prior year	Notes	% Variance to target	Notes	
F1	Cash Interest Cover Net operating cash flows before net interest and tax Net interest payments	times	6.1	3.4	3.8	-44.3%	1	-10.5%	6
F2	Gearing Ratio Total Debt (including Finance Leases) Total assets	x 100	4.27%	4.22%	4.60%	-1.2%		-8.3%	
F3	Internal Financing Ratio Net operating cash flow Net capital expenditure	x 100	29.77%	31.54%	25.80%	5.9%		22.3%	7
F4	Current Ratio Current assets Current liabilities (excluding long-term employee provisions and revenue in advance)	times	1.72	2.41	0.995	40.1%	2	142.2%	8
F5	Return on Assets Earnings before net interest and tax Average assets	x 100	-0.69%	-0.47%	-0.40%	31.6%	3	-18.2%	9
F6	Return on Equity Net profit after tax Average total equity	x 100	-0.91%	-0.63%	-0.70%	30.8%	4	10.1%	10
F7	EBITDA Margin Earnings Before Interest, Tax, Depreciation and Amortisation Total revenue	x 100	17.72%	24.09%	17.60%	36.0%	5	36.9%	11

Notes:

Significant variances to prior year

1. Cash Interest Cover

A deterioration of 44.3% has resulted from lower 2020-21 net operating cashflows before net interest and tax of \$4.3m from:

- less receipts from government grants as a result of unplanned capital grants received in 2019-20 (\$1.6m).
- more grant funded expenditure in 2020-21 where the grant receipt was received in an earlier financial year (\$1.0m).
- less receipts from ATO for GST refunds as a result of lower capital expenditure in 2020-21 (\$2.0m).

Remedial action for the deterioration to Cash Interest Cover:

The change to the Cash Interest Cover since 2019-20 is due to fluctuations of grant income and GST receipts from government and is not related to any deterioration of SRW performance. No remedial action is proposed by SRW.

2. Current Ratio

An improvement of 40.1% since 30 June 2020 has resulted from:

- an increase in cash of \$10.7m due to advance government capital contributions received for the MID2030 Phase 2 project, offset by:
- an increase in current liabilities (excluding contract liabilities) of \$0.8m due to higher current interest bearing liabilities and lower capital expenditure and associated current accruals at June 2021.

3. Return on Assets

An improvement of 31.6% since 2019-20 has resulted from a \$3.0m decrease to Net loss:

- lower supplies and services expenses of \$1.0m mainly due to less operating expenses from irrigation modernisation works.
- higher capital grant income of \$1.0m in accordance with specific project delivery milestones.
- income from the recognition of assets received free of charge of \$2.2m, offset by:
- increase in employee benefit expenses due to additional penalty payments for extra work, such as our emergency response to high stream flow events (\$0.3m) and less staff costs capitalised due to a greater emphasis upon capital expenditure planning (\$0.4m).
- asset write-off expenses increased by \$0.6m for infrastructure assets written-off as a result of being replaced

4. Return on Equity

An improvement of 30.8% has resulted from a \$3.2m decrease to Net loss after tax:

- lower supplies and services expenses of \$1.0m mainly due to less operating expenses from irrigation modernisation works.
- higher capital grant income of \$1.0m in accordance with specific project delivery milestones.
- income from the recognition of assets received free of charge of \$2.2m, offset by:
- increase in employee benefit expenses due to additional penalty payments for extra work, such as our emergency response to high stream flow events (\$0.3m) and less staff costs capitalised due to a greater emphasis upon capital expenditure planning (\$0.4m).
- asset write-off expenses increased by \$0.6m for infrastructure assets written-off as a result of being replaced.

5. EBITDA Margin

An improvement of 36.0% since 2019-20 has resulted from a \$3.3m increase to EBITDA:

- lower supplies and services expenses of \$1.0m mainly due to less operating expenses from irrigation modernisation works.
- higher capital grant income of \$1.0m in accordance with specific project delivery milestones.
- income from the recognition of assets received free of charge of \$2.2m, offset by:
- increase in employee benefit expenses due to additional penalty payments for extra work, such as our emergency response to high stream flow events (\$0.3m) and less staff costs capitalised due to a greater emphasis upon capital expenditure planning (\$0.4m).
- asset write-off expenses increased by \$0.6m for infrastructure assets written-off as a result of being replaced.

Significant variances to target

The 2020-21 target is derived from the 2020-21 Corporate Plan of the Corporation.

6. Cash Interest Cover

A deterioration of 10.5% has resulted from lower 2020-21 net operating cashflows before net interest and tax of \$2.6m from:

- more grant funded expenditure in 2020-21 where the grant receipt was received in an earlier financial year (\$1.0m).
- less receipts from ATO for GST refunds as a result of lower capital expenditure in 2020-21 (\$2.0m).

Remedial action for the deterioration to Cash Interest Cover:

The change to the Cash Interest Cover compared to target is due to fluctuations of grant income and GST receipts from government and is not related to any deterioration of SRW performance. No remedial action is proposed by SRW.

7. Internal Financing Ratio

An improvement of 22.3% has resulted from lower net capital expenditure of \$10.9m.

8. Current Ratio

An improvement of 142.2% to target has resulted from an increase in Current assets by \$21.1m compared to the 2020-21 Corporate Plan:

- an increase in cash of \$4.0m due to establishing additional long term debt.
- an increase in cash of \$17.0m due to advance government capital contributions received for the MID2030 Phase 2 project.

9. Return on Assets

A deterioration of 18.2% has resulted from changes to Average Asset values from asset revaluation and impairment transactions in 2020-21 as well as a \$2.8m decrease to Net loss before interest and tax:

- net gain on the disposal of non-current assets \$1.0m higher than target, mostly due to the sale of surplus land proceeded earlier than forecast.
- income from the recognition of assets received free of charge of \$2.2m.
- higher capital grant income of \$1.5m in accordance with specific project delivery milestones, offset by:
 - increase in employee benefit expenses due to additional penalty payments for extra work, such as our emergency response to high stream flow events (\$0.3m) and less staff costs capitalised due to a greater emphasis upon capital expenditure planning (\$0.4m).
- asset write-off expenses increased by \$0.6m for infrastructure assets written-off as a result of being replaced

Remedial action for the deterioration to Return on Assets:

Noting that many of the factors which led to an decrease in Net loss before interest and tax in 2020-21 are one-off in nature, no remedial action is proposed by the Corporation.

10. Return on Equity

An improvement of 10.1% has resulted from a \$1.3m decrease to Net loss:

- net gain on the disposal of non-current assets \$1.0m higher than target, mostly due to the sale of surplus land proceeded earlier than forecast.
- income from the recognition of assets received free of charge of \$2.2m.
- higher capital grant income of \$1.5m in accordance with specific project delivery milestones.
- lower interest charges of \$0.4m due to capital expenditure program timing and lower interest rates, offset by:
 - increase in employee benefit expenses due to additional penalty payments for extra work, such as our emergency response to high stream flow events (\$0.3m) and less staff costs capitalised due to a greater emphasis upon capital expenditure planning (\$0.4m).
- income tax revenue decreased by \$2.6m as a result of decrease in net loss.
- asset write-off expenses increased by \$0.6m for infrastructure assets written-off as a result of being replaced.

11. EBITDA Margin

An improvement of 36.9% has resulted from a \$3.3m increase to Earnings before interest, tax, depreciation and amortisation:

- net gain on the disposal of non-current assets \$1.0m higher than target, mostly due to the sale of surplus land proceeded earlier than forecast.
- income from the recognition of assets received free of charge of \$2.2m.
- higher capital grant income of \$1.5m in accordance with specific project delivery milestones, offset by:
 - increase in employee benefit expenses due to additional penalty payments for extra work, such as our emergency response to high stream flow events (\$0.3m) and less staff costs capitalised due to a greater emphasis upon capital expenditure planning (\$0.4m).
- asset write-off expenses increased by \$0.6m for infrastructure assets written-off as a result of being replaced

PERFORMANCE REPORT

WATER SERVICE PERFORMANCE INDICATORS		2019-20 Result	2020-21 Result	2020-21 Target	% Variance to prior year	Notes	% Variance to target	Notes	
KPI Number	Key Performance Indicator								
WSR1/C1.4	Rural water supply deliveries								
	<u>Number of orders delivered</u>	x 100	87.4%	90.3%	95.0%	3.3%	1a	-4.9%	1b
	Total number of orders								
C1.5	Applications completed within agreed timeframes								
	<u>Number of applications completed</u>	x 100	96.5%	94.0%	90.0%	-2.6%	2a	4.4%	2b
	Total number of applications								
WSR2	Unavailability of Domestic and Stock supply								
	Duration that domestic and stock service is unavailable in excess of on-property storage requirement/length of water season		N/A	N/A	N/A	N/A	3a	N/A	3b
WSR3	Groundwater supply								
	<u>Number of transfers processed within target period</u>	x 100	81.7%	83.9%	90.0%	2.7%	4a	-6.8%	4b
	Total number of transfers processed								
	Notes:								
	1a. & 1b. The difference between orders placed and orders delivered is due to orders being cancelled by customers. This is outside our control, and will typically occur in response to rainfall, given the nature of the year, it has been a relatively wet year which has driven the results. More importantly, all orders that were not cancelled were delivered to customers.								
	2a. We have continued to deliver our applications within agreed timeframes ahead of our target of 90%, however, we have seen a slight decrease from last year's result, which is primarily due to the type and complexity of the applications received which varies from year to year.								
	2b. The target established in our Corporate Plan was based on the measure as defined in the Corporate Planning and Reporting Guidelines, which qualifies applications as being transfers of water shares. This qualification is not included in the Ministerial Reporting Direction under which this report is produced, and so our result includes all application types. Our performance for water share transfers was 100%.								
	3a. & 3b. This indicator is not applicable.								
	4a. & 4b. Groundwater transfers are minor category of applications, representing only around 2% of the applications that we processed during 2020-21. As such, the change in result from 2019-20 and from our target reflects only a small number of applications. Across all categories, we processed 94.4% of applications within target timeframes.								
CUSTOMER RESPONSIVENESS PERFORMANCE INDICATORS		2019-20 Result	2020-21 Result	2020-21 Target	% Variance to prior year	Notes	% Variance to target	Notes	
KPI Number	Key Performance Indicator								
CRR4	Billing Complaints								
	<u>Number of complaints per 1000 customers</u>	number	0.0	0.0	1.0	0.0%	1a	-100.0%	1b
	Notes:								
	1a. & 1b. We had 0 billing complaints over the last three years, and an ongoing target of less than 1 complaint per 1,000 customers.								
ENVIRONMENTAL PERFORMANCE INDICATORS		2019-20 Result	2020-21 Result	2020-21 Target	% Variance to prior year	Notes	% Variance to target	Notes	
KPI Number	Key Performance Indicator								
E2	Total net CO2 emissions								
	<u>Net tonnes CO2 equivalent</u>	tonnes	1,102.0	824.0	1,217.0	-25.2%	1a	-32.3%	1b
	Notes:								
	1a. & 1b. Our CO2 emissions have reduced since 2019, and our current result is well ahead of our target for the 2020-21 year. This reflects increased use of solar energy at our offices, and lower office power use and vehicle emissions with most staff working from home in response to COVID.								

GIPPSLAND AND SOUTHERN RURAL WATER CORPORATION
Statutory Certification

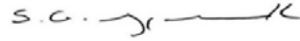
We certify that the accompanying Performance Report of Gippsland and Southern Rural Water Corporation, in respect of the 2020-21 financial year, is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the 2020-21 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets for these indicators, and an explanation of any significant variance between the actual result and the 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.



Ms Diane James AM
Chairman
Gippsland and Southern Rural Water Corporation
Dated on 7 September 2021



Mr Stuart Wrigglesworth
Chief Financial Officer
Gippsland and Southern Rural Water Corporation
Dated on 7 September 2021



Mr Cameron FitzGerald
Managing Director
Gippsland and Southern Rural Water Corporation
Dated on 7 September 2021

Independent Auditor's Report

To the Board of the Gippsland and Southern Rural Water Corporation

Opinion I have audited the accompanying performance report of the Gippsland and Southern Rural Water Corporation (the corporation) for the year ended 30 June 2021, which comprises the:

- financial performance indicators
- water service performance indicators
- customer responsiveness performance indicators
- environmental performance indicators
- statutory certification.

In my opinion, the performance report of the Gippsland and Southern Rural Water Corporation for the year ended 30 June 2021, presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the *Financial Management Act 1994*.

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

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

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

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

Auditor'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
13 September 2021



Paul Martin
as delegate for the Auditor-General of Victoria

Appendix 1: Disclosure Index

The Annual Report of Southern Rural Water is prepared in accordance with all relevant Victorian legislation. This index helps to identify our compliance with statutory disclosure requirements.

Requirements	Legislation	Page reference
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Declarations in PART A: Report of Operations

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Letter of Expectations	MRD 07	142-146

01 - Highlights

Message from the Chairman and Managing Director	MRO	05-07
Key Initiatives and projects	FRD 12C	05-07,25-29

02 - About Us

Manner of establishment and ministers	FRD 22I	13
Vision, Mission and Values	MRO	14-15
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Objectives functions, powers and duties	FRD 22I	09-10

03 - Our Performance

Irrigation districts	FRD 22I	17-19
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Compliance reporting (Rural water corporations)	MRD 04	21-24
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Disclosure of Major Contracts	FRD 10B	122
Capital works - headworks	FRD 22I	28-29
Dam safety and Emergency management	FRD 22I	29
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04 - Our Governance

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05 - Our people

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Victorian Waterway Management Strategy	MRD 03	56
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09 - Our business		
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<i>Building Act 1993</i>	FRD 22I	71
<i>Local Jobs First Act 2003 -incorporating the Victorian Industry Participation Policy Act 2003</i>	FRD 25D	71-72
Compliance with the <i>Public Interest Disclosures Act 2012</i>	FRD 22I	72
Corporate Water Consumption	MRD 02	73
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10 - Financial overview		
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VAGO Opinion on the Performance Report, signed	MRO	136-137
Disclosure Index	MRO	138-140

* Nothing to report

Appendix 2: Glossary

BGA	Blue Green Algae	SEPP	State Environment Protection Policy
BMID	Bacchus Marsh Irrigation District	SFMP	Streamflow Management Plan
Capex	Capital Expenditure	SoO	Statement of Obligations
CCC	Customer Consultative Committee	SRMP	Security Risk Management Plan
CIMP	Corporate Incident Management Plan	SW	Surfacewater
CMA	Catchment Management Authority	TCV	Treasury Corporation of Victoria
DELWP	Department of Environment Land Water and Planning	VAGO	Victorian Auditor General's Office
DS	Domestic and Stock	VEWH	Victorian Environmental Water Holder
DSEP	Dam Safety Emergency Plan	VicWater	Victorian Water Industry Association
EMS	Environmental Management System	VIR	Visual Inspection Report
EPA	Environment Protection Authority	WID	Werribee Irrigation District
ESC	Essential Services Commission	WIRO	Water Industry Regulatory Order
EWOV	Energy and Water Ombudsman of Victoria	WMP	Water Management Plan
FOI	Freedom of Information	WSPA	Water Supply Protection Area
GMA	Groundwater Management Area	WUL	Water Use Licence
GMP	Groundwater Management Plan		
LoE	Letter of Expectations		
MCCC	Macalister Customer Consultative Committee		
MIA	Macalister Irrigation Area		
MID	Macalister Irrigation District		
ML	Megalitre		
NEIP	Neighbourhood Environment Improvement Plan		
NRP	Nutrient Reduction Plan		
O&M	Operations and Maintenance		
OH&S	Occupational Health and Safety		
PROV	Public Record Office Victoria		
ROR	Rate of Return		

Appendix 3: Letter of Expectations

The following tables provide SRW’s performance against the key performance indicators (KPIs) relevant to the priority areas as set out in Water for Victoria. Our Performance Report (pages 132-134) includes our performance against the measures specified in Ministerial Reporting Direction 01

Climate Change

Provide services that minimise environmental impacts, mitigate climate change and put in place adaptation strategies and actions.

was developed in 2020-21 and establishes a framework and action plan to address climate impacts to source waters, demand, built assets, people and workplaces, customers and service delivery, the natural environment, and the interdependencies between SRW and its suppliers, customers and stakeholders

E3 Climate adaptation

SRW is proactively adapting its business to climate change. SRW’s Climate Adaptation Plan

E2 Emission reductions

Corporate Plan commitment	Status
SRW is committed to a Zero 2025 strategy to reduce our carbon emissions by 100% from a baseline 1,559 tCO2e by the year 2025. Our target for 2020-21 was 1,217 tCO2-e or less. We planned to do this through participation in Zero Emissions Water, completing installation of rooftop solar installations and developing a carbon offset strategy.	<p>Page 58-60</p> <p>SRW met / did not meet its emissions reduction target, recording 824 tCO2-e.</p> <p>Zero Emissions Water project commissioned.</p> <p>Participated in statewide catchment carbon offsets project to identify future carbon offset opportunities in partnership with Catchment Management Authorities</p>

Corporate Plan commitment	Status
<p>We committed to undertaking business-wide vulnerability assessments across all aspects of our business and to develop a climate adaptation plan in line with contemporary science.</p>	<p>Southern Rural Water Climate Change Adaptation Plan (incorporating outcomes of business-wide vulnerability assessments) has been completed. Key actions also completed are:</p> <ul style="list-style-type: none"> • implementing a climate risk tool for capital works to embed adaptation in project decision-making. • establishing an internal, multidisciplinary committee to oversee implementation of the adaptation plan and to build skills and knowledge of adaptation within the business. • scoping of a water supply and demand assessment that will incorporate current DELWP guidance on assessing climate change impacts on water supplies.
<p>Encourage water trading between customers in surplus to those who need more water</p>	<p>Page 20-23</p>
<p>Make water savings available for allocation auctions each season</p>	<p>Completed for 2020-21.</p>
<p>Maintain drought contingency plans to assist with managing low allocations in any given season, helping customers to plan and manage dry periods.</p>	<p>Page 21-22</p>
<p>Our irrigation modernisation projects continue to save significant amounts of water. The projects also enable our customers to make long-awaited changes to their operations, installing best-practice irrigation to utilise their allocation. The savings are providing additional water for irrigators and the environment to build resilience to climate change.</p>	<p>Page 19 for efficiency targets Page 25-28 for modernisation benefits</p>
<p>Continue to review and enhance systems of rosters and restrictions under Local Management Plans to manage unregulated water systems in the light of climate change and increased variability.</p>	<p>SRW has undertaken a review of the groundwater resources in the Westernport Catchment to support improved management arrangements.</p> <p>We have also worked closely with DELWP to ensure policy directions outlined in the Central and Gippsland Sustainable Water Strategy will facilitate improved management of unregulated systems in light of climate change and variability.</p>

Customer and community outcomes

See Our Performance, pages 16-29, Our Customers, Stakeholders and Community, pages 47-53, and Performance Report pages 132-134

C1 Customer Satisfaction

We are committed to the following customer outcomes, as outlined in our Price Submission:

- SRW provides great customer service.
- SRW's water supply system enables good practice irrigation.
- SRW manages water resources well; maintaining a good balance between our customers' needs as water users and the sustainability of the resource.
- SRW works with each user to manage their water needs and entitlements.
- SRW keeps prices as low as possible.

Each outcome is supported by measures and targets, reported on our website, under About Us > Our Performance or <http://www.srw.com.au/projects/pricing-submission/>.

Our charges for the 2020-21 year were consistent with the prices proposed in our Corporate Plan.

The 2020-21 Tariff Schedule is available on <http://www.srw.com.au/customers/fees/>

C2 Customer and community engagement

See pages 46-53 for details on customer, stakeholder and community engagement,

See page 52 for our Community Service Obligations, Hardship and Social Sustainability actions.

Water for Aboriginal cultural, spiritual and economic values

See page 50

- including Aboriginal values in water planning (incorporates Water for Victoria Actions 6.1 and 6.2)
- generating economic development opportunities (incorporates Water for Victoria Actions 6.3 and 10.9)
- increasing Aboriginal engagement in water management (Water for Victoria Actions 6.4 and 10.8).

AC1 Engagement of Aboriginal communities for involvement in business opportunities and access to water for economic development

Corporate Plan commitment	Status
<p>Target staff having undertaken cultural awareness training (100% over a 3yr period).</p>	<p>We have trialled and adopted the Melbourne Water cultural awareness training program into our online learning and development program. This is in addition to specific information about the Traditional Owner groups in our region. This was rolled out in 2020-21.</p> <p>In partnership with Gippsland Environmental Agencies (GEA)¹ alliance and the Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC), we have introduced a three-tier cultural awareness program for all partners, which will allow deeper levels of training. Our first groups of staff have undertaken second-tier training On Country.</p> <p>Our board and executive toured the Budj Bim World Heritage-listed cultural landscape with Gunditjmarra rangers. Other booked cultural sessions were postponed due to pandemic restrictions.</p> <p>We continue to seek opportunities with other Traditional Owners to undertake appropriate cultural awareness training.</p>

Corporate Plan commitment	Status
Refer significant surface and groundwater applications to Traditional Owner groups	We refer significant surface and groundwater applications to Traditional Owner groups. Our Barwon Downs Community Leaders Group includes a member from a Traditional Owner group. This group continues as a representative engagement for ongoing matters related to the Boundary Creek remediation.
Advise Traditional Owner groups of opportunities to access water savings	This is part of our revised Traditional Owner policy.
Work with the relevant Registered Aboriginal Parties to build capacity on water-related matters.	This is embedded in our revised Traditional Owner Policy and in actions under our Partnership Agreement, We attended workshops exploring Aboriginal access to water in the East and West of the state, alongside DELWP, CMAs, other water corporations and Traditional Owners. We have continued to work with the Gunditj-Mirring Traditional Owner Aboriginal Corporation, DELWP and Glenelg-Hopkins CMA on a project involving water to augment Lake Condah restoration projects.

AC1.1 Aboriginal enterprises supplying goods and services to water corporations

GLaWAC's On Country NRM team continues to provide management services for SRW's native vegetation offsets near Lake Glenmaggie.

AC1.2 Traineeships and sponsored study

While we had no traineeships or sponsored study placements in 2020-21, we are working with alliance partners to implement further opportunities in 2021-22.

AC2 Effective engagement of Traditional Owners for inclusion of Aboriginal Values in water planning.

¹ The Partnership Agreement between GLaWAC and 14 Gippsland Environmental Agencies (GEA), which includes DELWP, Parks Victoria, three CMAs, and the four water corporations, is strong and active. GLaWAC hosts a bi-monthly working group, whose remit is to plan, agree and report on actions under each agreement objective, sharing knowledge between partners. Through the GLaWAC-GEA partnership, the Gunaikurnai people are more engaged in strategic planning of employment and economic opportunities and in water planning.

AC3 Aboriginal Inclusion Plan / Reconciliation Plan

Our focus in this area for 2020-21 has been in:

- convening a Reconciliation Action Working Group to lead internal engagement and guide external participation to build relationships and work towards a Reconciliation Action Plan.
- developing an Aboriginal engagement plan to deliver on the policy, which sits within overarching Strategic Engagement Plan.

We continue to further develop our relationships with Aboriginal Victorians and Traditional Owner groups across the state. This will include discussions about joining, or establishing, similar multi-partner alliances, which respects Traditional Owner groups may prefer a joint approach, giving them a strong voice at the table.

Resilient and liveable cities and towns

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

Our context

While SRW does not provide drinking water for cities or towns, we manage the harvesting and release of raw water under bulk entitlements on behalf of urban water businesses, and we also manage licences held by urban water businesses to extract raw water from surface and groundwater for town supplies.

We partner with Melbourne Water to provide irrigators in Werribee with recycled water sourced from Western Treatment Plant. Further, we are investigating opportunities for use of alternative water in Bacchus Marsh.

We are involved with the nine Integrated Water Management groups that operate across our region, supporting the delivery of projects as set out in the Strategic Direction Statements. We also sit on several of the forums, and support working groups with relevant surface and groundwater information and projects where they intersect with our areas of responsibility.

Our irrigation modernisation projects deliver investment and benefits to the local communities; both during the construction period and, more significantly, through improved service and water savings by increasing production, regional economic activity, and environmental benefits.

We continue to be a funding partner and member of the Grow West initiative, which has delivered revegetation projects in the Werribee River catchment area (including council land) and annual community planting days.

Recreational values

Consideration of recreational values in carrying out functions and providing services

See page 53

Leadership and Culture

Water corporations reflect the needs of our diverse communities.

G1 Gender and cultural diversity

See pages 39-40, 42 People and Culture.

G3 Health and Safety

See pages 44-45 or reporting in accordance with FRD221.

Financial Sustainability

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

Measures: F1 - F7, page 132



www.srw.com.au