



# ANNUAL REPORT



2019-20

# 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 2020.



## **DIANE JAMES AM**

Chairman  
Gippsland and Southern Rural Water Corporation  
Dated on 21 October 2020.

## About this report

This Annual Report has been prepared for the financial  
year 1 July 2019 to 30 June 2020

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

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# PART A

## 01

### Highlights of the Year

With pleasure, we present this Annual Report of the activities and performance of Southern Rural Water in 2019-20. 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.



## Letter from the Chairman and MD

Southern Rural Water services the needs of diverse customers across 88,000km<sup>2</sup>, regulating access to surface water, groundwater and managing irrigation districts and storages. Our 2019-20 Annual Report covers a period of unparalleled disruption and change through drought, major bushfires and the global coronavirus (COVID-19) pandemic.

The work we have completed as an organisation over the past 12 months to focus our business to be future ready, has been critical in our capacity to respond to these challenges. We were able to quickly pivot our organisation to remote working, while continuing to deliver the essential services Victorians need, such as water for food production, power generation and managing the raw water securing urban water supplies.

Throughout this period, we have been innovative in adapting and adopting new ways of working. We have maintained a balance between providing essential services and ensuring the health and safety of our people, our customers and the broader community. Other than our field crews, staff have worked from home and adapted quickly to provide our customer services to the usual high standard.

### Our customers

Our large geographic and operational spread means our customers experience a wide variety of climate conditions and access to 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.

Challenging seasons such as 2019-20 reinforce our focus on building resilience into our systems and services and on ensuring we get the best outcomes from our business decisions.

Our Corporate Plan 2019-20 puts our customers' needs and long-term sustainability at the heart of our decisions. We invested in our people with new processes to support training and development, safety and wellbeing. We invested in our water systems and our services to further unlock the value in our regions. We invested in strategic asset management to better protect our critical assets.

A key achievement was the on-time delivery of our modernisation programs. The major projects reached their final stages in the 2019-20 year, contributing most of the \$27 million spend on capital works delivered this

year (the peak year for construction was \$46m in 2018-19). Their success has been due to cooperation and collaboration between our customers, contractors and project teams.

We continued to focus on keeping customer bills affordable. For most customers, our 2019-20 prices remained lower in real terms, compared with 2013-14.

We met our commitment to continue to roll out tools, providing our customers with information to help them manage their water use, such as automated meters and the mySRW online customer platform.

When possible in 2019-20, we visited customers at their properties, local events, field days and forums. We also sponsored community initiatives and events, especially those supporting farmer mental health in communities affected by drought.

## Our performance

In 2019-20 we are proud to have delivered the following highlights:

- 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 exceeded the target for processing times for applications across all regions and service, despite another record year for the number of applications
- we joined with other stakeholders to provide our expertise in integrated support for drought response and bushfire relief and recovery
- we completed the upgrade of the Werribee office and the resiting of the Werribee depot, cost neutral to our customers
- we celebrated 100 years since work began on constructing Glenmaggie Weir with a community day
- we exceeded our targets for greenhouse gas emissions reduction and we are on track for zero carbon emissions by 2025
- our storages continue to enjoy strong recreational visitor numbers, benefitting from new facilities completed in 2019-20 or being installed, such as the new jetties and the all-abilities playground at Blue Rock.

## Our people

Alongside our infrastructure investments, we made progress in transforming other aspects of our business. We restructured the organisation into six business units to enable us to be more flexible, agile and collaborative.

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. This included the roll out of the MyOSH safety management system.

## Our finances

We recorded an operating loss before tax of \$11.35m compared to a budgeted loss of \$7.35m. The factors which led to the decrease in our financial performance were one-off in nature. This included that the sale of surplus land at the Werribee office site did not proceed due to a deterioration of market conditions. Our associated financial remediation plan and future financial projections continue to provide us with confidence in the ongoing financial viability of the corporation.

## Acknowledgements

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 for her 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 September 2019, we farewelled board director Naomi Pye and Deputy Chairman, Terry Swingler, both of whom helped guide SRW through a period of significant change and development. Mrs Pye's term ended nearly two decades of family representation on SRW committees.

Michael Malouf AM, became Deputy Chairman, and we welcomed new directors Kylie Steel and Christopher Edwards.

In October 2019, we were saddened by the loss of former board director Kate Calvert, after a long illness. Mrs Calvert was a highly respected and valued colleague, and was Deputy Chairman from 2017 to September 2018.

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

# 02

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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 manage Victoria's largest groundwater operation and second largest non-metropolitan headworks business.

We employ 168 people and with business centres located in Maffra, Werribee, Ringwood and Warrnambool, with smaller offices scattered across our region. (See SRW's operational area map, opposite).

### What we do

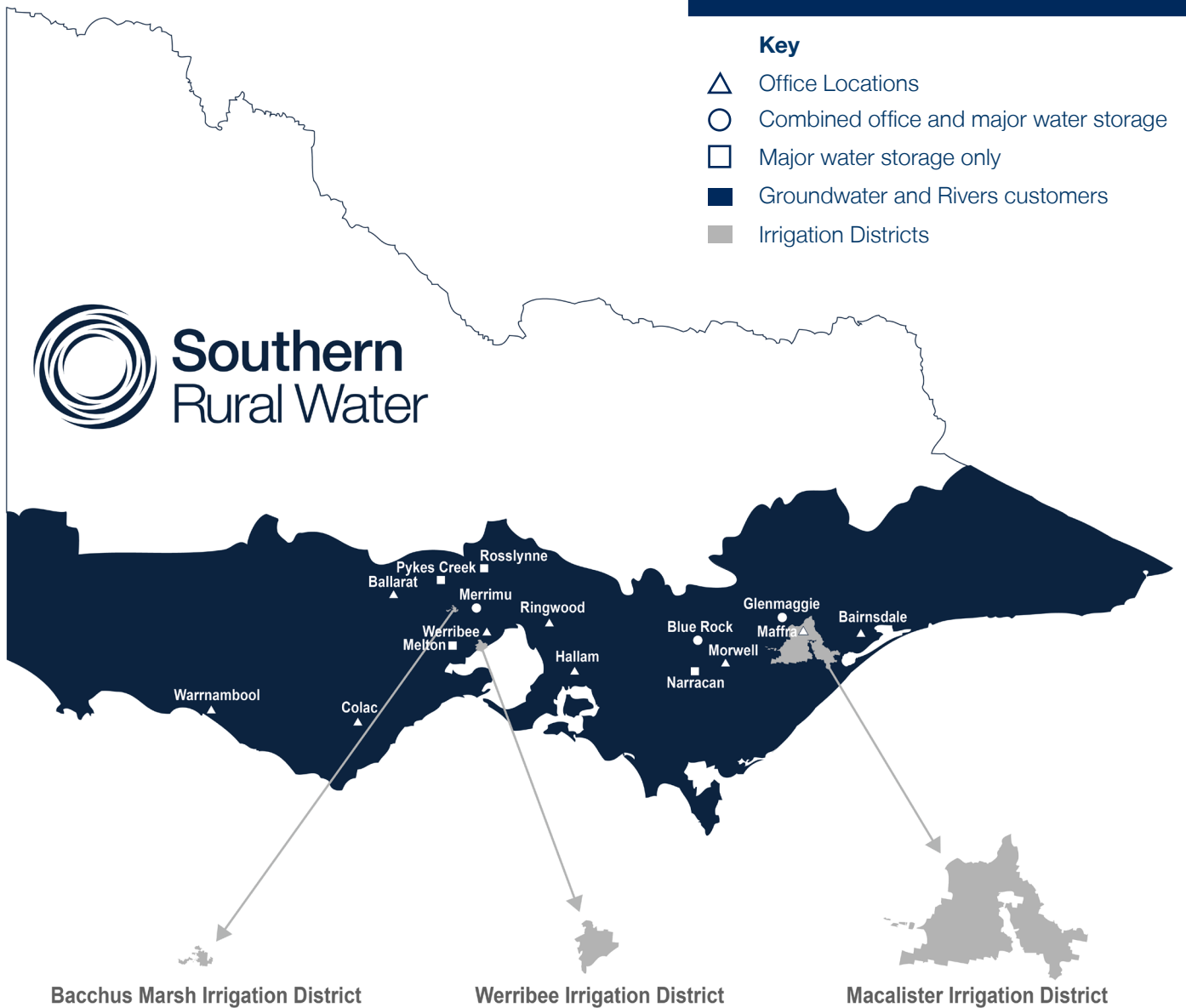
The water we harvest, store, manage and licence is primarily for agricultural, urban and industrial purposes. Water shares are held by individual customers within the districts, and transactions are recorded in the Victorian Water Register.

Bulk entitlements are held by power generation companies, some 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.

## 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.



# Our Trademark Behaviours



**United**



**Ambitious**



**Results Driven**



**Customer First**



**Innovative**



**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 during 2019-20 was the Hon Lisa Neville MP, Minister for Water.

The responsible Minister appoints a skills-based board, which is responsible for setting SRW's strategic direction. (See Our Governance, page 21 for more information.)

**Our vision:**  
**“Excellence in rural water management, driving growth and customer productivity in southern Victoria.”**

## Our vision

Our vision recognises the important role we have in supporting Victoria's economy, which relies on secure and reliable water supplies. We have an opportunity to drive growth and productivity, particularly in regional areas, by:

- improving efficiency to make more water available
- giving water users more flexibility and control in the way they access water
- providing sustainable access to water in more efficient ways
- demonstrating responsible stewardship of the environment in our decision-making.



## Our strategy focuses on four outcomes for customers and other stakeholders:

| Outcome                                 | Strategic Intent  |
|---|---|
| <b>Growth and customer productivity</b> | <p>We enable customers to improve their productivity, which helps to strengthen the state and regional economies</p> <p>We provide opportunities for business to enter our region by providing access to secure and reliable water supplies.</p>  |
| <b>Financial sustainability</b>         | <p>We manage financial performance, debt and our \$1.4b of assets to ensure we are financially sustainable and support Victoria's strong financial position.</p>  |
| <b>Affordable prices</b>                | <p>By keeping prices affordable:</p> <ul style="list-style-type: none"><li>• input costs are lower for producers</li><li>• customers can compete in national and international markets</li><li>• customers can invest on farm to modernise and boost their own productivity.</li></ul>  |
| <b>Sustainable water resources</b>      | <p>We manage the water resources under our stewardship to ensure that they remain sustainable in the long term.</p> <p>We recognise the potential environmental impacts of conducting our business and seek to reduce and/or offset these impacts, and to go beyond complying with our obligations in order to achieve real environmental improvements.</p> |

### Our outcomes are delivered through a range of objectives and initiatives, which we describe under four themes

| Theme   | Objective                                   | Strategic Intent   |
|---|---|--|
| <b>Customer Value</b><br>                    | Modern assets                               | We retain and attract competitive businesses by providing access to secure and reliable water supplies.  |
|   | Enhanced customer experience                | Our customers have access to systems, processes and information where they need it to inform their decisions.  |
|   | Increased production                        | Modernised supply to properties allows customers to update their irrigation practices, and invest on farm  |
| <b>Business Growth &amp; Resilience</b><br> | Growth and new revenue                      | We generate additional one-off and recurrent unregulated revenue to offset the costs of investing in infrastructure modernisation and ensure our financial sustainability.   |
|   | Improved management                         | We manage our assets to meet obligations, provide agreed customer service levels, support strategy, to keep our long-term asset costs as low as possible and keep our prices affordable.   |
| <b>Resource Stewardship</b><br>            | Climate resilience                          | We will reduce carbon emissions and adapt to climate change.   |
|   | Environmental improvements                  | We will reduce adverse impact on the environment from our operations and deliver improved environmental outcomes.  |
| <b>Leadership &amp; Culture</b><br>        | A culture of excellence                     | <p>We create an environment where people:</p> <ul style="list-style-type: none"> <li>• are committed to delivering SRW's vision, goals and objectives</li> <li>• show pride in their work and demonstrate accountability</li> <li>• consistently meet or exceed expectations</li> <li>• are encouraged to innovate and become leaders in our industry</li> <li>• are supported in their development</li> <li>• live our trademark behaviours.</li> </ul> |
|   | Safe, healthy, diverse and caring workplace | <p>We create a workplace where:</p> <ul style="list-style-type: none"> <li>• everyone is responsible and accountable for health, safety and wellbeing</li> <li>• our people feel valued, included, respected and connected to reach their full potential</li> <li>• diversity is celebrated.</li> </ul>  |

# What we manage



**163,226 ML** VOLUME OF SURFACE WATER TAKE AND USE ENTITLEMENTS

**4,191** NUMBER OF SURFACE WATER TAKE AND USE LICENCES

**393,979 ML** VOLUME OF GROUNDWATER ENTITLEMENTS

**4,296** NUMBER OF GROUNDWATER LICENCES

TOTAL HIGH RELIABILITY WATER SHARES



**7**  
STORAGES

**487,415 ML**  
TOTAL STORAGES CAPACITY VOLUME

**8**  
DIVERSION WEIRS

**167KM**  
CHANNELS, PIPES & DRAINS IN THE WID AND BMID

**1,020 KM**  
CHANNELS, PIPES & DRAINS IN THE MID

**\$1.4b**  
ASSETS

**WID 7,864 ML**  
RECYCLED WATER CUSTOMER CONTRACTED VOLUME



# 03

## Our Performance

### Our year

The 2019-20 year has been a challenging one for all. Even before the coronavirus (COVID-19) global pandemic, many of SRW's customers were experiencing difficult conditions. On the back of consecutive drier than usual years, the west of the state enjoyed some early summer rainfall, giving the storages a good base for water security.

In the east of the state, conditions varied greatly. The Latrobe, South and West Gippsland catchments experienced heavy spring rainfall, resulting in three minor floods over a five-week period.

Central and East Gippsland continued to experience severe drought conditions through to January 2020, with many unregulated systems on either tight restrictions or total ban. Extensive and protracted bushfires in East Gippsland from December through January 2020 then burnt more than 1.5 million hectares of native forest and farmland, and devastated local communities, including some SRW customers in the region.

SRW staff contributed their expertise to the bushfire relief and recovery phase, working in collaboration with Emergency Management Victoria, DELWP, East Gippsland Shire, the Country Fire Authority, Department of Health and Human Services, Agriculture Victoria, Victoria Police, Red Cross and the Australian Defence Force, among others, to provide support. We also managed the critical water replacement program and worked with DELWP and other agencies to manage the risks to water supply caused by fire-impacted catchments.

### Irrigation districts

Our organisational restructure in 2020 combined the operations of Water Supply to manage the delivery of water to customers across all of our irrigation districts, providing an opportunity to share innovation and best practice across all areas.

#### Volumes delivered 2019-20

| Water supply                               | ML      |
|--|---------|
| Macalister Irrigation District             | 140,735 |
| Werribee Irrigation District (river water) | 6,454   |
| Werribee Irrigation District (recycled)    | 3,015   |
| Bacchus Marsh Irrigation District          | 2,092   |
| River diverters                            | 976     |

## Changes due to coronavirus

The annual permanent water share auction was held online for the first time in April 2020, due to the inability to conduct an in-person event. A total of 92.8 megalitres (ML) high reliability water shares and 48.5 ML low reliability water shares were offered across 15 lots, all with allocation. Bidders pre-registered on our online platform. Buyers were predominantly dairy, beef and fodder businesses in the MID. Winning bids ranged from \$2,672 to \$2,805 per megalitre for the high and low reliability bundled lots, with an average of \$2,734 per megalitre.

Physical distancing restrictions, including single-occupant travel for most essential works, created challenges for all field operational teams throughout the period from mid-March 2020. This affected the number of customer contacts, the rollout of automated meters and maintenance. Nonetheless, the teams adapted well and, to 30 June, 1,862 work orders were successfully completed, which was up 100 on the 2018-19 total. This was an impressive result, especially given that restrictions on movement covered the key winter maintenance period.

## Water Supply East

Water Supply East covers the MID and 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 bulk of this water is delivered via gravity irrigation from 15 August to 15 May. River customers who pump direct from waterways can order water 365 days a year.

The 2019-20 season was certainly a season of two halves. In the first part of the season we experienced similar storage and usage conditions as that of the dry 2018-19 season with high demand in October and December. We opened with 45% allocation against high-reliability water shares (HRWS) (see table, right).

Lake Glenmaggie started the 2019-20 year at 23.1% volume. However, low rainfall meant that it did not reach capacity and spill before 15 December. At this point, we had 126,300ML in storage at Glenmaggie, and announced a seasonal allocation of 20% of low reliability water shares (LRWS) on 16 December.

Our share of the Thomson Dam Drought Reserve had started with a volume of 33,116ML. By 16 December,

there was 38,700ML in storage in the Thomson reserve with 77,300ML already used on farm. Customers used 8,996ML from the reserve in this season. Season inflows of 14,612 ML meant the reserve ended with a volume of 38,734ML.

Through the period from 1 January 2020 to 15 May, we received over 350mm throughout the district and catchment, compared to an average of 250mm. This above-average rainfall near the end of the season allowed us to increase the LRWS, giving an end of season position of 100% for both HRWS and LRWS.

Customer deliveries in the MID this season totalled 140,735 ML for the year. Until the increased rainfall after mid-January, it had been within 1% of the previous season's high usage. Seasonal usage was on par with our five-year average of 141,212 ML. Lake Glenmaggie closed the season on 15 May with a volume of 119,557 ML (67%). We supplied an environmental flow of 5,201 ML during June, and the storage recovered quickly, finishing the year to 30 June at 140,291 ML (79%).

The highlight has been the further reduction of outfalls from the system, reducing nutrient runoff to the Gippsland Lakes. Outfalls have reduced a further 31% on 2018-19, bringing the total down to 5,387ML for the 2019-20 season.

### Water Supply allocation history 2019-20

| Date   | MID HRWS <sup>1</sup> | MID LRWS <sup>2</sup> | WID BMID HRWS | WID BMID LRWS |
|--------|-----------------------|-----------------------|---------------|---------------|
| 1 Jul  | 45%                   | 0                     | 45%           | 0             |
| 16 Jul | 70%                   | 0                     | 70%           | 0             |
| 1 Aug  | 70%                   | 0                     | 80%           | 0             |
| 13 Aug | 80%                   | 0                     | 100%          | 20%           |
| 27 Aug | 80%                   | 0                     | 100%          | 30%           |
| 10 Sep | 100%                  | 0                     | 100%          | 30%           |
| 22 Oct | 100%                  | 0                     | 100%          | 40%           |
| 19 Nov | 100%                  | 0                     | 100%          | 60%           |
| 16 Dec | 100%                  | 20%                   | 100%          | 60%           |
| 29 Jan | 100%                  | 25%                   | 100%          | 60%           |
| 25 Feb | 100%                  | 35%                   | 100%          | 80%           |
| 12 Mar | 100%                  | 40%                   | 100%          | 90%           |
| 7 Apr  | 100%                  | 55%                   | 100%          | 100%          |
| 21 Apr | 100%                  | 100%                  | 100%          | 100%          |

<sup>1</sup> HRWS = High Reliability Water Share

<sup>2</sup> LRWS = Low Reliability Water Share

## 03. OUR PERFORMANCE

### Water Supply West

Water Supply West covers the delivery 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.

The 2019-20 season opened with 45% HRWS allocation. Some excellent rain events in our catchment resulted in good inflows to the reservoirs. This allowed consistent allocation increases throughout the season, peaking at 100% HRWS and 100% LRWS in April 2020.

The last time the Werribee and Bacchus Marsh Districts reached these high allocations was in 2000-01 season.

There was 6GL of water carried over from the 2018-19 season. With both BMID and WID districts experiencing good rainfall throughout the season, overall demand was low compared to the 2018-19 season, with 3,405ML less delivered. The biggest difference was in recycled water deliveries, with 1,975ML less delivered than last year.

The Werribee season ended with the storages at 56% capacity and, with low demand, there will be

#### Macalister Irrigation District performance against target 2019-20

|  | Macalister |          |
|--|------------|----------|
|  | Target %   | Actual % |
| Channel performance (pool height consistency) <sup>1</sup> | 79%        | 75%      |
| Delivery reliability                                       | 99%        | 100%     |
| Delivery efficiency <sup>2</sup>                           | 82%        | 77%      |
| Customers with access to Demand Management System          | 50%        | 61%      |
| Release of water savings <sup>3</sup>                      | 800ML      | 177ML    |

<sup>1</sup> As a relatively new measure, we did not have a data set of historic performance when we set our targets. Shallower channels draw down faster as order volumes increase in a short time and the system cannot replenish that drawdown as quickly as it occurs. We have investigated the impact of this on order deliveries and found that the customers are still receiving the expected service, i.e. order volume and timing meets their needs. We have recently upgraded our irrigation planning software to spikes in orders, and this should improve the channel performance outcome.

<sup>2</sup> We believe that a recent upgrade to our irrigation planning system will improve our reported delivery efficiency for future seasons.

<sup>3</sup> 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 of these savings into new entitlements

#### Werribee and Bacchus Marsh Irrigation Districts' performance against target 2019-20

|                                  | Werribee   |            | Bacchus Marsh    |                  |
|----------------------------------|------------|------------|------------------|------------------|
|                                  | Target %   | Actual %   | Target %         | Actual %         |
| Delivery volume accuracy         | 98%        | 99%        | 98%              | 99%              |
| Delivery reliability             | 99%        | 100%       | 99%              | 100%             |
| Delivery efficiency <sup>1</sup> | 75%        | 74%        | 75%              | 74%              |
| Recycled water salinity          | < 1,800 ec | < 1,800 ec | N/A <sup>2</sup> | N/A <sup>2</sup> |

<sup>1</sup> Commissioning of the new pipeline caused some minor delivery issues. We are pleased to have managed these impacts and finished within 1% of our target for delivery volume accuracy.

<sup>2</sup> Recycled water is not available in Bacchus Marsh.

#### Storage operations performance against target 2019-20

|                                    |   | 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.

approximately 11GL of carryover water available for the 2020-21 season.

This will provide good supply security for our customers in 2020-21 season and beyond.

With continuing modernisation works in both districts, the water delivery efficiency figures will continue to improve as we better understand, and take full advantage of, the benefits of the upgraded systems.

## Groundwater and Rivers

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

There were many highlights and challenges for our river diverters and groundwater users in 2019-20. After four dry seasons, many of the regions saw improved conditions in late 2019 and early 2020, with good rainfalls reaching everywhere but East Gippsland until later in the season.

These improved conditions resulted in improved compliance and reduced over-use. It also meant a reduction in the numbers of trades late in the season, due to customers having adequate water available.

The relatively dry start to the season, and increased proactive trading by customers led to application numbers reaching 4,613 (4,536 in 2018-19). We are continuing to introduce opportunities to provide more customer control through the improved use of technology including:

- the ongoing rollout of the mySRW customer portal to combine access to water usage information, as well as providing application and trade forms
- improved communications tools using modern mail-out services to tailor communication to individual preferences

- the continued rollout of automated meter reading. We have now reached a total of 1,904 "Taggle" meter reading devices installed.

These initiatives are dependent on SRW-wide projects to consolidate our data sources and processes to ensure a strong foundation for automated processes and direct access to information for our customers.

### Balancing water for production and sustainability

SRW is working with customers and stakeholders to find ways to have more water available for production without compromising environmental health.

This includes being more active in promoting opportunities for water trading and developing more flexible rules. Due to coronavirus (COVID-19) we had to postpone the start of the face-to-face campaign in the South-West, and it meant that field officer contacts were more limited.

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. 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 such as Victorian Government grants for on-farm infrastructure to improve

| Groundwater and Rivers performance against target 2019-20    |                             |                  |
|--|-----------------------------|------------------|
| Measure  | Target (and 2018-19 result) | Actual           |
| Applications processed within target timeframes <sup>1</sup> | 90% (88%)                   | 97% <sup>2</sup> |
| Number of applications                                       | N/A (4,536)                 | 4,613            |
| Customer contacts to promote water trades <sup>3</sup>       | 1,000 (1,015)               | 927              |

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

<sup>2</sup>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%.

<sup>3</sup>Physical distancing restrictions during coronavirus (COVID-19) pandemic resulted in fewer on-farm contacts being made, and a delay to the start of the campaign in the South-West to encourage increased water trad.

The Performance Report (non-financial) KPIs are included on page 116.



## 03. OUR PERFORMANCE

reliability of critical water supplies during dry conditions. These activities have been further supported by the appointment of a Drought Preparedness Manager.

### Automated meter reading

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

### Compliance on entitlement usage

Victorian Government legislation that came into effect in October 2019 increased the maximum fine for intentional water theft to \$990,000 for companies and \$198,000 for individuals.

The legislative change also allows water corporations to suspend or cancel licences for water theft. In May 2020, the Water Minister appointed Des Pearson to undertake an independent review to ensure Victorian irrigators and water users have a robust compliance and enforcement system.

The resulting recommendations reflect a policy of zero tolerance on water theft. Our commitment to further embed this culture of compliance has included:

- continuing to work closely with DELWP and other rural water corporations to implement the recommendations from the Pearson review, including improved education around compliance
- our SRW Compliance and Enforcement Framework was revised in May 2020, and is available on our website
- our ongoing presence on the Compliance Compact Working Group, the Metering Standards Working Group and representation in DELWP's risk-based approach to compliance work
- alerts for customers nearing their threshold of use, and proactive promotion of trading options
- a project officer dedicated to education and facilitation of trade to help customers avoid unauthorised use
- annual compliance training for our field staff
- continuing the rollout of automated meter reading technology to provide near-time access to water extraction data
- undertaking prosecutions for unauthorised taking of water and unauthorised works matters.

Details of the Compliance and Enforcement Review can be found at: <https://www.water.vic.gov.au/water-for-agriculture/taking-and-using-water/non-urban-water-compliance-and-enforcement-in-victoria>

Overall, we believe our approach of education and proactive management has created a strong culture of compliance among licence-holders and contractors.

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 fleet.

### Irrigation district outcomes 2019-20

We proactively communicated with customers to help them 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.

Intentional overuse is typically minimal in the MID, BMID and WID. There was only one minor case of unauthorised take in the districts in 2019-20, which was investigated and resolved with a warning letter.

The introduction in 2019-20 of the mySRW portal with live usage, assists regulated customers in proactively managing their use (*see opposite page*).

When modelling showed that there was unlikely to be any spill entitlement from Lake Glenmaggie this season, the team 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.

## Groundwater and Rivers outcomes 2019-20

SRW's compliance focus for 2019-20 continued to be to work with customers to manage the potential for unauthorised take through a cooperative approach.

Given the prevailing drought conditions at the start of the 2019 season across Wellington Shire and East Gippsland Shire covering a large area of our eastern customer base, SRW staff continued to encourage the most efficient use of water and to avoid and deter unauthorised take.

As of 30 June 2020, there was 333ML of alleged overuse on 34 licences, representing less than 1% (0.06%) of the total Section 51 licensed volume for surface water and groundwater.

This positive outcome was due partly to proactive efforts by staff and also partly to the improved conditions. Investigations into the alleged overuse are continuing, with a number of cases identified as requiring further investigations to confirm meter accuracy and potential formal interviews of customers.

### Bulk entitlement compliance

SRW has not experienced any failure to comply with the provision of the bulk entitlements during 2019-20.

### Environmental flow compliance

SRW has not experienced any failure to comply with the provision of the Victorian Environmental Water Holder's entitlements during 2019-20.

## Boundary Creek Remediation

In September 2018, the Minister for Water directed Southern Rural Water to issue a notice requiring Barwon Water to submit and implement a Remediation and Environment Protection Plan (REPP) for Boundary Creek, Big Swamp and the surrounding environment impacted by historical groundwater pumping at Barwon Downs.

On 20 December 2019, Barwon Water submitted its proposed plan to SRW for review. Our feedback was guided by an Independent Technical Review Panel and by input from the Barwon Downs Community Leaders Group, which were established by Southern Rural Water in 2019. The feedback was incorporated into the REPP and accepted in February 2020, for Barwon Water to implement from 1 March.

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 were included in the plan. Barwon Water will provide quarterly progress updates to SRW.

We have committed to continued engagement with the community to support our role as the regulator, and part of that is establishing how we will continue to work with the Community Leaders Group throughout the implementation of the REPP.



(Pictured right) The mySRW customer portal allows customers to track their usage against their Allocation Bank Accounts and service points, and display historic use.

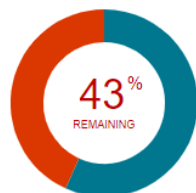
### My Usage

Your usage information is made up of current usage, meter readings, trades and/or recycled water.

*This information is current within 24 hours, future orders are not included.*

### My water allocation

ABA001111



MY ALLOCATION  
471.4 ML

WHAT I HAVE USED  
267.7 ML

DISTRICT ALLOCATION  
100.0 %

WHAT I HAVE LEFT  
203.7 ML

MANAGE WATER

Trade Water

Order Water

## Major Projects

### Macalister Irrigation District (MID) modernisation

#### Phase 1B

Phase 1B of the \$65m MID2030 modernisation program is nearing completion and is being delivered across four stages. It is converting the northern half of the MID's Southern Tinamba supply zone from channels to gravity pipelines, in addition to upgrading and automating the channels in the southern half.

Over the life of the project, approximately 38km of new pipeline has been installed and approximately 33km of channel will be automated. The project is expected to gain water savings in excess of the estimated 9,700ML which, added to the Phase 1A program, will further boost the MID's production capacity.

The project has been funded by the Victorian State Government, Federal Government and SRW MID

customers. Stages 1 (Tinamba Upper), Stage 2 (Tinamba) and Stage 4 (Mewburn Park) were channels converted to pipeline and were completed from 2017-19, through to the start of the 2019-20 irrigation season.

The Stage 3 (Riverslea) channel automation works began at the end of the irrigation season in May 2020 and this stage is expected to be operational by August 2020 in time for the start of the 2020-21 irrigation season. The Phase 1B project will achieve practical completion in 2021. The Riverslea stage completes Phase 1B and includes:

- upgrading 37 regulators to implement Total Channel Control (TCC)
- desilting and upgrading 26.2km of existing channels

The project has enabled private on-farm planning and development, leveraging the increased efficiencies delivered by the upgrades. Agriculture Victoria (the Department of Jobs, Precincts and Regions) and the West Gippsland Catchment Management Authority (WGCM) have provided support for these activities.

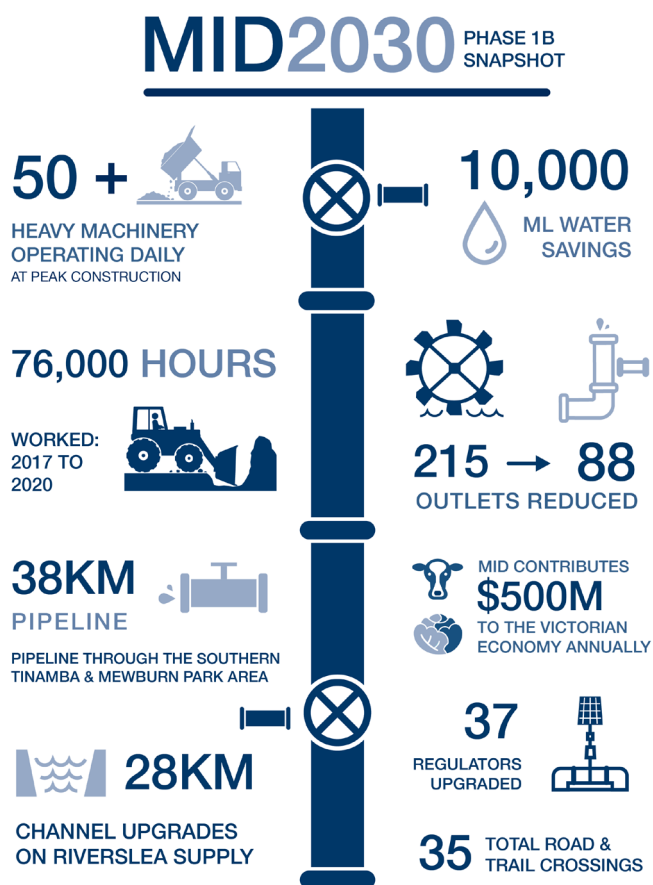
Ongoing discussions with customers indicate private investment for on-farm works is continuing throughout the newly modernised areas.

Customers are reporting the upgraded supply has enabled them to make positive adjustments to the way they manage irrigation, and the way they operate their businesses.

Customers are reporting benefits such as:

- easier water ordering process
- more efficient delivery of water
- less time spent on irrigation, providing more time for family life and other work
- ability to invest in more efficient, modern technology
- ability to use more land for irrigation, which increases options for productivity improvement.
- Ability to be more self-sufficient in growing fodder, reducing input costs further
- Opportunity to purchase more water and increase herd size and production

We have engaged with customers, stakeholders and the community throughout, including on-farm consultations to help inform design development and resolve any issues arising during construction or reconnection. We have held group meetings with customers in each stage, and keep them informed with weekly email updates of overall progress. We have also conducted tours of construction, talked to community groups and provided media updates.



## Werribee Irrigation District Modernisation



**\$23.7 MILLION**

invested in WID upgrades including 4/1 stage.



**160**

New outlets  
\*including 4/1 stage



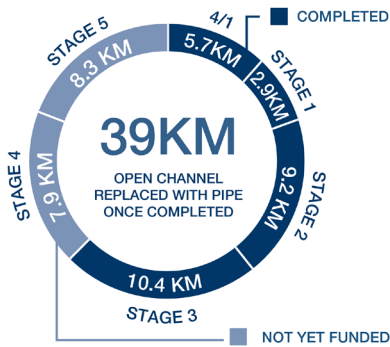
**3,900 ML**

of water saved annually (5,000 ML when completed) including 4/1 stage

### WATER SAVINGS

50% IRRIGATORS

50% WERRIBEE RIVER



WID CONTRIBUTES

**\$200 MILLION**

FARM GATE VALUE PER YEAR

UNDERPINS 600 AGRICULTURAL JOBS



## Werribee modernisation

In April 2016, the Victorian Government committed \$10.44m towards the \$31.3m project to pipe the WID. The funding, matched by the same contribution from irrigators, ensured SRW secured two-thirds of the funding for the project. A submission was made in April 2019 to the Commonwealth National Water and Infrastructure Development Fund to fund the remainder of the project, which was unsuccessful.

This important project is helping to secure the future of the WID by installing 39km of new pipeline to replace the old channels over five years.

The Werribee modernisation works have five stages of which three have now been completed. Stage 3 was completed in December, 2019. Stages 4 and 5, the remaining two stages are still unfunded.

Upon the completion of all five stages, it is expected that there will be 5,000ML of water savings generated annually of which a portion will contribute to environmental flows in the Werribee River.

Completion dates will be determined by future funding arrangements, which have not yet been determined.

The Werribee modernisation project also addresses

Chapter 4 of the Central Region Sustainable Water Strategy outlines a number of actions to improve water security across the central region.

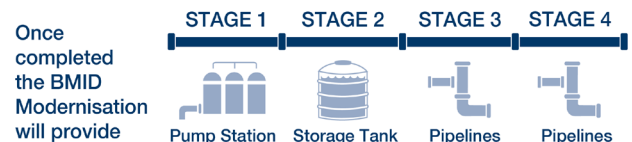
## Bacchus Marsh modernisation

In April 2016, the Victorian Government committed \$4.12m towards the \$12.4m project to modernise and pipe the BMID. The funding is matched by the same contribution from irrigators, ensuring two-thirds of the funding for the project.

A submission was made in April 2019 to the Commonwealth National Water and Infrastructure Development Fund to fund the remainder of the project, including decommissioning of the Main Channel. Our plan includes a staged change of the supply system to remove the ageing main channel, which loses around 1,000ML of water a year.

The Maddingley pump station on the river was constructed and has been operational since 2016. The pump station feeds into the nearby 0.5 ML storage tank completed in 2018, which supplies an existing piped network. Together with 8.5km of new pipeline upgrades, completed April 2020 2019, the irrigation system will be reconfigured to allow the main channel to be decommissioned and water savings returned to customers and the environment.

## Bacchus Marsh Irrigation District Modernisation



**1,000 ML**

of water saved annually when completed

**\$9.9 MILLION**



invested in BMID modernisation

**\$50 MILLION**



CONTRIBUTED BY THE BMID IN AGRICULTURAL VALUE

### WATER SAVINGS

50% IRRIGATORS  
50% WERRIBEE RIVER

UNDERPINS 430 AGRICULTURAL JOBS



**1000ha**

HIGH VALUE AGRICULTURAL LAND

**36 KM**



IRRIGATION DISTRICT UPGRADED INCLUDING 8.5KM OF NEW PIPE



## 03. OUR PERFORMANCE

### Capital spend on headworks

Please see page 62 for the 2019-20 table of major projects and capital works expenditure. The capital spend on headworks projects included:

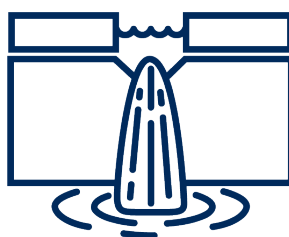
- \$3.7m project to replace the operating gear and bridge at Maffra Weir commenced. The tender for the project was awarded and the new operating gear was delivered to the contractor. The new bridge and operating gear are being fabricated. It is expected that installation will occur in winter 2021 and the project will be completed in September 2021.
- \$0.45m project to repaint the operating deck at Cowwarr Weir was completed in July 2019.
- \$0.5m project is underway to design a new personnel retrieval system for the tower at Rosslynne Reservoir. It is expected the site work will be completed towards the end of the 2021-22 financial year. A similar project is also underway to address the same issue with the tower at Merrimu Reservoir (also \$0.5m).
- \$0.5m project to install SCADA at Lerderderg Weir to enable remote operation and monitoring is underway. SRW is working on obtaining permit approvals and expects to complete the work in 2021-22.
- \$0.6m project at Cowwarr Weir to upgrade the mechanical components of the spillway gate operating gear has commenced. It is currently in the design stage with the site works expected in Winter 2021.
- \$0.2m project to install a backup drive to operate the spillway gates at Narracan has been awarded and is expected to be completed by August 2020.
- \$0.15m project was completed at Upper Werribee River Diversion Weir (Ballan) to reduce the build-up of debris on the tunnel trash screen and to provide safe and automated operation of the tunnel gate. This project was completed in October 2019.
- \$0.25m investigation of the spillway gate operating gear at Glenmaggie Dam was completed in June 2020. It found that the operating gear is in reasonable condition but has recommended some future works. These works will be prioritised into the capital program process and our Asset Management Information System for future action.

We continued our focus on asset management with the creation of a dedicated Asset Management Improvement Team. We completed the annual Asset Management Accountability Framework, and we were assessed as compliant and working on areas for further improvement.

### Dam safety security and Emergency management

SRW completed its annual submission of our Emergency Risk Management Plan to the Minister in February 2020 as required by Part 7A of the Emergency Management Act 2013.

Training exercises were held in flood routing for both



the eastern and western catchments in 2019 with a major update of the Western Flood Plan being completed in August 2019.

New flood forecasting models are currently being developed for the Thomson, Latrobe and Western catchments. Flood training for 2020 was brought forward to enable us to be prepared if we suffer resource shortages due to the pandemic. The training was delivered by Zoom in accordance with coronavirus (COVID-19) restrictions.

Updates were completed for the Eastern Dam Safety Emergency Plans (DSEPs) and the Western Storage Flood Plan.

During the year, we activated the Corporate Incident Management Plan on eight occasions, including for five instances of minor to moderate flooding on the Latrobe, Thomson and Macalister, and for the extensive effort required to support the East Gippsland bushfires. The CIMPs involved activating an IMT under an Incident Commander, who called on trained team members on rotation from across the business.

### Coronavirus (COVID-19) planning

SRW worked with DELWP, other water corporations and the Resilience Sector Network to ensure our response to the coronavirus (COVID-19) pandemic was coordinated and reduced the risk of transmission to our people, our customers and our community. This included activating a Response team structure from executive through to operational levels, immediately introducing remote working practices, and creating internal and external communications with links to all current Government information for staff and customers. (See page 35 for a more detailed summary of our response.)

# 04

## Our Governance

### Board and Executive Leadership Team

#### 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 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.

#### 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. Diane 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 also 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.

**MINISTER FOR WATER**  
**The Hon Lisa Neville MP**

**BOARD OF DIRECTORS**

Ms Diane James AM  
 CHAIRMAN

Mr Michael Malouf AM  
 DEPUTY CHAIRMAN  
 [From 1 Oct 2019]

Ms Naomi Cleary  
 DIRECTOR

Mr Angus Hume  
 DIRECTOR

Ms Peta Maddy  
 DIRECTOR

Ms Michelle Murray  
 DIRECTOR

Mr Terry Swingler,  
 [Dep Chairman to 30 Sept 2019]

Mrs Naomi Pye  
 [DIRECTOR to 30 Sept 2019]

Mr Christopher Edwards  
 [DIRECTOR from 1 Oct 2019]

Ms Kylie Steel  
 [DIRECTOR from 1 Oct 2019]

Cameron FitzGerald

MANAGING DIRECTOR

**AUDIT, RISK  
 AND GOVERNANCE  
 COMMITTEE**

Ms Naomi Cleary  
 CHAIRMAN [From 1 Oct 2019]

Mr Michael Malouf AM

Ms Michelle Murray

Mr Angus Hume

Mr Christopher Edwards

Mr Terry Swingler,  
 [Chairman to 30 Sept 2019]

Mrs Naomi Pye [To 30 Sept 2019]

**EXECUTIVE TEAM**

Ms Isabel  
 Frederick

General Manager  
 Customers and  
 Technology

Ms Joanna  
 Giannini

General Manager  
 People, Safety  
 and Culture

Ms Nicole  
 Griffin

General Manager  
 Assets and  
 Environment

Ms Elisa  
 Hunter

General Manager  
 Strategy and  
 Performance

Mr Craig  
 Parker

General Manager  
 Service Delivery

Mr Stuart  
 Wrigglesworth

Chief Financial  
 Officer and  
 Corporation  
 Secretary

[To 1 March  
 2020]

Mr Lincoln  
 Eddy

Manager  
 Strategy and  
 Performance

Ms Bernadine  
 Phelan

Manager  
 Communications  
 and Engagement



## 04. OUR GOVERNANCE

### Mr Michael Malouf AM

#### Deputy Chairman from 01 October 2019

Mr Malouf AM is the director of Malouf Management Services Pty Ltd and is a Sessional Member at Planning Panels Victoria. He is also the chair of the Kardinia Park Stadium Trust and was 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, more recently, was the CEO of VicRoads. 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 Sport Climbing Australia and 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 from 01 October 2019

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. Christopher 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

#### Director

Mr Hume 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 (WGCMA) 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. 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 Murray

#### Director

Ms Murray 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 Murray currently provides advisory services in the areas of cultural change and adaptive leadership. She previously held executive roles at CBUS Industry Super and National Australia Bank. Michelle 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. Michelle was appointed a director of the board on 30 April 2019.

## Ms Kylie Steel

### Director from 01 October 2019

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. She is Deputy Chair of the Great Ocean Road Coast Committee and Director of the Barwon Health Foundation. Ms Steel was appointed to the Board on 1 October 2019.

## Mrs Naomi Pye

### Director to 30 September 2019

Ms Pye is a dairy farmer at Bessiebelle. She is a director of the Gardiner Dairy Foundation (appointed 2016) and was a director of the Glenelg Hopkins Catchment Management Authority (2006 – 2011) and has previously held board and committee roles with the Victorian Farmers Federation (1999 – 2007), WestVic Dairy Regional Development Program of Dairy Australia (2000 – 2006) and Australian Dairy Farmers (2005 – 2006). Before her appointment to the board of Southern Rural Water, she was a member of the Southern Groundwater and Rivers Forum. Ms Pye has a Diploma of Teaching and an Advanced Diploma of Agriculture; she is a Graduate of the Australian Institute of Company Directors. Ms Pye was appointed to the board on 1 October 2011.

## Mr Terry Swingler

### Deputy Chairman to 30 September 2019

Mr Swingler has vast experience in the water industry having held senior roles as Yarra Valley Water's General Manager Finance and Company Secretary (1995-2012) and Corporate Secretary with Melbourne Water (1986-1995). He has also been a Director of Equisuper

Pty Ltd (2012-2016) and the Victorian Government's nominated Director on the Joint Government Enterprise Ltd (trading as Water for Rivers) (2012- 2015). Mr Swingler has a Diploma of Business (Accounting) and is a Fellow of CPA Australia, Governance Institute of Australia and the Australian Institute of Company Directors. Mr Swingler was appointed to the board on 1 October 2013.

## Mr Cameron FitzGerald

### Managing Director

Mr FitzGerald has two decades of professional experience with 14 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 MD on 11 February 2019.

## Board committees

Board committees are established by the board to assist in the detailed examination of matters and to make recommendations to the board.

## Audit, Risk and Governance Committee

The Audit, Risk and Governance Committee assists the board in discharging its responsibilities for:

- the integrity of the annual financial statements and financial reporting
- exposure to legal and business risk and associated risk management
- the effectiveness of the external and internal audit functions
- the adequacy and effectiveness of financial management, financial control systems, and other internal controls
- monitoring compliance with laws and regulations
- fostering excellence in corporate governance.

A key responsibility of the Audit, Risk and Governance Committee during 2019-20 was to ensure employee safety. The Committee:

- monitors compliance with laws and regulations

## 04. OUR GOVERNANCE

relevant to SRW in relation to occupational health and safety.

- provides advice to the board on occupational health and safety compliance and practice.
- reviews management's approach to risks relating to people.

Committee members

Ms Cleary is Chairman and members are Mr Malouf AM, Ms Murray, Mr Hume and Mr Edwards (from 1 October 2019). Mr Swingler was Chairman of the committee until 30 September 2019. Mrs Pye was a member of the committee until 30 September 2019.

### Asset Governance Committee

The Asset Governance Committee assists the board in discharging its responsibilities to support excellence in SRW's asset management and environmental stewardship. It ensures performance and governance is appropriate and aligned with corporate objectives.

The committee has an oversight of performance and governance and examines issues in detail to make recommendations to the board on matters including: capital works, the strategic asset management plan, dam safety, headworks performance, irrigation district performance, aquifer condition, asset management policy, environmental strategy implementation.

Committee members

Ms Maddy is Chairman and members of the committee are Ms James AM, Mr Malouf AM, Ms Murray and Ms Steel (from 1 October 2019) and Mr Hume (to 30 September 2019).

### Remuneration Committee

The final meeting of the Remuneration committee was held on 6 August 2019. Ms James was the Chairman of the committee. Committee members were Mr Malouf, Ms Maddy and Mr Swingler (to 30 September 2019).

The board at the 31 March 2020 meeting rescinded the Remuneration Committee and its responsibilities and actions were incorporated into the People, Safety and Culture committee.

### People, Safety and Culture Committee

The People and Culture Committee became the People, Safety and Culture committee on 16 July 2019. The committee fosters excellence in remuneration practice, and gives the board oversight and the opportunity to

shape the organisational culture of SRW to ensure:

- a commitment to a culture of excellence
- adherence to the agreed trademark behaviours
- the creation of a diverse and inclusive workplace
- the wellbeing of all employees
- compliance with the Victorian Public Sector Code of Conduct.

Committee members

Mr Malouf (Chairman), and all directors are members of this committee.

### 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 – Mr Hume.
- Southern Groundwater and Rivers Forum – Mrs Pye (until 30 September 2019), Ms Murray (from 1 October 2019).
- Werribee Bacchus Marsh Customer Consultative Committee – Ms Maddy.

Board activities for the year

Development opportunities in the past year included:

- attendance at the VicWater annual conference, held on 13-14 September, 2019
- participation in the launch of the Insight: Executive Leadership Women in Water Program
- attendance at the 2020 DELWP Director Development Program
- attendance at the VicWater Workplace Manslaughter Information Session
- attendance at various Treasury Corporation Victoria and CPA events and updates throughout the year
- attendance at various Australian Institute of Company Directors updates throughout the year.

## 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.

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.

In the past year, the board has:

- attended meetings of the Werribee Bacchus Marsh Customer Consultative Committee (WBMCCC)
- attended meetings of the Macalister Customer Consultative Committee (MCCC)
- attended meetings of Southern Groundwater and Rivers Forum (SGRF) to discuss current initiatives and priorities in groundwater and surface water
- met with key Gippsland stakeholder groups for an event at the Maffra office
- met with MCCC members and other MID customers at a stakeholder reception in Sale a and a tour of progress on the modernisation works in the MID
- met with Warrnambool and district stakeholders, including members of the Great South Coast Council and Western regional customers.
- together with the executive team, toured the World Heritage-listed Budj Bim National Park with Gunditjmara rangers
- further planned board engagement was postponed due to coronavirus (COVID-19) restrictions.

## Board and board committee meetings attendances 2019-20 summary

|   | Board meetings | Audit, Risk and Governance Committee | Asset Governance Committee | People, Safety and Culture Committee* | Remuneration Committee* |
|---|----------------|--------------------------------------|----------------------------|---------------------------------------|-------------------------|
| Diane James AM                            | 12 of 12       | 6 of 6                               | 3 of 4                     | 4 of 4                                | 1 of 1                  |
| Naomi Cleary                              | 12 of 12       | 6 of 6                               |                            | 4 of 4                                |                         |
| Christopher Edwards (from 1 October 2019) | 6 of 7         | 3 of 4                               |                            | 3 of 3                                |                         |
| Angus Hume                                | 11 of 12       | 3 of 5                               | 0 of 1                     | 4 of 4                                |                         |
| Peta Maddy                                | 12 of 12       |                                      | 4 of 4                     | 4 of 4                                | 1 of 1                  |
| Michael Malouf AM                         | 11 of 12       | 6 of 6                               | 4 of 4                     | 4 of 4                                | 1 of 1                  |
| Michelle Murray                           | 11 of 12       | 5 of 6                               | 3 of 4                     | 2 of 3                                |                         |
| Kylie Steel (from 1 October 2019)         | 8 of 8         |                                      | 3 of 3                     | 3 of 3                                |                         |
| Cameron FitzGerald                        | 12 of 12       |                                      |                            |                                       |                         |
| Naomi Pye (to 30 September 2019)          | 3 of 4         | 0 of 1                               |                            | 1 of 1                                |                         |
| Terry Swingler (to 30 September 2019)     | 4 of 4         | 1 of 1                               |                            | 1 of 1                                | 1 of 1                  |

Notes:

- People and Culture Committee became the People, Safety and Culture Committee on 16 July 2019
- The Remuneration Committee was rescinded on 31 March 2020

## 04. OUR GOVERNANCE

### Organisational restructure

During 2019-20, SRW developed and adopted a new business structure, to enable us to be future ready to continue to meet the needs of our customers, community and stakeholders for the long term.

The restructure was announced in December 2019 and took effect from 1 March 2020.

This has been focused on a culture of 'us' and enables our people to be flexible, agile and collaborative in the workplace.

The business units delivering for our customers and community are:

| Business unit:                    | Responsible for:  |
|-----------------------------------|---|
| <b>Service Delivery</b>           | Operating our irrigation districts including the 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.   |
| <b>Assets and Environment</b>     | Developing and delivering SRW's capital plan including critical modernisation projects, with a holistic focus on asset and environmental management.  |
| <b>People, Safety and Culture</b> | Supporting the health, safety and wellbeing of our people. Managing the employment, engagement and development of a diverse, knowledgeable and engaged workforce.<br><br>Managing our procurement, facilities and fleet to ensure contemporary, accessible and sustainable work environments and resources. |
| <b>Strategy and Performance</b>   | Strategic planning, including of our water resources, business performance monitoring, pricing and communications and engagement activities for customers, stakeholders and community.  |
| <b>Customers and Technology</b>   | 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.                            |
| <b>Finance and Governance</b>     | Supporting and delivering financial management, risk management and corporate governance.   |



## Leadership team

The SRW leadership team includes the Managing Director and the following members:

### Ms Isabel Frederick

#### General Manager Customers and Technology

Ms Frederick has held leadership positions in technology and business, both locally and internationally before joining SRW in June 2019. Her career has seen her deliver excellence in consulting to executive management and boards, in several major Australian corporates, as well as senior management roles across all areas of large business/IT divisions. She has led both traditional and emerging transformation programs and has held COO, CTO and CFO roles. Ms Frederick holds a double degree in Business/Technology, and has several post graduate qualifications in key areas of Technology, covering both traditional and modern Lean/Agile(SaFE). She is a graduate of the Australian Institute of Company Directors, and served on boards in the not-for-profit sector.

### Ms Joanna Giannini

#### General Manager People, Safety and Culture

Ms Giannini joined SRW in January 2017 having held senior human resources positions with the Department of Health and Human Services. Before this, she worked with community service and private organisations providing human resources leadership and leading organisational reform. She brings a strong background in organisational development, employee relations and leadership and management coaching. She holds a Bachelor of Business (Human Resources).

### Ms Nicole Griffin

#### General Manager Assets and Environment

Ms Griffin joined SRW in May 2018 having spent five years at Gippsland Water as General Manager Assets and Commercial Business and, before that, General Manager of Business Development. Before joining the water industry, Ms Griffin spent some years in the Biotechnology sector working for Monsanto both in Australia and the Asia Pacific region. She worked in the cotton industry for some years and understands the important role that irrigation plays in the health of regional economies. Ms Griffin has a Bachelor Degree in Agricultural Science and Graduate Diploma in

Environmental Management. Nicole is also a graduate of the Australian Institute of Company Directors and is currently completing an Executive MBA.

### Ms Elisa Hunter

#### General Manager Strategy and Performance

Ms Hunter joined SRW in April 2020 having held senior leadership roles in both the public and private sector. With over two decades in the water industry, she has worked in a wide range of roles across the whole asset lifecycle bring a unique perspective to strategy development, community engagement and water resource planning. She holds a Bachelor Degree in Environmental Engineering.

### Mr Craig Parker

#### General Manager Customer Service

With extensive operational experience in the rural water sector, Mr Parker is committed to excellence at every point in the customer cycle. The constant focus is on accessible and efficient water trading, making transactions such as renewals cheaper and easier and facilitating customer access to their data to help run their business. Mr Parker also believes sound asset management is vital in ensuring our new and existing assets provide maximum value to customers. He joined Southern Rural water as a field officer in 2000, has worked in most parts of the business, and undertook a secondment as Acting CEO at East Gippsland Catchment Management Authority. He is a member of the Australian Institute of Company Directors and has business qualifications from Mt Eliza Business School and the University of Queensland.

### Mr Stuart Wigglesworth

#### Chief Financial Officer and Corporation Secretary

Having grown up on a family farm supplied from the Macalister system, Mr Wigglesworth joined SRW as Finance Manager in late 2005 and was appointed Chief Financial Officer in March 2011. He has six years' experience working in professional practice for Price Waterhouse Coopers in Melbourne and South Africa, as well as having more than five years' experience in the United Kingdom, working in Finance and Accounting roles for commercial and public sector businesses. Mr Wigglesworth holds a Bachelor of Commerce. He is a member of the Institute of Chartered Accountants and of the Governance Institute of Australia.

# 05

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## Our People

### People and Culture

#### Our people

SRW employs 168 employees, who are geographically placed throughout worksites across southern Victoria. Our employees are skilled and experienced in their chosen fields of water services, technical, engineering, and corporate functions.

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 cultural transformation initiatives.

Cultural transformation has been a key feature of 2019 and 2020 respectively as we seek to shift company culture towards a modernised and values driven culture, generating thriving, sustainable and tangible success across the business.

Our strategic People Plan aspires to enhance employee capability, professional development, focused on customer service delivery excellence. Success in this space transpires through our employees embodying the SRW brand; what we stand for, what defines 'us' and what sets us apart from the others. For this reason, people are at the centre of what we do.

#### Cultural transformation

In the 2019-20 year, Southern Rural Water has undertaken a period of digital and cultural transformation in the People and Culture functions. There has been a full organisational restructure, which aligns skills and capabilities to designated roles. The team has rebranded to provide SRW with service delivery that is trusted, reliable and promotes a contemporary, best-practice approach. This includes a commitment to service delivery excellence.

Our fresh approach towards people management aims to uplift the culture to ensure employees experience a sense of belonging, knowing we are investing in their professional development, their future, and the long-term success of the organisation.

Our success is linked to our future-ready cultural transformation, where we aim to build a culture of "Excellence in rural water management, driving growth and customer productivity in southern Victoria". Being future-ready underpins the fact we design our cultural transformation according to the following principles:

- Our people are at the heart of everything we do



- Always safe – our people, our customers, our community
- Value-creating partnerships
- Affordable and financially sustainable
- No single points of failure
- Scalable, flexible, agile and collaborative
- Focus effort on optimum impact and influence

## Digital transformation

People and Culture has designed and rolled out new recruitment, induction, learning and performance appraisal modules to enable efficient transactional processes. In 2019-20, our People and Corporate Services functions delivered the following online services:

- Recruitment and selection, virtual interviews
- Induction and departure
- Migrating all transactional forms into fillable PDFs
- E-learning modules developed in-house
- Performance appraisal and development plans

## Culture of excellence

A commitment to ensuring a culture of excellence required a review of current business practices, organisational processes, and documents. In 2019-20, SRW's organisational instructions, processes and position descriptions have been redesigned, redeveloped, and realigned to ensure employees are working towards a culture of continuous improvement.

We have done this by focusing on our employees' accountability and responsibility for:

- people management: encouraging and maintaining positive working relationships with all colleagues to ensure a professional and collaborative working environment
- operational responsibilities: seeing tasks through to completion in line with commitments, projects, service levels and other targets
- scheduling responsibilities: regularly monitoring and reporting on work and activity progress against individual and team corporate performance indicators and project targets
- health, safety, and wellbeing: ensuring all team members are aware of, and work in ways adhering to, SRW policies and OH&S requirements.

## Employee age bands

4%

15-24 years (6)

26%

45-54 years (44)

17%

25-34 years (28)

19%

55-64 years (33)

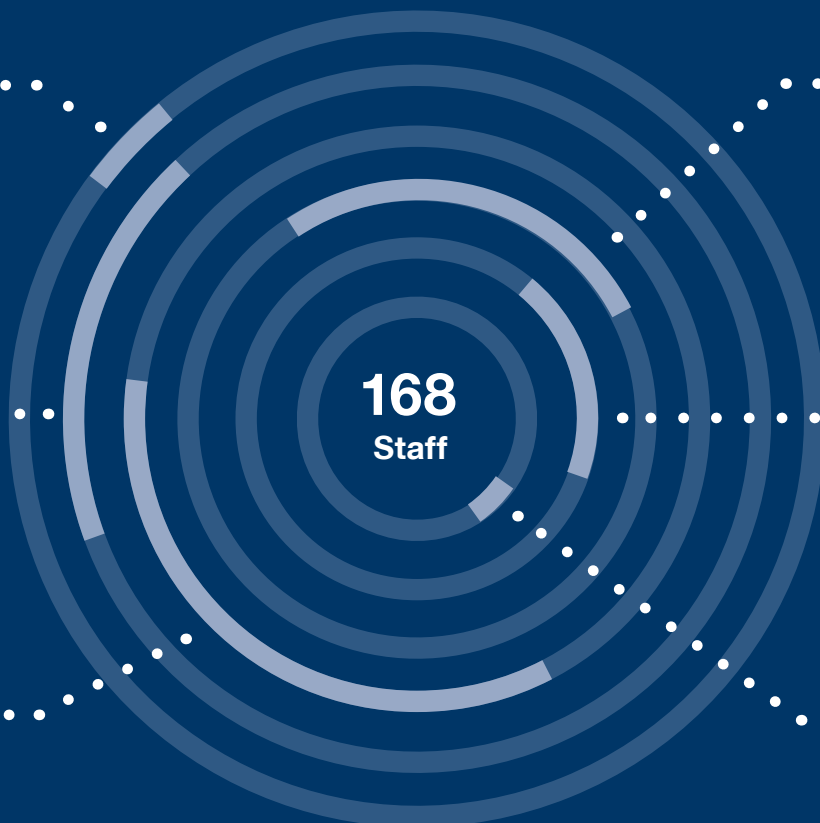
30%

35-44 years (51)

4%

65+ years (6)

168  
Staff



## 05. OUR PEOPLE

### Learning and development

A new approach to learning and development has included both digital and cultural transformative objectives. The following projects were adopted in 2019-20:

- a dedicated leadership program, partnering with Cultural Alchemy to focus on our strategic leadership team, who aspire to transform our organisation's ability to lead innovation and strategy and enabling teams to challenge the status quo
- senior leadership professional development, offered through the JMW 'Emerging Leaders program'
- learning and organisational development: fostering a shared understanding of our corporate strategy and Trademark Behaviours through our Performance Appraisal and Development Program
- employee development through position-specific training, generic skills development and key competency development.

### Employee Consultative Committee

The Employee Consultative Committee was refreshed in 2019 with revised Terms of Reference and an evaluation of vacancies and employee involvement on the Committee. The role of the Employee Consultative Committee is to provide an open forum for the discussion of matters affecting staff of Southern Rural Water (SRW).

The Employee Consultative Committee's functions include to:

- provision of a forum for effective communication between management and staff
- ensuring any organisational changes affecting employment conditions are in line with the Enterprise Agreement
- developing a consultative process for the establishment of a new Enterprise Agreement on expiry of the current agreement
- provision of feedback to the Managing Director on any proposed changes to staff-related policies.



These matters are discussed in a spirit of cooperation to ensure that employees and the unions have an opportunity to raise workplace issues, to receive sufficient information on issues affecting them, and have an opportunity to contribute their views on those issues, and to have meaningful involvement in decision-making.

### Employment and conduct principles

All SRW employees are required to meet the standards of the Victorian Public Sector Code of Conduct, SRW's Trademark Behaviours and workplace legislation.

(Pictured right) In 2019-20, Southern Rural Water joined other water sector organisations in the Pride in Water initiative to support and encourage diversity in the workplace.

**"I stand proudly for all at SRW welcoming people from all communities and backgrounds.**

**We stand for creating an environment which is fair, safe and welcoming of all people regardless of their sexual orientation, gender identity or intersex status. We aim to foster a workplace environment and culture where all employees can feel free to be themselves and to thrive as we deliver excellence in everything we do."**



**PRIDE  
IN WATER**

**– Cameron FitzGerald,  
Managing Director,  
Southern Rural Water**



Respect and collaboration are key drivers in the success of delivering SRW's services.

## Diversity and inclusion

The economic, productivity and social benefits of diversity and inclusion in the workplace are well documented. We have a Diversity and Inclusion Committee to support the delivery of our Diversity and Inclusion Strategy and its vision "to ensure all our people feel respected, valued and included and have access to equal opportunity, which encourages them to contribute at their full potential."

SRW celebrates Men's Health Week, International Women's Day, Harmony Day, International Men's Day, National Reconciliation Week\*, NAIDOC Week\*, RUOK Day, WorkSafe Month, International Day Against Homophobia, Biphobia Intersexism and Transphobia (IDAHOBIT), Wear it Purple Day and other significant cultural events.

\*Note: Some of these were celebrated with online events this year, or postponed to later in 2020-21.

## Other initiatives and actions:

SRW's commitment to diversity and inclusion is evident with a range of measures in place to ensure we provide equal employment opportunities, including policies and procedures, 10 trained internal Contact Officers and regular reviews of our compliance with legal and government obligations.

- Our Broadening Horizons Gippsland Program continues to support Year 8 students through an enquiry-based project and mentoring program to improve student educational aspirations and to increase their awareness of the diverse career opportunities in the Gippsland region.
- Reinvigorated work experience and vocational placement program to host work experience students from local secondary schools and offers placement opportunities for university students.
- A new 'Careers @ SRW' brochure has been developed and distributed to educational institutions across the state to promote SRW involvement at careers events and expos to promote diversity and inclusion in career opportunities in the water industry.
- We are members of the Victorian Water Industry Diversity and Inclusion Steering Committee, which launched the Pride in Water initiative during 2020, with a social media campaign that included quotes from our Managing Director.

# Diversity goals

32%

TARGET

33%

ACTUAL

Overall women at Southern Rural Water

50%

TARGET

57%

ACTUAL

Women holding executive positions

35%

TARGET

27%

ACTUAL

Women in SRW in the leadership group

40%

TARGET

38%

ACTUAL

Women in SRW holding degree-required positions (other than engineering)

2%

TARGET

1%

ACTUAL

Staff who identify as of ATSI descent

## 05. OUR PEOPLE

### Diversity goals

SRW is working towards creating 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 2019 | Target 2020 | June 2020 |
|---|---------------|-----------|-------------|-----------|
| Overall women at SRW  | 20%           | 30%       | >32%        | 33%       |
| Women holding executive positions   | 0%            | 50%       | 50%         | 57%       |
| Women in SRW in the leadership group  | NA            | 35%       | >35%        | 27%       |
| Women in SRW holding degree-required positions (other than engineering)   | NA            | 39%       | >40%        | 38%       |
| Women in SRW holding STEM positions   | NA            | 31%       | >40%        | 36%       |
| Women in SRW holding field positions<br>*includes storage operators, water service officers, field officers and compliance officers but not supervisors or managers | NA            | 10%       | >15%        | 8%        |
| Under 25 years  | 4%            | 3%        | >8%         | 4%        |
| Maintain or increase proportion of staff who identify as of ATSI descent  | 2%            | 2%        | >3%         | 1%        |

(Pictured below) Two of the slides in a social media campaign for International Women's Day in March 2020, which we ran across Facebook and LinkedIn platforms. The series featured representatives from the board and staff across all areas of the business.



International  
Women's Day  
2020

8 March  
#IWD2020 #EachforEqual



**Jo Giannini**

General Manager People, Safety and Culture

"Change takes courage and courage is contagious. IWD is not just about women - it's about everyone and how we connect to make our workplaces and communities more inclusive"



International  
Women's Day  
2020

8 March  
#IWD2020 #EachforEqual



**Tansy Huang**

Emergency Planning engineer

"As an engineer, I feel it is so important to inspire more women to enter STEM fields. Female role models within the industry will be key to supporting the next generation."

## Workforce data

The following table discloses the headcount and full-time staff equivalent (FTE) of all employees of Southern Rural Water in the last full pay period in June of the year 2019-20, and the last equivalent period in 2018-19.

|                          | June 2020     |        |         |    |        |                     |       | June 2019     |        |         |    |        |                       |       |
|--------------------------|---------------|--------|---------|----|--------|---------------------|-------|---------------|--------|---------|----|--------|-----------------------|-------|
|                          | All Employees |        | Ongoing |    |        | Fixed Term & Casual |       | All Employees |        | Ongoing |    |        | Fixed Term and Casual |       |
|                          | No.           | FTE    | FT      | PT | FTE    | No.                 | FTE   | No.           | FTE    | FT      | PT | FTE    | No.                   | FTE   |
| <b>Gender</b>            |               |        |         |    |        |                     |       |               |        |         |    |        |                       |       |
| <b>Woman</b>             | 55            | 49.44  | 33      | 13 | 41.36  | 9                   | 8.08  | 49            | 42.96  | 27      | 13 | 35.21  | 9                     | 7.75  |
| <b>Men</b>               | 113           | 111.47 | 98      | 7  | 103.47 | 8                   | 8     | 117           | 115.21 | 93      | 9  | 102    | 15                    | 15    |
| <b>Age</b>               |               |        |         |    |        |                     |       |               |        |         |    |        |                       |       |
| <b>15-24</b>             | 6             | 6      | 6       | 0  | 6      | 0                   | 0     | 5             | 5      | 3       | 0  | 3      | 2                     | 2     |
| <b>25-34</b>             | 28            | 27.45  | 22      | 2  | 23     | 5                   | 4.45  | 28            | 27.4   | 22      | 1  | 22.4   | 5                     | 5     |
| <b>35-44</b>             | 51            | 48.31  | 38      | 8  | 43.31  | 5                   | 5     | 48            | 43.95  | 33      | 11 | 40.4   | 4                     | 3.55  |
| <b>45-54</b>             | 44            | 42.64  | 35      | 3  | 37.01  | 6                   | 5.63  | 46            | 44.07  | 35      | 3  | 36.87  | 8                     | 7.6   |
| <b>55-64</b>             | 33            | 31.88  | 26      | 6  | 30.88  | 1                   | 1     | 34            | 32.28  | 24      | 5  | 28.28  | 5                     | 4.6   |
| <b>65+</b>               | 6             | 5.63   | 4       | 1  | 4.63   | 1                   | 1     | 5             | 4.47   | 3       | 2  | 4.47   | 0                     | 0     |
| <b>Band A-F</b>          |               |        |         |    |        |                     |       |               |        |         |    |        |                       |       |
| <b>A</b>                 | 21            | 18.65  | 12      | 6  | 16.2   | 3                   | 2.45  | 27            | 24.98  | 18      | 6  | 21.98  | 3                     | 3     |
| <b>B</b>                 | 63            | 61.93  | 55      | 3  | 57.3   | 5                   | 4.63  | 57            | 55.75  | 50      | 3  | 52.2   | 4                     | 3.55  |
| <b>C</b>                 | 30            | 27.96  | 25      | 5  | 27.96  | 0                   | 0     | 31            | 28.64  | 23      | 7  | 27.64  | 1                     | 1     |
| <b>D</b>                 | 22            | 20.43  | 17      | 5  | 20.43  | 0                   | 0     | 24            | 21.86  | 14      | 5  | 17.66  | 5                     | 4.2   |
| <b>E</b>                 | 18            | 17.94  | 17      | 1  | 17.94  | 0                   | 0     | 17            | 16.94  | 12      | 1  | 12.94  | 4                     | 4     |
| <b>F</b>                 | 6             | 6      | 5       | 0  | 5      | 1                   | 1     | 4             | 4      | 3       | 0  | 3      | 1                     | 1     |
| <b>Executive</b>         | 5             | 5      | 5       |    | 5      | 5                   | 5     | 5             | 5      | 0       | 0  | 0      | 4                     | 4     |
| <b>Senior Management</b> | 2             | 2      | 2       |    | 2      | 2                   | 2     | 2             | 2      | 0       | 0  | 0      | 2                     | 2     |
| <b>Other</b>             | 1             | 1      | 0       | 0  | 0      | 1                   | 1     | 1             | 1      | 0       | 0  | 0      | 1                     | 1     |
| <b>Total Employees</b>   | 168           | 160.91 | 131     | 20 | 144.83 | 17                  | 16.08 | 166           | 158    | 120     | 22 | 135.42 | 24                    | 27.75 |



### Occupational Health and Safety

During 2019-20, SRW has been exposed to challenges not previously experienced, with the response to coronavirus (COVID-19). This has led to us adopting new ways of working as the organisation planned how to deliver essential services critical to the people of Victoria, while protecting our people and customers.

Earlier in 2020, SRW was also exposed to the extreme bushfire risks causing hardship to those affected, both in their immediate impact and their follow-on effects, leading to the Victorian Government declaring a State of Disaster. We established an Incident Management Team

#### Coronavirus (COVID-19) structure

SRW's response to coronavirus (COVID-19) was coordinated through a structure enabling us to take and implement decisions quickly, to reduce the risk of transmission among staff, our customers and our community. We established:

- a Critical Action Delivery Team with representatives from across the business to help inform and support the Emergency Response Team comprising the organisation's Executive Leadership Team.
- a Critical Action Recovery Team (again with representatives drawn from across the business) to investigate options for safely moving back to offices. This group was convened during the period where Stage 3 restrictions were being eased by the Victorian Government. This group also had a mandate to develop a Recovery Plan.
- a Safe Working From Home program to help staff review their home working environment, available equipment and connectivity. It also addressed the risks associated with working from home, ensuring appropriate ergonomic setup and safe practices.
- The Managing Director's weekly blog has included a survey on staff wellbeing, which allowed SRW to monitor any changes in staff engagement.
- Despite our offices being closed during restrictions, we successfully delivered flu vaccinations to 67 staff in a program that was available to all employees. Staff were able to collect an online voucher system through Health at Work, and participated by attending chemists in their local areas from March to June.

to coordinate SRW's response to the 2019-20 bushfires, as per the organisation's Critical Incident Management Plan (CIMP).

### Continual improvement

While SRW responded to these immediate emergencies, the team continued with its ongoing program, improving the organisation's management of risks to health, safety and wellbeing, including:

- the implementation of a new online Health Safety and Wellbeing (HSW) information management system (MyOSH) to facilitate improved notification, reporting and close-out of HSW items such as incidents, hazards and corrective actions
- inclusion of HSW priorities into the new Strategic Plan being developed for release in 2020-21, continuing the 4 pillars of:
  - Leadership & Capability
  - Accountability and Responsibility
  - Simplification, and
  - Engagement.
- commencement of an internal safety assurance program to monitor the implementation and effectiveness of HSW risk controls

During 2019-20, SRW continued to offer and deliver a successful health and wellbeing program. During August and September 2019, we had 58 staff from across the organisation participate in the annual check, which involved a full blood test, health assessment with a General Practitioner and a thorough skin-check.

SRW participated in the Victorian Water Industry OH&S Network and Gippsland Regional Water Alliance to collaborate on health, safety and wellbeing matters in the water sector.

Staff completed the first SRW Safety Culture Survey, delivered by the Global Safety Index. The results provided us with a baseline assessment and an opportunity to benchmark position against other similar organisations. The result indicated we are at a Maturing (54.11) stage on the index scale. Workshops were completed with our business departments to review the result and discuss improvement opportunities to allow us to progress to an established best practice position.

Online driver training was integrated as part of our induction program. All employees completed the eLearning module, which incorporated our safe driving procedure as a part of Driver Safety Week. This has given our people greater road hazard awareness and has enhanced driver attitudes and behaviour.









| OH&S indicators for 2019-20   |          |                    |         |          |
|---|----------|--------------------|---------|----------|
| Indicator   | 2019-20  | 2018-19            | 2017-18 | 2016-17  |
| Number of lost time injuries for the year                               | 3        | 4                  | 2       | 2        |
| Lost time injury frequency rate (per million hours worked)              | 11.4     | 14.2               | 7.3     | 6.4      |
| Number of days lost due to injuries incurred during the year            | 315      | 18                 | 248     | 86       |
| Number of medical treatment injuries for the year                       | 4        | 6                  | 4       | 4        |
| Medical treatment frequency rate (per million hours worked)             | 15.2     | 22.7               | 14.5    | 12.7     |
| Total number of incidents (excl. near-misses) <sup>1</sup>              | 13       | 24 <sup>1</sup>    | 15      | 12       |
| Total number of incidents (excl. near-misses) per 100 FTE               | 8.1      | 15.0               | 8.9     | 7.2      |
| Total number of near-misses reported <sup>2</sup>                       | 20       | 36 <sup>2</sup>    | 20      | 17       |
| Frequency rate of near-misses reported                                  | 76.3     | 137.7 <sup>2</sup> | 72.7    | 54.1     |
| Number of first aid incidents   | 6        | 14                 | 9       | 8        |
| First aid treatment frequency rate                                      | 22.8     | 53.9               | 32.7    | 25.4     |
| Standard lost claims exceeding employer liability (>10days)             | 2        | 0                  | 1       | 2        |
| Standard lost claims exceeding employer liability (>10days) per 100 FTE | 1.2      | 0                  | 0.59    | 1.2      |
| Average cost per compensation claim                                     | \$78,728 | \$3,916            | \$7,169 | \$20,371 |
| Number of reported hazards closed out                                   | 177      | 252                | 379     | 319      |
| Number of reported hazards for the year per 100 FTE                     | 174.0    | 158                | 226     | 192      |
| Number of workplace inspections completed                               | 72       | 52                 | 50      | 52       |

Note re Safety Performance Indicators

<sup>1</sup> SRW has driven an active campaign to promote safety notification and encourage staff and managers to report all incidents and near-misses.

A dedicated SRW intranet page was updated frequently with information and links to Government information to keep staff informed during the pandemic response.

## Coronavirus (COVID-19)

|   |  |  |   |
|---|--|--|---|
| <br>COVID-19 Safe Plan | <br>FAQs              | <br>Government Announcements | <br>Leadership & MD Update     |
| <br>Ideas Hub          | <br>Working From Home | <br>Wellbeing                | <br>People, Safety and Culture |



# 06

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## Our Customers, Stakeholders & Community

### Engagement objectives

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

During this financial year, we developed and received board approval for our Engagement Strategic Plan 2019-22, which sets out our objectives, goals and actions over the next three years. The plan builds on our strengths and shapes our ability to:

- deliver SRW's corporate strategic objectives
- undertake effective and proactive engagement
- leverage partnerships to deliver mutual objectives
- lead discussion and influence policy
- learn what our key audiences need from us
- share 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.

In the organisational restructure in March 2020, the Customer Service team joined with IT to create a new Customer and Technology team, which aligns technology plans with customer needs. The Communications and Engagement team is now part of a newly created Strategy and Performance team under a new General Manager.

### 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 fulfil 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.

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:**

|   |  |   |  |
|---|--|---|--|
|  <b>Customers</b>                    |  |   |  |
| 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 create and promote opportunities for customers to collaborate with us on initiatives and solutions            | 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 |
|  <b>Stakeholders</b>                 |  |   |  |
| 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                        |
|  <b>Community</b>                    |  |   |  |
| 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  |

## Customer engagement

In addition to the above regular committee meetings, we maintain regular engagement with various industry and rural sector groups.

In 2019-20, we launched mySRW, the online platform that allows customers to:

- view entitlements, view allocation bank account balances and view usage trends
- submit application forms electronically to the applications processing team with the ability for customers to view progress of their applications
- submit feedback, maintenance requests or notifications of compliance breaches.

We also held briefings with advocacy groups such as the Latrobe Irrigators Group Inc, which formed to lobby for increased irrigation in the Latrobe region, with their focus on opportunities arising from the Latrobe Mine Rehabilitation Strategy.

We supported the development of a brochure to promote the MID to external investors. It was distributed also at the national HortConnections conference.

Board meetings were conducted across the state, involving visits to Warrnambool and Maffra and associated meetings with customers and stakeholders

A customer panel joined our annual staff forum, to share information about their produce, their priorities and their hopes for future engagement with SRW. The "Meet and Eat" session also featured a chef creating taster dishes using their produce.

Our Customer First team continued to provide a regular forum for staff to share perspectives and promote ways to improve customer experience.

We have adopted, and continue to expand, a range of technologies to increase the ways we communicate with our customers: including SMS, EDM and automated mailing programs. We have kept customers informed during coronavirus (COVID-19) restrictions with innovations such as meter reading via SMS.

The tariff schedule for 2019-20 is available on our website - **see page 126** for more information.

### Surveys

SRW undertook a combined irrigation and groundwater and rivers Customer Survey in 2019-20, which included the key findings:

- delivering water when customers need it is a key driver for customer satisfaction
- some customers predict they will increase their water usage in the next two years and are concerned with supply and future water needs
- progress on their enquiry is important to them.

### Drought and bushfire response

Two of our local government areas were still in drought throughout much of 2019-20. The subsequent major bushfires across East Gippsland throughout December 2019 to February 2020 delayed delivery of the Emergency Water Standpipe Program in the region.

We collaborated with our customer committees, DELWP, the municipalities, Agriculture Victoria, other water corporations and catchment management authorities to offer practical assistance and support during the bushfire relief and recovery phase. This included Emergency management Liaison Officers inside the Incident Control Centres, an SRW internal response team, and staff on secondment to the Regional Relief and Recovery Cell. We also negotiated emergency stock water and prioritised alternative connections in fire-affected towns to untreated water for firefighting use, to take the pressure off the potable supply.

### Actions from the survey include to:

- develop organisation-wide customer service standards, including standards on keeping customers informed
- enable eBilling, which allows customer to choose how they wish to receive their accounts and other important communication
- develop induction kits for new customers
- build our customer database to further increase the use of e-newsletters via email and SMS, reducing costs and enabling more regular communication.

### 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 also 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.

In late June 2020, the Victorian Government announced \$500,000 for a study to scope potential development of further irrigation in the Central Gippsland region based on customer demand and willingness to invest, and water availability. An engagement plan has been developed to identify key stakeholders to involve in the study, including the new Latrobe Irrigators Group Inc.

The study builds on preliminary work undertaken by SRW in 2018 and will examine potential infrastructure options for expanding irrigation development in Central Gippsland – based on customer demand and willingness to invest, and water availability.

We have regular scheduled meetings 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 2019-20 has included:

- board stakeholder engagement (see page 26)
- follow-up workshops with customers in Mt Gambier and Casterton in September 2019 to discuss enhanced opportunities for improved groundwater management in the south-west

## Impact of coronavirus (COVID-19)

Several planned activities, events, sponsorships and consultations have been cancelled, postponed or changed format during the COVID-19 restrictions. We continue to deliver essential services to our customers.

- We have innovated to provide alternative ways for customers to engage with SRW staff, offering Zoom one-to-one appointments.
- We have conducted the first in a series of 'virtual town hall' sessions for customers.
- The East Gippsland Vegetable Innovation Day was changed to sponsoring an online format.

Postponed or cancelled initiatives included:

- co-sponsorship of a drought and bushfire recovery hub; a face-to-face customer engagement campaign in the West; cultural awareness training, careers expo, Farm World and depot drop-in talks.

- facilitating meetings between customers and DELWP to share information on the Long-Term Water Resource Assessment and Latrobe Regional Rehabilitation Study
- coordination with local government on drought initiatives
- working with Agriculture Victoria, CMAs, other water corporations on joint programs with customers and communities, such as the Heyfield Wetlands project
- 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 engage in community of practice sharing and learning from other water corporations, local government and agencies.

## 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.

## Aboriginal engagement

SRW acknowledges and recognises Aboriginal people as 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.



## 06. OUR CUSTOMERS, STAKEHOLDERS AND COMMUNITY

Activities and engagement initiatives at SRW in 2019-20 included:

- a joint NAIDOC Week event for SRW, DELWP, Parks Victoria, Agriculture Victoria, featuring a Welcome to Country, Smoking Ceremony and lunch at Heyfield depot in July 2019.
- board and executive members visited the World Heritage Listed Budj Bim Cultural Landscape, with a Gunditjmara-guided tour of the ancient aquaculture system.
- the first groups of staff have attended On Country cultural awareness training with the Gunaikurnai Land and Waters Aboriginal Corporation. Further On Country training bookings were postponed, due to coronavirus (COVID-19).
- continuing discussions with Traditional Owner Groups and DELWP regarding the future potential for access to water.
- continuing discussions with the Gunditj Mirring Traditional Owner Aboriginal Corporation and Glenelg Hopkins CMA to explore opportunities to provide cultural water for the Lake Condah project
- engagement to promote the Cultural Heritage Management Plan process, particularly in relation to the major modernisation projects
- convening a SRW Reconciliation Action working Group to set our priorities and monitor actions in further developing our relationships with Traditional Owner Groups across our 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.

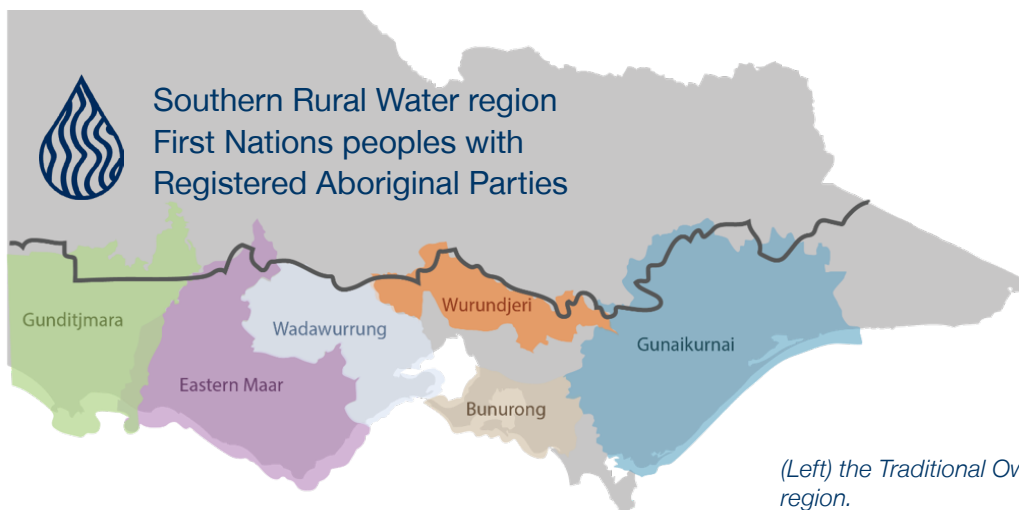
In 2020, we partnered with Arts Assist Wyndham in the painting of a mural on the historic water tower at the Werribee office (*pictured, below*). The iconic tower now features images incorporating environmental values and the history of farming in the district.



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.

Staff attended the Local Learning and Employment Network "Young Men's Lunch" and "Young Women's Lunch" to promote careers in the water industry. We also developed a careers brochure.

Our staff attend various community events to promote awareness of rural water management. During 2019-20 (before pandemic restrictions), this included the Silvan-Wandin Field Day, Sheepvention, Maffra Agricultural



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

Show and Gippsland Irrigation Expo. Activities promote our services as well as educate on safe behaviour at and around our assets, including safe recreational use of our public storages.

The annual Rusty Shovel customer, community and staff charity golf day in Maffra raised \$11,800 for Beyond Blue, which was presented by of our irrigation team to the charity in Melbourne.

In addition, SRW hosts tours for local schools, universities and community groups.

## 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 2019-20 included:

- the Excellence in Innovation award at the inaugural Food and Fibre Gippsland Excellence Awards
- 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.

## 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.

Recreational use of Blue Rock Lake has grown with the use of two new floating jetties completed in 2019. It is also a popular location for locals to use for exercise, including the walking track, which is maintained by the local Landcare group. Good progress has been made on the all-abilities playground at Blue Rock, which is due to be completed by September 2020.

In December 2019, we celebrated 100 years since construction began on Glenmaggie Weir, which supports the MID. We celebrated with a Glenmaggie 100 Community Day at the weir wall, including a free

concert with local artists and a Welcome to Country by Nicky Moffatt from GLaWAC. A highlight of the day was the historic photographic display.

Land and water management plans developed for Pykes Creek and Merrimu have identified future aspirations for improved facilities. Other storages are being developed.

We maintain active and responsive SRW and Pykes Creek Facebook pages, which also provides an immediate method for keeping in touch with recreational users. Our website is kept up-to-date with all relevant information about facilities, accessibility and any restrictions at our storages. The front page of the website carries prominent banner to lead to comprehensive coronavirus (COVID-19) information. We also use an alert on the front page when there are any flood or blue-green algae bloom warnings.

## 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 | 2019-20   | 2018-19  |
|--|-----------|----------|
| Pensioner concessions                          | \$11,516. | \$13,155 |

### Hardship

A range of personal and external issues, including continuing drought, bushfires, coronavirus (COVID-19), market fluctuations and personal hardship, affect many of our customers' businesses. During 2020, we have published specific and detailed information on the options available for those in financial difficulty.

We also changed the billing reminders to emphasise the range of options available and to ask customers to contact us to find out how we can help.

Customers may ask for a payment extension, a negotiated payment plan or request individual assistance under financial hardship. Where customers experience hardship, we seek to understand their situation and find mutually acceptable solutions. Our Debt Management Procedure is published on our website under the Customer Assistance options. We do not have hardship grants.

| As of 30 June 2020 | No of accounts | Value       |
|--------------------|----------------|-------------|
| Payment plans      | 130            | \$1,317,763 |



## Environmental Strategy

The SRW Environmental Strategy continues to drive strategic initiatives and compliance actions. 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 its target of zero net carbon emissions by 2025. SRW achieved its emissions goal of 1,300 tCO<sub>2</sub>-e, recording 1,102 tCO<sub>2</sub>-e for the year. Multiple renewable energy installs and decreased vehicle fleet emissions and energy consumption - some attributable to coronavirus (COVID-19) - all contributed to the outcome.

The delay of the IWN Large Scale Renewables project commissioning has not impacted the emissions target. The project is anticipated to contribute to further greenhouse gas emissions reductions in 2020-21. SRW also completed climate change vulnerability assessments, which will help inform our draft Climate Change Adaptation Plan.

**Environmental Improvement:** Improvements to waste management at offices and depots has resulted in diversion of waste from landfill to recycling or organic waste uses. SRW recorded 40.5 tonnes of waste for 2019-20, a reduction of ~8.5 tonnes on the previous year.

SRW has prepared a revegetation plan for Pykes Creek and continued to work with catchment partners to facilitate revegetation opportunities and provide nutrient monitoring data for the Gippsland Lakes.

SRW has made significant progress against objectives and targets in 2019-20.

- **Climate and energy:** SRW has completed multiple renewable energy installations, partnered on a catchment carbon offsets study and undertaken climate change vulnerability assessments.
- **Waste:** SRW has reduced waste through targeted programs at major waste contributors.
- **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 is in the process of investigating use of remote sensing and on-water technology to improve monitoring of BGA and other water quality parameters to aid management and incident response.
- **Biodiversity and the land:** SRW has undertaken multiple partnered projects with Melbourne Water to reduce weeds and pests on SRW land, particularly at Merrimu Reservoir and Bacchus Marsh Weir. SRW

has also worked with Wildlife Victoria and other partners to provide educational signage regarding flying foxes roosting at Cowwarr Weir, which are listed as a threatened species under the Victorian Flora & Fauna Guarantee Act 1988.

- Climate Resilience: SRW partnered with the Bureau of Meteorology (BOM) to develop and deliver a one-day meteorology 'masterclass', with a focus on the impacts of weather and climate (including climate change) on operations and emergency management. This was a bespoke, industry-first session, demonstrating SRWs leadership in climate & emergency planning. Future sessions will be investigated, including the opportunity to open it to customers.

## 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 broadly to strategy and biodiversity management across its region. During the reporting period we:

- 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
- continued strengthening of the licensing of surface and groundwater
- 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 & 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
- participated in the consultation stage of crown land fire prevention for the regional Strategic Bushfire Management Plan.

## 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 and Port Phillip and Westernport Catchment Management Authority to facilitate and support revegetation of land in the Werribee River catchment area. SRW is continuing to pursue opportunities to establish 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.

## 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
- 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 and Bacchus Marsh initiatives).

## 07. OUR ENVIRONMENT

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 review and 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 9 forums with a focus on relevant surface and groundwater information strategies and projects.

### 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. The water sector is also expected to source 25% of its power needs from renewables by 2020 and 40% by 2025.

SRW has made significant progress towards its pledge

of achieving net zero carbon emissions by 2025. In 2019-20, SRW:

- Installed rooftop solar PV systems at its refurbished Werribee office and new Werribee depot. The solar PV systems will supply ~50% of the energy requirements of each site with zero associated carbon emissions
- 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.

- Investigated 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.

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

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

## Greenhouse Gas Emissions

| Performance Indicator      | Tonnes of CO <sub>2</sub> e |                | Variance    | Commentary  |
|----------------------------|-----------------------------|----------------|-------------|---|
|                            | 2019-20 Target              | 2019-20 Result |             |   |
| Water Supply <sup>1</sup>  | 0.00                        | 454.6          | N/A         | Variance is due to Scope 2 emissions from Maddingley Pump Station. The IWN Large-Scale Renewable Project will be commissioned in October 2020 and will offset a large proportion of these emissions.  |
| Vehicle Fleet <sup>2</sup> | 1297                        | 643.39         | -50%        | Variance is primarily due to forced reduction in travel during COVID-19 restrictions. Due to an error with our Fleet card supplier, GHG emissions from May-June 2019 have been included, as the 2020 equivalent was not able to be sourced <sup>4</sup> . |
| Other <sup>3</sup>         | 3.00                        | 0.88           | -71%        | Variance is due to the conversion from gas to electricity of the Werribee office  |
| <b>TOTAL</b>               | <b>1,300</b>                | <b>1,102</b>   | <b>-15%</b> |   |

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 work purposes

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

4. This estimate is expected to be above what was actually generated due to continuing COVID19 restrictions.

## Electricity consumption

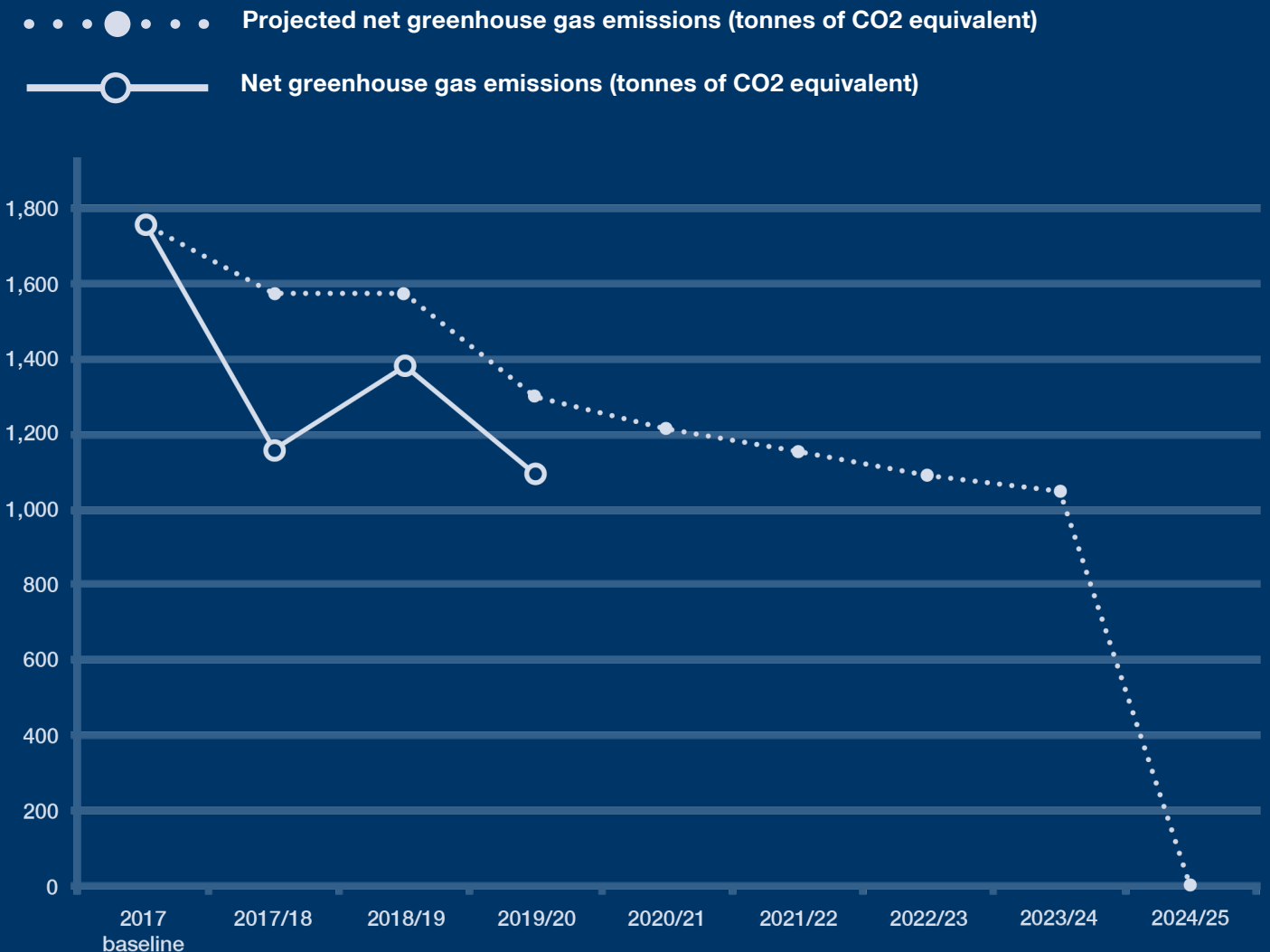
| Performance Indicator | 2019-20 result (MWh) | 2018-2019 result (MWh) | Commentary  |
|-----------------------|----------------------|------------------------|---|
| Water supply          | 445                  | 515                    | Reduction in power consumption at the Maddingley Pump Station the primary reason for reduced consumption.   |
| Other                 | 283                  | 324                    |   |
| <b>TOTAL</b>          | <b>728</b>           | <b>839</b>             | Reduction in power consumption at SRW office and depot locations, likely to be due to restrictions on office access and use during coronavirus (COVID-19) response. |

# 07. OUR ENVIRONMENT

## Renewable Energy Consumption

| Performance Indicator | 2019-20 Renewable electricity used (MWh) | 2018-2019 Renewable electricity used (MWh) | Commentary   |
|-----------------------|--|--|--|
| Solar                 | 101                                      | 109  |  |
| Greenpower            | 284                                      | 331  | The installation of behind-the-meter solar at Werribee and Werribee depot has reduced grid consumption and therefore the need to purchase Greenpower |
| TOTAL                 | 385                                      | 360  | Totals do not include estimated renewable energy use in the MID (80MWh).   |
| % renewable energy    | 53%                                      | 41%  |  |


## Greenhouse Gas Emissions/ Target




The Environment team ran a series of infographics throughout the year, internally in the weekly staff e-newsletter, and externally on our social media platforms, to promote recycling, green power, car pooling and other aspects of the environmental strategy.

## WHAT HAPPENS TO YOUR RECYCLING?


### MAGNETS PICK UP STEEL CONTAINERS



**STEEL CANS ARE**  
CRUSHED, MELTED, PURIFIED INTO ALLOYS, COOLED, ROLLED AND MADE INTO

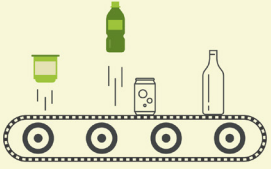


STEEL CANS




CONSTRUCTION MATERIALS


### SENSORS DETECT PLASTIC AND USE JETS OF AIR TO PUSH THEM INTO A COLLECTION AREA




PLASTICS ARE SHREDDED, WASHED, STERILISED, EXTRUDED, CHOPPED INTO PELLETS AND THEN MADE INTO




PLASTIC BOTTLES



WHEELIE BINS

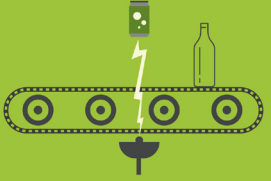


SHIPPING PALLETS




PIPING


### AN EDDY CURRENT REPELS ALUMINIUM CANS, PUSHING THEM INTO HOLDING CAGES




ALUMINIUM IS SHREDDED, MELTED, ROLLED AND COILED THEN MADE INTO



AIRCRAFT



DRINK CANS



CARS

## WHAT NOT TO RECYCLE IN THE YELLOW BIN

|   |   |   |  |   |
|---|---|---|--|---|
| <br>PAPER TOWEL    | <br>COFFEE CUPS<br><small>(LIDS CAN BE RECYCLED)</small> | <br>TISSUES        | <br>OILY PIZZA BOXES        | <br>PENS                   |
| <br>PLASTIC STRAWS | <br>POLYSTYRENE  | <br>PLASTIC PLATES | <br>DRINKING GLASS          | <br>MIRROR                 |
| <br>CHINA          | <br>LIGHT BULBS  | <br>CORNING WARE   | <br>NON BOTTLE BROKEN GLASS | <br>CERAMICS SUCH AS PYREX |

**PAPER CAN BE RECYCLED UP TO 8 TIMES** 

**EMPTY AEROSOL CANS ARE INFINITELY RECYCLABLE** 



**REMEMBER TO REMOVE LIDS**  
FROM GLASS BOTTLES AND JARS  
PRIOR TO PLACING IN RECYCLE BIN



# 08

## Bulk Entitlements

### Bulk Entitlements

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

At SRW we deal 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 2019  | Volume of water held at Lake Glenmaggie 1   | 42,355                     |
|                 | Share of Thomson Reservoir storage capacity (under Clause 9)                            | 33,434                     |
| Annual 2019-20  |   |                            |
| a(i)            | Releases from the Thomson Reservoir to supply primary entitlements                      | 8,996                      |
| a (ii)          | Share of Thomson Reservoir storage capacity (under clause 9)                            | 39,021                     |
| a(iii)          | Inflows attributed (under clause 10.1 and 10.2)   | 14,612                     |
| At 30 June 2020 |   |                            |
| Annual 2019-20  | Taken from waterway: (Note 1)   |                            |
| e (i)           | Northern Channel 1  | 41,971                     |
| e (ii)          | Southern Channel 1  | 83,425                     |
| e (iii)         | Eastern Channel 1   | 26,478                     |
| e (iv)          | Cowwarr Channel 1   | 8288                       |
| e (v)           | Southern Channel to Thomson Channel   | 2380                       |
| (i)             | Water taken by the primary entitlement holders  | 140,467                    |
| Annual 2019-20  | Water pumped to supply primary entitlement holders                                      |                            |
| g (i)           | Lake Glenmaggie   | 0                          |
| g (ii)          | Macalister River  | 4924                       |
| g (iii)         | Thomson Reservoir   | 0                          |
| g (iv)          | Thomson River   | 10,723                     |
| g (v)           | Rainbow Creek   | 4,003                      |
| (h)             | Volume of water held at Lake Glenmaggie   | 140,425                    |
|                 | Environmental allocation (2018-19 season)   | 18,691                     |
|                 | Environmental carryover (2017-18 season)  | 7,290                      |
|                 | Total available to environment (2018-19 season)   | 25,981                     |
|                 | Environmental release (including carryover)   | 18333                      |
|                 | Write off unused carryover (due to storage spilling)                                    | 0                          |
| (j)             | Environmental carryover available (2019-20 season)                                      | 7,648                      |
| (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 |

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.

Note 2. 20.1 (r) and (s) There was no failure to comply with the provision of the bulk entitlement in 2018-19. To minimise the potential for breaching compliance with environmental flows, we have developed a Risk Management Strategy and action plans. SRW has not experienced any difficulty in complying with the bulk entitlement; therefore no remedial action has been necessary.

## 08. BULK ENTITLEMENTS

### 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 2019-20 |   | Volume (ML)                     |
|----------------|---|---------------------------------|
| (b)            | Volume of water taken by Reserve Holder from Blue Rock Reservoir under this entitlement                                     | Nil                             |
| (c)            | The amount of water in the Reserve Holder's share of Blue Rock Reservoir under this entitlement 1 July 2019<br>30 June 2020 | 34,963<br>37,432                |
| (d)            | The amount of annual losses debited to the Reserve Holder's share of Blue Rock  | 1,385                           |
| (e)            | The annual amount of any internal spill of water from or to the Reserve Holder's share of storage in Blue Rock              | 465 to reserve Nil from reserve |
| (f)            | The implementation of a metering program:   | Note 1                          |
| (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 (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 2019-20 |  | Volume (ML)               |
|----------------|--|---------------------------|
| (e)            | The amount of water in Blue Rock Reservoir   |                           |
|                | 1 July 2019  | 152,293                   |
|                | 30 June 2020   | 198,337                   |
|                | The amount of water in Lake Narracan   |                           |
|                | 1 July 2019  | 6,363                     |
|                | 30 June 2020   | 4,722                     |
| (f)            | The amount of water in the Entitlement Holder's share of Blue Rock Reservoir - 2.10%, as at 30 June 2020   | 4,166                     |
| (g)            | The annual amount of water taken by the Entitlement Holder   |                           |
|                | Upstream of Yallourn Weir  | 12.1                      |
|                | Downstream of Yallourn Weir  | 8,478                     |
| (h)            | The amount of annual losses debited to the Entitlement Holder's share of Blue Rock Reservoir (due to evaporation)  | 219                       |
| (i)            | The annual amount of any internal spill of water to the Entitlement Holder's share of storage in Blue Rock Reservoir.  | 58.9                      |
| (j)            | Any periods of rationing and the degree of rationing of licence holders listed under Schedule 1  | Nil                       |
| (l)            | Implementation of programs approved under sub-clauses 14.2 and 15.1.   | Note 2                    |
|                | 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                       |
| (p)            | The annual amount supplied to any group of licence holders specified by the Minister:  |                           |
|                | Drought Reserve:   | 0                         |
|                | Gippsland Water  | 715                       |
|                | Loy Yang A   | 2,509                     |
|                | Loy Yang B   | 2,174                     |
|                | SECV   | 0                         |
|                | SRW  | 416                       |
|                | Tru Energy   | 2,867                     |
|                | Victorian Environmental Water Holder   | 2,702                     |
| (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 has submitted a metering plan for this system in line with the bulk entitlement guidelines.

Note 3. The following information is provided in accordance with Clause 11.4 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.

## 08. BULK ENTITLEMENTS

### 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 2019-20 |   | Volume (ML)   |
|----------------|---|---|
| (g)            | Releases necessary to supply transfers of primary entitlements  | 0   |
| (h)            | Water taken from the waterway for the year at each of the diversion weirs and pumps specified in clause 10:<br>Bacchus Marsh Diversion Weir<br>Werribee Diversion Weir<br>Maddingley pumps              | 196<br>8,983<br>2,450   |
|                | Water taken by SRW from the system waterway at each of the diversion weirs:<br>Lerderderg Weir to Goodmans Creek<br>Goodmans Creek to Merrimu Reservoir<br>Werribee Upper Diversion Weir to Pykes Creek | 4,147 (SRW's share 420)<br>4,420 (SRW's share 442)<br>4920 ML     |
| (i)            | Volume of water taken by primary entitlement holders:<br>• High and low reliability water shares<br>• Myrniong  | 9,522 ML HRWS<br>42.3   |
|                | Volume of water taken by primary entitlement holders including outfalls:<br>Bacchus Marsh<br>River diverters<br>Myrniong<br>Werribee  | 2092 + (109.20 Outfalls)<br>976<br>56.3<br>6454 + (82.67 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: <sup>3</sup>                 | 100% HRWS and 100% LRWS   |
| (p)            | Trades of primary entitlement <sup>4</sup>  | 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 <sup>5</sup>                            |
| (t)            | Metering program approved to date under sub-clause 17.3   | Program being implemented <sup>6</sup>                            |
| (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) Releases made under flood management are available on request.

Note 3: 18.1 (n) Detailed allocation history is available in a table on p13.

Note 4. 18.1 (p) Further details including number, places of origin and destination can be provided on request.

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 2019-20 | Volume (ML)  |                           |
|----------------|--|---------------------------|
| (b)            | Annual releases made from the Tarago Reservoir to supply primary entitlements  | 1,289                     |
| (c)            | SRW's Bulk Entitlement Metering Program was approved by the responsible Minister in April 2012. No amendments were made in 2019-20 | Program being implemented |

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

Note 2. 15.1 (b) The 2019-20 take was 1,289 ML, which is within the rolling annual average of 1260 ML/year over 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.ta muchly

## 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.

|          |  | Volume (ML)               |
|----------|--|---------------------------|
| (c)      | Water taken by SRW at its pumping station  | 16,475                    |
| (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.



## 08. BULK ENTITLEMENTS

### 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 2019-20 |   |             |
| a (i)          | Water released to supply licence entitlements                             | 0           |
| a (ii)         | SRW's share of Rosslynne Reservoir at 30 June 2020                        | 321         |
| a (iii)        | Inflows, taking into account evaporation and measurement discrepancies    | 49.6        |
| 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 again experienced difficulties in complying with the bulk entitlement passing flow requirement at the Sunbury gauging station due to the distance between the release point and the gauging site and the varying system losses during summer.

## Financial Management Compliance Attestation Statement

I, Diane James, on behalf of the Responsible Body, certify 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 21 October 2020

## 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.

## 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 2019-20, SRW commenced three Local Jobs First Standard projects totalling \$7.6 million. The projects are in regional Victoria and had an average commitment of 94.7% local content. No projects were commenced that occurred in Melbourne Metropolitan area.

The outcomes expected from the implementation of the Local Jobs First policy to these projects where information was provided are as follows:

- an average of 94.7% of local content commitment was made;
- a total of 28.8 jobs (annualised employee equivalent (AEE)) were committed as the retention of existing jobs (AEE);
- a total of .3 positions for apprentices, trainees and cadets were committed which is a newly created apprenticeship.

### Reporting requirements – all projects

During 2019-20, three (3) small to medium sized businesses prepared a VIPP Plan or Local Industry Development Plan (LIDP) for contracts, successfully appointed as Principal Contractor.

During 2019-20, (93) small to medium sized businesses were engaged through the supply chain on these projects.

SRW completed five (5) contracts under the one ongoing Strategic Project – MID2030 PH1B Southern Tinamba Modernisation, which commenced prior to 15 August 2018.

These were completed with a total of 97.8% of local content and (173) small to medium sized businesses were engaged.

### Carers Recognition Act 2012

The *Carers Recognition Act 2012* formally recognises and values the role of carers and the importance of care relationships in the Victorian community. SRW supports staff with caring responsibilities through flexible work arrangements and access to carers and other leave.

### 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 its 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 its employees. You can access SRW's procedures on the website at: [www.srw.com.au/about-us/our-procedures/](http://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](http://www.ibac.vic.gov.au)

Phone: 1300 735 135

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

### Information and Communication Technology (ICT) expenditure

For the 2019-20 reporting period, SRW had a total ICT expenditure of \$6.149m, with the details shown below.

| BAU ICT expenditure | Non-BAU ICT expenditure | Operational expenditure | Capital expenditure |
|---------------------|-------------------------|-------------------------|---------------------|
| Total               | Total = A+ B            | A                       | B                   |
| \$3.166m            | \$2.983m                | \$0.000m                | \$2.983m            |

### Government advertisement expenditure

SRW's expenditure in the 2019-20 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 2019-20 was 3,625 kilolitres. Total consumption for the year per full-time equivalent employee was 23 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 33)
- a list of SRW's major committees, the purposes of each committee, and the extent to which the purposes have been achieved (on page 37-40).

### 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](http://www.foi.vic.gov.au). An application fee of \$29.60 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 2019-20, SRW received five (5) applications. Two did not proceed and three will need decision in 2020-21. Of these requests:

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

SRW made no (0) Fol decisions during the 12 months ended 30 June 2020.

During 2019-20, no requests were subject to VCAT.

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](http://foi.vic.gov.au).

To request information, please contact:

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

## 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 the 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 Southern Rural Water 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 revenues are sufficient to cover direct costs and an equitable share of corporate and other shared costs. This information is provided in an open and transparent manner to our customer committees for consultation, along with being available to the broader customer base.

## Performance 2019-20

Our operating loss before tax was \$11.35m compared to a budgeted loss of \$7.35m.

Southern Rural Water prices are approved by the Essential Services Commission to recover the full cost of operation. Whilst 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 2019-20 financial year, the Corporation recorded \$12.73m 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 \$4.59m surplus for the 2019-20 financial year compared to a Corporate Plan budget of \$5.73m surplus.

The deterioration in our 2019-20 result compared to the Corporate Plan was caused by:

- less net gain on the disposal of non-current assets, as the sale of surplus land did not proceed due to the deterioration of market conditions
- more operating expenses associated with irrigation modernisation projects
- more employee benefit expenses due to changes caused by the COVID-19 pandemic.

As the factors which led to a decrease in Operating profit before statutory adjustments for 2019-20 are one-off in nature, the Corporation's remediation plan is limited to those actions which ensure the operating cost base is maintained at the same level of expenditure set by the current five-year price submission forecast.

## Significant changes in financial position

Expenditure on capital projects was \$26.91m for the financial year (2018-19 \$45.95m).

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 to fund this level of capital expenditure.

Total Interest Bearing Liabilities increased by \$13.66m in the 2019-20 year, and our cash balances increased by \$4.46m. Together our net debt position moved from \$42.15m to \$51.35m.

Our net debt position is expected to increase to \$77.5m over the next three years (until the end of the 2022-23 financial year) as the program of capital works associated with irrigation modernisation continues.

## 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.

## 10. FINANCIAL OVERVIEW

### 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 18-19). For information on recent capital projects managed by Southern Rural Water and the broader Victorian public sector, 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 20 for headworks projects.

| Capital Plan Expenditure 2019-20                  | Expenditure \$000s |
|---|--------------------|
| <b>Eastern Irrigation</b>                         |                    |
| MID Modernisation Phase 1B Tinamba West (stage1)  | 266                |
| MID Modernisation Phase 1B Tinamba Loop (stage 2) | 5,416              |
| MID Modernisation Phase 1B Riverslea (stage3)     | 2,874              |
| MID Modernisation Phase 1B Mewburn park (stage 4) | 4,928              |
| MID Modernisation Phase 2                         | 427                |
| MID Siphon 1                                      | 917                |
| General projects                                  | 500                |
| <b>Western Irrigation</b>                         |                    |
| WID Modernisation                                 | 4,767              |
| BMID Modernisation                                | 2,396              |
| General projects                                  | 151                |
| <b>Headworks</b>                                  |                    |
| Maffra Weir operating gear refurbishment          | 677                |
| Glenmaggie hoist operating gear refurbishment     | 212                |
| Blue Rock Lake jetty replacement                  | 124                |
| Pykes Creek cast-iron segment rehabilitation      | 103                |
| General projects                                  | 1,708              |
| <b>Groundwater &amp; Rivers</b>                   |                    |
| Metering  | 385                |
| <b>Other</b>                                      |                    |
| Werribee Office Redevelopment                     | 295                |
| ICT Projects                                      | 630                |
| General projects                                  | 135                |
| <b>Total</b>                                      | <b>26,911</b>      |

### 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 2019-20 we contracted 18 consulting firms for operating contracts greater than \$10,000 to provide advice, skills and services. The total cost of these consultancies in 2019-20 was \$461,890. Refer to the table, page 63 for more detail.

For comparison, during 2018-19 we engaged 18 consulting firms at a total cost of \$1,172,899.

#### Less than \$10,000

During 2019-20 we contracted 13 consulting firms for operating contracts less than \$10,000 to provide advice, skills and services. The total cost of these consultancies in 2019-20 was \$145,581.

For comparison, during 2018-19 we engaged seven consulting firms at a total cost of \$63,885.

| Consultant                                   | Purpose of consultancy                                    | Start date | End date | Total approved project fee | Expenditure 2019-20 | Future expenditure |
|--|---|------------|----------|----------------------------|---------------------|--------------------|
| AITHER PTY LTD                               | Melbourne area diversions project                         | Mar-20     | Jun-20   | 22,630                     | 22,630              | 0                  |
| CULTURALCHEMY PTY LTD                        | SRW People Plan   | Jul-20     | Dec-20   | 128,000                    | 125,298             | 2,702              |
| DAVID MORSE                                  | MID phase 2 procurement modelling *                       | Jul-19     | Nov-19   | 15,000                     | 15,000              | 0                  |
| EARTH SYSTEMS CONSULTING PTY LYD             | Barwon Downs independent technical review panel           | Dec-18     | Mar-20   | 42,560                     | 22,820              | 0                  |
| EARTHEON PTY LTD                             | Koo Wee Rup hydrogeological study                         | Jun-20     | Sep-20   | 45,389                     | 15,000              | 30,389             |
| ECO LOGICAL AUSTRALIA PTY LTD                | Pykes Creek biodiversity impact assessment                | Jun-19     | Sep-19   | 10,960                     | 10,960              | 0                  |
| ECOS ENVIRONMENTAL CONSULTING                | Environmental management system review                    | Nov-19     | Feb-20   | 13,494                     | 13,494              | 0                  |
| FEDERATION UNIVERSITY AUSTRALIA              | Barwon Downs independent technical review panel           | Dec-18     | Mar-20   | 20,400                     | 12,000              | 0                  |
| GHD PTY LTD                                  | Rosslynne Dam design review                               | May-17     | Feb-19   | 141,133                    | 10,098              | 0                  |
| GUNAIKURNAL LAND AND WATERS ABORIGINAL CORP. | MID phase 1B assessment field work *                      | Aug-19     | Sep-19   | 14,678                     | 14,678              | 0                  |
| HYDRO TASMANIA (ENTURA)                      | Glemaggie Dam spillway gates operating gear design review | Aug-19     | Jun-20   | 148,000                    | 62,166              | 85,834             |
| HYDROGEOLOGIC PTY LTD                        | Barwon Downs independent technical review panel           | Dec-18     | Mar-20   | 50,000                     | 19,897              | 0                  |
| HYDROLOGY AND RISK CONSULTING PTY. LTD.      | Werribee/Bacchus Marsh allocation model review            | Jul-19     | Jul-20   | 15,960                     | 15,960              | 0                  |
| PAQUA CONSULTING                             | MID groundwater control pumps water balance model review  | May-20     | Jun-20   | 16,000                     | 12,375              | 3,625              |
| PITCHER PARTNERS CONSULTING PTY LTD          | Maffra Weir probity advice                                | Sep-19     | Feb-20   | 15,170                     | 15,170              | 0                  |
| SMEC AUSTRALIA PTY LTD (ST KILDA ADDRESS)    | DAM surveillance - Annual                                 | Jul-19     | Aug-20   | 40,000                     | 17,962              | 22,038             |
| UNEARTHED HERITAGE AUSTRALIA PTY LTD         | MID phase 2 cultural heritage management plan *           | Jul-19     | Apr-20   | 31,801                     | 31,801              | 0                  |
| UNIVERSITY OF NEW SOUTH WALES (UNSW)         | Dam design review reports audit                           | Sep-17     | Nov-19   | 68,215                     | 24,581              | 0                  |

\*These projects were externally funded

# 10. FINANCIAL OVERVIEW

## Five-year financial summary

| Revenue   | 2019-20          | 2018-19          | 2017-18          | 2016-17          | 2015-16          |
|---|------------------|------------------|------------------|------------------|------------------|
|   | \$ 000s          | \$ 000s          | \$ 000s          | \$ 000s          | \$ 000s          |
| Fees and charges  | 26,231           | 27,285           | 27,285           | 26,978           | 25,931           |
| Storage operator charges  | 4,536            | 3,882            | 3,882            | 3,714            | 3,710            |
| Government grants   | 370              | 7,525            | 886              | 1,354            | 265              |
| Other   | 5,432            | 3,111            | 2,320            | 2,933            | 4,403            |
| <b>Total revenue</b>  | <b>36,569</b>    | <b>41,803</b>    | <b>34,373</b>    | <b>34,979</b>    | <b>34,309</b>    |
| <b>Expenditure</b>  |                  |                  |                  |                  |                  |
| Operations and maintenance                                      | 20,278           | 20,316           | 20,253           | 22,745           | 19,855           |
| Other   | 9,208            | 8,904            | 8,603            | 8,570            | 7,850            |
| Earnings before interest, taxation, impairment and depreciation | 7,083            | 12,583           | 5,517            | 3,664            | 6,604            |
| Depreciation  | 16,622           | 14,927           | 14,418           | 14,135           | 11,521           |
| Finance cost  | 1,806            | 1,489            | 1,067            | 1,025            | 914              |
| <b>Total expenditure</b>  | <b>47,914</b>    | <b>45,636</b>    | <b>44,341</b>    | <b>46,475</b>    | <b>40,140</b>    |
| <b>Equity</b>   |                  |                  |                  |                  |                  |
| Net operating statutory loss before tax                         | (11,345)         | (3,833)          | (9,968)          | (11,496)         | (5,831)          |
| Movement in retained earnings                                   | (10,449)         | (828)            | (6,985)          | (8,010)          | (4,087)          |
| <b>Balance Sheet</b>  |                  |                  |                  |                  |                  |
| Current assets  | 21,205           | 24,526           | 14,040           | 13,459           | 15,553           |
| Non-current assets  | 1,448,276        | 1,439,758        | 1,254,011        | 1,240,229        | 1,273,315        |
| <b>Total assets</b>   | <b>1,469,481</b> | <b>1,464,284</b> | <b>1,268,051</b> | <b>1,253,688</b> | <b>1,288,868</b> |
| Current liabilities   | 17,766           | 17,890           | 15,738           | 13,844           | 9,605            |
| Non-current liabilities   | 295,977          | 240,722          | 237,248          | 248,645          | 239,869          |
| <b>Total liabilities</b>  | <b>313,743</b>   | <b>258,612</b>   | <b>252,986</b>   | <b>262,489</b>   | <b>249,474</b>   |
| Net cash inflow from operations                                 | 8,648            | 12,916           | 4,608            | 7,154            | 6,211            |
| Payments for infrastructure, property, plant and equipment      | 29,180           | 46,659           | 28,951           | 19,280           | 13,646           |
| <b>Financial result reconciliation</b>                          |                  |                  |                  |                  |                  |
| Net operating statutory loss                                    | (11,345)         | (3,833)          | (9,968)          | (11,496)         | (5,831)          |
| Add back non-regulatory depreciation and impairment             | 12,726           | 12,052           | 11,405           | 10,691           | 8,205            |
| Less renewals charge  | 0                | -                | (1,109)          | (1,061)          | (969)            |
| Add non-regulatory asset transfers and write-offs               | 0                | -                | 98               | 4,061            | 1,362            |
| Add major projects expensed                                     | 3,212            | 2,882            | 1,599            | 921              | 2,087            |
| <b>Operating profit before statutory adjustments</b>            | <b>4,593</b>     | <b>11,101</b>    | <b>2,025</b>     | <b>3,116</b>     | <b>4,854</b>     |

## Five-year performance summary

| Performance Indicator    | 2019-20 | 2018-19 | 2017-18 | 2016-17 | 2015-16 |
|--------------------------|---------|---------|---------|---------|---------|
|                          | \$ 000s | \$ 000s | \$ 000s | \$ 000s | \$ 000s |
| Internal Financing Ratio | 29.77%  | 27.93%  | 16.32%  | 37.11%  | 46.34%  |
| Gearing Ratio            | 4.27%   | 3.35%   | 2.25%   | 1.75%   | 1.50%   |
| Interest Cover(Cash)     | 6.10    | 11.20   | 7.80    | 10.90   | 11.40   |
| Return on Assets         | -0.69%  | -0.21%  | -0.74%  | -0.86%  | -0.42%  |
| Return on Equity         | -0.72%  | -0.08%  | -0.69%  | -0.79%  | -0.40%  |

# PART B

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## 11: 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 2020. 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 2020

|  |       | 2019-2020<br>\$'000 | 2018-2019<br>\$'000 |
|--|-------|---------------------|---------------------|
|  | Notes |                     |                     |
| <b>Revenue</b>   |       |                     |                     |
| <i>Revenue from operating activities</i>                 |       |                     |                     |
| Service and usage charges                                | 2.1   | 31,712              | 32,287              |
| Chargeable works   | 2.2   | 245                 | 185                 |
| Government grants and contributions                      | 2.3   | 237                 | 1,138               |
| Interest income  |       | 22                  | 37                  |
| Other income   |       | 376                 | 556                 |
| <i>Revenue from non-operating activities</i>             |       |                     |                     |
| Government grants and contributions for capital purposes | 2.3   | 133                 | 6,183               |
| Sale of water and entitlements                           | 2.4   | 3,550               | 1,342               |
| Net gain on disposal of non-current assets               | 4.1.5 | 294                 | 75                  |
| <b>Total revenue</b>                                     |       | <b>36,569</b>       | <b>41,803</b>       |
| <b>Expenses</b>  |       |                     |                     |
| Bulk water   | 3.3   | 1,116               | 1,289               |
| Environmental contribution                               | 8.2   | 541                 | 556                 |
| Employee benefits  | 3.1.1 | 16,788              | 15,702              |
| Interest   | 6.1.2 | 1,806               | 1,489               |
| Chargeable works   | 2.2   | 245                 | 185                 |
| Repairs and maintenance                                  | 3.2   | 1,384               | 1,621               |
| Supplies and services                                    | 3.4   | 9,408               | 8,599               |
| Other operating expenses                                 | 3.5   | 0                   | 338                 |
| Depreciation of regulatory asset base                    | 4.1.3 | 3,624               | 3,336               |
| Depreciation of other assets                             | 4.1.3 | 12,726              | 12,052              |
| Asset write-offs   | 4.1.4 | 0                   | 0                   |
| Intangible asset write-offs                              | 4.3   | 4                   | 7                   |
| Amortisation   | 4.2   | 272                 | 462                 |
| <b>Total expenses</b>                                    |       | <b>47,914</b>       | <b>45,636</b>       |
| <b>Net result before tax</b>                             |       | <b>(11,345)</b>     | <b>(3,833)</b>      |
| Income tax revenue                                       | 8.1.1 | 896                 | 3,005               |
| <b>Net result for the period</b>                         |       | <b>(10,449)</b>     | <b>(828)</b>        |

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 2020

|  |       | 2019-2020<br>\$'000  | 2018-2019<br>\$'000   |
|--|-------|----------------------|-----------------------|
|  | Notes |                      |                       |
| <b>Net result for the period</b>   |       | (10,449)             | (828)                 |
| <b>Other comprehensive income for the period</b>                         |       |                      |                       |
| <i>Items that will not be reclassified to net result</i>                 |       |                      |                       |
| Net gain on revaluation of infrastructure, property, plant and equipment | 4.1.1 | 0                    | 160,855               |
| Impairment of infrastructure, property, plant and equipment              | 4.1.1 | 0                    | (900)                 |
| Income tax relating to these items                                       | 8.1.1 | 0                    | (47,987)              |
| Reduction in opening deferred taxes resulting from reduction in tax rate | 8.1.1 | 23,960               | 0                     |
| <b>Other comprehensive income for the period, net of income tax</b>      |       | <u>23,960</u>        | <u>111,968</u>        |
| <b>Comprehensive result</b>  |       | <u><u>13,511</u></u> | <u><u>111,140</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 2020

|   | Notes | 2019-2020<br>\$'000     | 2018-2019<br>\$'000     |
|---|-------|-------------------------|-------------------------|
| <b>Assets</b>                                 |       |                         |                         |
| <b>Current assets</b>                         |       |                         |                         |
| Cash and cash equivalents                     | 6.2   | 11,346                  | 6,890                   |
| Receivables                                   | 5.1   | 3,754                   | 11,123                  |
| Contract assets                               | 2.1.2 | 1,904                   | 2,342                   |
| Other non-financial assets                    |       | 448                     | 418                     |
| Assets classified as held for sale            | 4.3   | 3,753                   | 3,753                   |
| <b>Total current assets</b>                   |       | <u>21,205</u>           | <u>24,526</u>           |
| <b>Non-current assets</b>                     |       |                         |                         |
| Infrastructure, property, plant and equipment | 4.1.1 | 1,445,248               | 1,438,497               |
| Right-of-use assets                           | 5.3   | 1,478                   | 0                       |
| Intangible assets                             | 4.2   | 1,550                   | 1,261                   |
| <b>Total non-current assets</b>               |       | <u>1,448,276</u>        | <u>1,439,758</u>        |
| <b>Total assets</b>                           |       | <u><b>1,469,481</b></u> | <u><b>1,464,284</b></u> |
| <b>Liabilities</b>                            |       |                         |                         |
| <b>Current liabilities</b>                    |       |                         |                         |
| Payables                                      | 5.2   | 4,517                   | 8,479                   |
| Contract liabilities                          | 2.1.2 | 3,546                   | 66                      |
| Interest bearing liabilities                  | 6.1   | 4,560                   | 4,610                   |
| Lease liabilities                             | 5.3   | 192                     | 0                       |
| Employee benefits                             | 3.1.2 | 4,951                   | 4,716                   |
| <b>Total current liabilities</b>              |       | <u>17,766</u>           | <u>17,871</u>           |
| <b>Non-current liabilities</b>                |       |                         |                         |
| Payables                                      |       | 6                       | 7                       |
| Interest bearing liabilities                  | 6.1   | 58,140                  | 44,430                  |
| Lease liabilities                             | 5.3   | 1,333                   | 0                       |
| Employee benefits                             | 3.1.2 | 516                     | 443                     |
| Deferred tax liabilities                      | 8.1.2 | 235,982                 | 260,838                 |
| <b>Total non-current liabilities</b>          |       | <u>295,977</u>          | <u>305,718</u>          |
| <b>Total liabilities</b>                      |       | <u><b>313,743</b></u>   | <u><b>323,589</b></u>   |
| <b>Net assets</b>                             |       | <u><b>1,155,738</b></u> | <u><b>1,140,695</b></u> |
| <b>Equity</b>                                 |       |                         |                         |
| Contributed capital                           | 9.1.1 | 455,641                 | 452,974                 |
| Asset revaluation reserve                     | 9.1.2 | 693,227                 | 669,267                 |
| Accumulated surplus                           | 9.1.3 | 6,870                   | 18,454                  |
| <b>Total equity</b>                           |       | <u><b>1,155,738</b></u> | <u><b>1,140,695</b></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 2020

|  | Notes        | Contributed Capital<br>\$'000 | Asset Revaluation<br>Reserve<br>\$'000 | Accumulated<br>Funds<br>\$'000 | Total<br>\$'000  |
|--|--------------|-------------------------------|--|--------------------------------|------------------|
| <b>Balance at 1 July 2018</b>  |              | 432,858                       | 557,299                                | 19,282                         | 1,009,439        |
| Net result for the period  |              | 0                             | 0                                      | (828)                          | (828)            |
| Other comprehensive income   |              | 0                             | 111,968                                | 0                              | 111,968          |
| <b>Total comprehensive income for the period</b>   |              | 0                             | 111,968                                | (828)                          | 111,140          |
| Transactions with the State Government in its capacity as owner                            | 9.1.1        | 20,116                        | 0                                      | 0                              | 20,116           |
| <b>Balance as at 30 June 2019</b>  |              | 452,974                       | 669,267                                | 18,454                         | 1,140,695        |
| Adoption of new accounting standards: AASB 15 <i>Revenue from contracts with customers</i> | 9.8          | 0                             | 0                                      | (1,135)                        | (1,135)          |
| Adoption of new accounting standards: AASB 16 <i>Leases</i>                                | 9.8          | 0                             | 0                                      | 0                              | 0                |
| Adoption of new accounting standards: AASB 1058 <i>Income for not for profit entities</i>  | 9.8          | 0                             | 0                                      | 0                              | 0                |
| <b>Restated total equity as at 1 July 2019</b>   |              | 452,974                       | 669,267                                | 17,319                         | 1,139,560        |
| 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           |
| <b>Total comprehensive income for the period</b>   |              | 0                             | 23,960                                 | (10,449)                       | 13,511           |
| 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            |
| <b>Balance as at 30 June 2020</b>  |              | <b>455,641</b>                | <b>693,227</b>                         | <b>6,870</b>                   | <b>1,155,738</b> |

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 2020

|  |       | 2019-2020<br>\$'000 | 2018-2019<br>\$'000 |
|--|-------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>                              |       |                     |                     |
| <i>Receipts</i>  |       |                     |                     |
| Receipts from service and usage charges                                  |       | 35,961              | 34,744              |
| Receipts from State Government   |       |                     |                     |
| -Operating   | 2.3   | 1,040               | 1,138               |
| -Capital   |       | 1,625               | 6,183               |
| Interest received  |       | 23                  | 42                  |
| Goods and Services Tax received from the ATO                             |       | 4,164               | 5,324               |
| <i>Payments</i>  |       |                     |                     |
| Payments to suppliers and employees                                      |       | (32,398)            | (33,149)            |
| Interest paid  |       | (1,722)             | (1,308)             |
| Goods and Services Tax paid to the ATO                                   |       | (45)                | (58)                |
| <b>Net cash inflow from operating activities</b>                         | 6.2.1 | 8,648               | 12,916              |
| <b>Cash flows from investing activities</b>                              |       |                     |                     |
| Payments for infrastructure, property, plant and equipment               |       | (29,180)            | (46,659)            |
| Proceeds from sale of infrastructure, property, plant and equipment      | 4.1.5 | 701                 | 694                 |
| Payments for intangible assets   | 4.2   | (566)               | (278)               |
| <b>Net cash outflow from investing activities</b>                        |       | (29,045)            | (46,243)            |
| <b>Cash flows from financing activities</b>                              |       |                     |                     |
| Proceeds from new borrowings (i)   |       | 18,270              | 24,500              |
| Repayment of existing borrowings   |       | (4,610)             | (3,930)             |
| Principal element of lease liability                                     |       | 1,526               | 0                   |
| Proceeds from contributions by State Government in its capacity as owner | 9.1.1 | 9,667               | 13,116              |
| <b>Net cash inflow from financing activities</b>                         |       | 24,853              | 33,686              |
| <b>Net increase in cash and cash equivalents</b>                         |       | 4,456               | 359                 |
| <b>Cash and cash equivalents at the beginning of the financial year</b>  |       | 6,890               | 6,531               |
| <b>Cash and cash equivalents at the end of the financial year</b>        | 6.2   | 11,346              | 6,890               |

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

(i) \$3.18m of the new borrowings was applied to repay a maturing loan of \$3.18m at 30 June 2020



## 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 2020. 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 2020.

The principal address is:

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

### Accounting policies

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

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

The following standard has been adopted by the Corporation:

- AASB 15 *Revenue from Contracts with Customers*, adopted by the Corporation on 1 July 2019.
- AASB 16 *Leases*, adopted by the Corporation on 1 July 2019.
- AASB 1058 *Income for Not-for-Profits*, adopted by the Corporation on 1 July 2019.
- AASB 1059 *Service Concession arrangements*, effective as of 1 January 2020 (and early adopted by the Corporation on 1 July 2019).

#### AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from contracts with customers*, which replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations requires the Corporation to recognise revenue when the Corporation satisfies a performance obligation by transferring a promised good or service to a customer. The Corporation has adopted AASB 15 as at 1 July 2019 and has applied the new rules on a modified retrospective basis as mandated by the DTF through FRD 121 Transitional requirements on the application of AASB 15 *Revenue from Contracts with Customers*. As a result, comparatives for 2018-19 in our 30 June 2020 accounts have not been restated. The transition adjustment was \$1.135m and was made to retained earnings. Further disclosures in relation to AASB 15 are at note 2.1 and 9.8 of this report.

#### AASB 16 Leases

AASB 16 *Leases* was issued in February 2016 and replaces AASB 117 *Leases*. It will result in almost all leases being recognised on the Balance Sheet, as the distinction between operating and finance leases is removed for lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay the obligation for lease payments are recognised. The Corporation has adopted AASB 16 as at 1 July 2019 and has applied the new rules on a modified retrospective basis as mandated by the DTF through FRD 123 Transitional requirements on the application of AASB 16 *Leases*. As a result, comparatives for 2018-19 in our 30 June 2020 accounts have not been restated. There was no transition adjustment made directly to retained earnings. Further disclosures in relation to AASB 16 are at note 5.3 and 9.8 of this report.

#### AASB 1058 Income for Not-for-Profits

AASB 1058 *Income for Not-for-Profits* replaces requirements of income transactions previously accounted for under AASB 1004 *Contributions*. It establishes principles for not-for-profit entities that apply to (a) transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit corporation to further its objectives; and (b) the receipt of volunteer services. It will apply to capital grants from government and grants with no sufficiently specific performance obligation. The Corporation needs to determine whether a transaction falls under AASB 1058 or actually a contract with a customer under AASB 15. The Corporation has adopted AASB 1058 as at 1 July 2019 and has applied the new rules on a modified retrospective basis as mandated by the DTF through FRD 122 Transitional requirements on the application of AASB 1058 *Income of Not-for-Profit Entities*. As a result, comparatives for 2018-19 in our 30 June 2020 accounts have not been restated. There was no transition adjustment made to retained earnings. Further disclosures in relation to AASB 1058 are at note 2.3 and 9.8 of this report.

#### AASB 1059 Service Concession arrangements effective as of 1 January 2020 (Early adopted)

The Australian Accounting Standards Board (AASB) has issued AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059) to account for service concession arrangements from the grantor's perspective. The standard applies to both not-for-profit and for-profit public sector entities that are grantors in a service concession arrangement. These are arrangements that involve an operator providing public services related to a service concession asset on behalf of a grantor for a specified period of time and managing at least some of those services under its own discretion. While the application date of the Standard has been deferred to 1 January 2020, DTF mandates early adoption of AASB 1059 using full retrospective approach, applicable for annual reporting periods commencing on or after 1 January 2019 as mandated by the DTF through FRD 124 Transitional requirements on the application of AASB 1059 *Service Concession Arrangements: Grantors*. Therefore, the Corporation has adopted AASB 1059 as at 1 July 2019 using a full retrospective approach with 1 July 2018 ('being the date of initial application'). As a result, all comparative information in the financial statements are prepared as if AASB 1059 had always been in effect with a cumulative adjustment between the recognition of service concession assets and financial liabilities and/or "Grant of A Right To The Operator" (or GORTO) liabilities recognised in accumulated surplus/(deficit) as at 1 July 2018. Further disclosures in relation to AASB 1059 are at note 9.8 of this report. The Corporation has no service concession arrangements and as a result there was no adjustment necessary at 1 July 2019.

### 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.

## Accounting estimates

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

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

- accrued water usage charges
- the fair value of land, buildings, infrastructure, plant and equipment (Note 4.1.2)
- estimation of useful lives (Note 4.1.3)
- the impairment of assets (Note 4.1.3)
- recognition of deferred tax assets and liabilities (Note 8.1)
- accrued income (Note 2.1.2)
- 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 5.3
- estimating discount rate when not implicit in the lease, refer note 9.8

## COVID-19 pandemic

### Background

On 16 March 2020, an initial state of emergency was declared in Victoria to deal with the spread of coronavirus (COVID-19). The State Government has implemented a number of measures to reduce the spread of the virus. These measures included bans on public gatherings, rules on social distancing and unnecessary personal travel and instructions for individuals to work from home where possible. While the initial state of emergency was lifted and certain restrictions eased, in July 2020 the State Government reintroduced stricter measures as cases of COVID-19 began to increase and in August 2020 declared a state of disaster with further restrictions introduced.

Many businesses across Victoria remain closed or have limited in their operations, and as a result overall economic activity continues to be down on pre-COVID-19 levels. The Commonwealth and State governments has implemented plans to assist these affected individuals and businesses.

### Impact on SRW operations

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 2020. In making this assessment, the Corporation notes:

- To date, our rural and agricultural customer base has been largely unaffected by COVID-19 restrictions and the associated economic downturn.
- Our payment terms to small and medium size businesses have been reduced.
- Our staff have been assisted in their transition to work from home.

**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.

**Structure**

- 2.1 Revenue from contracts with customers
  - 2.1.1 Revenue from service and usage charges
  - 2.1.2 Contract assets and liabilities
- 2.2 Chargeable works
- 2.3 Government grants and contributions
- 2.4 Sale of water and entitlements

**Income from transactions****2.1 Revenue from contracts with customers**

The Corporation derives revenue from the transfer of goods and/or services over time and at a point in time in the following revenue streams. Revenue is recognised when, or as, the performance obligations to the customer are satisfied. Consideration received in advance of recognising the associated revenue from the customer is recorded as a contract liability (refer Note 2.1.2). Where the performance obligations are satisfied but not yet billed, a contract asset is recorded (refer Note 2.1.2).

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

## Water service charges

|   |        |        |
|---|--------|--------|
| Irrigation, diversion and groundwater   | 23,349 | 23,204 |
| Recycled water  | 1,385  | 1,369  |
| Storage operator charges  | 4,536  | 4,232  |
| Other charges   |        |        |
| Bore construction, application fees, transfer fees and information statements | 945    | 1,202  |
|   | 30,215 | 30,007 |

Water usage charges*Variable usage charges*

|   |               |               |
|---|---------------|---------------|
| Irrigation, diversion and groundwater               | 1,433         | 1,807         |
| Recycled water                                      | 64            | 473           |
|   | 1,497         | 2,280         |
| <b>Total revenue from service and usage charges</b> | <b>31,712</b> | <b>32,287</b> |

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

Fixed water and service charges (including recycled water and storage operator charges) are recognised as revenue when levied.

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.

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.

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

|   | 2019-2020<br>\$'000 | 2018-2019<br>\$'000 |
|---|---------------------|---------------------|
| <b>2.1.2 Contract Assets and contract liabilities</b> |                     |                     |
| Current contract asset relating to:                   |                     |                     |
| Unbilled other income                                 | 0                   | 0                   |
| Loss allowance  | 0                   | 0                   |
| Accrued revenue                                       | 1,904               | 2,342               |
| Loss allowance  | 0                   | 0                   |
| <b>Total contract assets</b>                          | <u>1,904</u>        | <u>2,342</u>        |
| Contract Liabilities - Customers paid in advance      | 116                 | 66                  |
| Unearned income - AASB 1058                           | 1,493               | 0                   |
| Unearned income - AASB 15                             | 1,937               | 0                   |
| <b>Total contract liabilities</b>                     | <u>3,546</u>        | <u>66</u>           |

**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 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.

**Revenue recognised in relation to contract liabilities**

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

|   |    |   |
|---|----|---|
| Revenue recognised that was included in the contract liability balance at the beginning of the period | 66 | 0 |
| Revenue recognised from performance obligations satisfied in previous periods                         | 66 | 0 |

Revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods (for example, changes in transaction price)

|   |              |           |
|---|--------------|-----------|
| Aggregate amount of the transaction price allocated to 57 contracts that are partially or fully unsatisfied as at 30 June 2020. | <u>3,546</u> | <u>66</u> |
|---|--------------|-----------|

**Contract liabilities reconciliation**

**Customers paid in advance**

|   |              |           |
|---|--------------|-----------|
| Opening balance 1 July 2019   | 66           | 0         |
| Add: Payments received for performance obligations yet to be completed during the period        | 116          | 66        |
| Less: Revenue recognised in the reporting period for the completion of a performance obligation | (66)         | 0         |
| <b>Unearned income - AASB 1058</b>  |              |           |
| Add: Grant revenue received during the year   | 1,625        | 0         |
| Less: Grant revenue recognised for performance obligations met during the year                  | (133)        | 0         |
| <b>Unearned income - AASB 15</b>  |              |           |
| Opening balance transition adjustment   | 1,135        | 0         |
| Add: Grant revenue received during the year   | 1,040        | 0         |
| Less: Grant revenue recognised for performance obligations met during the year                  | (237)        | 0         |
|   | <u>3,546</u> | <u>66</u> |

\*As permitted under the transitional provisions in AASB 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 30 June 2019 is not disclosed.

|                               | 2019-2020<br>\$'000 | 2018-2019<br>\$'000 |
|-------------------------------|---------------------|---------------------|
| <b>2.2 Chargeable works</b>   |                     |                     |
| Chargeable works              | 245                 | 185                 |
| <b>Total chargeable works</b> | <u>245</u>          | <u>185</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.

|  | Funds received |            |
|--|----------------|------------|
|  | 2019-2020      |            |
|  | \$'000         |            |
| <b>2.3 Government grants and contributions</b>                       |                |            |
| Operating  |                |            |
| State Government   |                |            |
| Macalister Irrigation District MID2030 phase 2 development *         | 0              | 153        |
| South West Limestone GMA customer survey                             | 0              | 0          |
| Stream frontage management program                                   | 0              | 0          |
| Emergency water supply points program +                              | 500            | 84         |
| Southern Victoria irrigation development feasibility study phase 3 + | 500            | 0          |
| Dam safety flood mitigation modelling +                              | 40             | 0          |
| Non urban water compliance and enforcement strategy                  | 0              | 0          |
| Non-operating  |                |            |
| State Government   |                |            |
| Blue Rock floating boat ramp   | 0              | 0          |
| Blue Rock all-abilities playground *                                 | 325            | 0          |
| MID2030 Phase 1B   | 0              | 0          |
| MID2030 Phase 2 *  | 1,300          | 133        |
| <b>Total government grants and contributions</b>                     | <u>2,665</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.

| <b>2.4 Sale of water and entitlements</b>      |              |              |
|--|--------------|--------------|
| Sale of created water shares (i)               | 377          | 1,081        |
| Sale of water (ii)                             | 3            | 204          |
| Sale of surface and groundwater licences (iii) | 3,170        | 57           |
| <b>Total sale of water and entitlements</b>    | <u>3,550</u> | <u>1,342</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. Part of the fifth tranche of these entitlements, 93 ML of high and 48ML of low reliability shares, was sold by auction on 3 April 2020. The proceeds raised of \$0.377m have been recorded in the Comprehensive Operating Statement as revenue.

(ii) During 2019-20, the Corporation conducted auctions selling seasonal allocations from water entitlements held in the Macalister and Dilwyn water supply systems. The proceeds raised of \$0.003m have been recorded in the Comprehensive Operating Statement as revenue.

(iii) During 2019-20, the Corporation conducted an auction of unregulated surfacewater licences in the Tarwin River catchment and sold 2,495 ML of licensed volume. The proceeds raised of \$3.170m have been recorded in the Comprehensive Operating Statement as revenue.

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



**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.

**Structure**

- 3.1 Our people
  - 3.1.1 Employee benefits - Comprehensive Operating Statement
  - 3.1.2 Employee benefits - Balance Sheet
  - 3.1.3 Superannuation
- 3.2 Repairs and maintenance
- 3.3 Bulk water
- 3.4 Supplies and services
- 3.5 Other operating expenses

**3.1 Our people****3.1.1 Employee benefits - Comprehensive Operating Statement**

## Employee benefits

|  |        |        |
|--|--------|--------|
| - salaries and wages                   | 11,628 | 10,711 |
| - annual leave                         | 1,152  | 1,254  |
| - long service leave                   | 572    | 412    |
| - employer superannuation contribution | 1,458  | 1,475  |
| - payroll tax                          | 832    | 824    |
| - termination benefit                  | 248    | 66     |
| - other                                | 898    | 960    |

**Total employee benefit costs**

16,788

15,702

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

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

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.



2019-2020  
\$'000

2018-2019  
\$'000

**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:**

*Annual leave*

|   |     |     |
|---|-----|-----|
| Unconditional and expected to settle within 12 months | 987 | 953 |
| Unconditional and expected to settle after 12 months  | 827 | 718 |

*Long service leave*

|   |       |       |
|---|-------|-------|
| Unconditional and expected to settle within 12 months | 1,611 | 1,546 |
| Unconditional and expected to settle after 12 months  | 766   | 775   |

*Provisions for on-costs*

|   |     |     |
|---|-----|-----|
| Unconditional and expected to settle within 12 months | 471 | 453 |
| Unconditional and expected to settle after 12 months  | 289 | 271 |

**Total current provisions for employer benefits**

|       |       |
|-------|-------|
| 4,951 | 4,716 |
|-------|-------|

**Non-current provisions**

|                    |     |     |
|--------------------|-----|-----|
| Long service leave | 437 | 375 |
| On-costs           | 79  | 68  |

**Total non-current provisions for employee benefits**

|     |     |
|-----|-----|
| 516 | 443 |
|-----|-----|

**Total provisions for employee benefits**

|       |       |
|-------|-------|
| 5,467 | 5,159 |
|-------|-------|

**Reconciliation of movement in on-cost provision**

|                                  |     |     |
|----------------------------------|-----|-----|
| Opening balance                  | 792 | 786 |
| Additional provisions recognised | 47  | 6   |

Closing balance

|     |     |
|-----|-----|
| 839 | 792 |
|-----|-----|

|             |     |     |
|-------------|-----|-----|
| Current     | 760 | 724 |
| Non-current | 79  | 68  |

|     |     |
|-----|-----|
| 839 | 792 |
|-----|-----|

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. The liabilities are presented as current employee benefit obligations in the Balance Sheet.

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.

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

*On-costs*

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

*Long service leave*

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

Unconditional LSL (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 2020 are detailed below:

|                          |   | 2019-2020<br>\$'000         | Contribution<br>rate | 2018-2019<br>\$'000 | Contribution<br>rate |
|--------------------------|---|-----------------------------|----------------------|---------------------|----------------------|
| Accumulation schemes:    |   |                             |                      |                     |                      |
| (a)                      | Vision Super                                  |                             |                      |                     |                      |
|                          |   | Employer contribution       | 837                  | 9.50%               | 855                  |
| (b)                      | Other superannuation schemes                  |                             |                      |                     |                      |
|                          |   | Employer contribution       | 907                  | 9.50%               | 925                  |
| Defined benefit schemes: |   |                             |                      |                     |                      |
| (c)                      | Government Superannuation Office - New Scheme |                             |                      |                     |                      |
|                          |   | Employer contribution       | 41                   | 7.4% - 11.6%        | 60                   |
|                          |   | Total employer contribution | <u>1,785</u>         |                     | <u>1,840</u>         |

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

#### Accumulation (items a - b)

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

#### Defined benefit (item c)

The Corporation does not use defined benefit accounting because sufficient information is not available. 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

On the basis of the results of the 2020 interim actuarial investigation conducted by the fund actuary, the Corporation makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. In addition, the Corporation reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

#### The 2019 interim actuarial investigation surplus amounts

As at 30 June 2019, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) was [107.1%]. Because the VBI was above 100%, the 2019 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

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

- Net investment returns [6.0% pa]
- Salary information [3.5% pa]
- Price inflation (CPI) [2.0% pa.]

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

The Fund's interim actuarial investigation as at 30 June 2019 identified the following:

- A VBI surplus of [\$151.3 million]; and
- A total service liability surplus of [\$233.4 million].

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

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

#### The 2020 full triennial actuarial investigation

A full actuarial investigation is being conducted for the Fund's position as at 30 June 2020. It is anticipated that this actuarial investigation will be completed by 31 December 2020.

#### Funding calls

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

In the event that the fund actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including 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 a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

|                                      | 2019-2020<br>\$'000 | 2018-2019<br>\$'000 |
|--------------------------------------|---------------------|---------------------|
| <b>3.2 Repairs and maintenance</b>   |                     |                     |
| Repairs and maintenance              | 1,384               | 1,621               |
| <b>Total repairs and maintenance</b> | <u>1,384</u>        | <u>1,621</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.

|                         |              |              |
|-------------------------|--------------|--------------|
| <b>3.3 Bulk water</b>   |              |              |
| Recycled water          | 1,116        | 1,289        |
| <b>Total bulk water</b> | <u>1,116</u> | <u>1,289</u> |

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

|                                    |              |              |
|------------------------------------|--------------|--------------|
| <b>3.4 Supplies and services</b>   |              |              |
| <i>Supplies and services</i>       |              |              |
| - Insurance                        | 436          | 446          |
| - Motor vehicle operating costs    | 664          | 706          |
| - Professional services            | 1,282        | 1,266        |
| - Telecommunications               | 421          | 404          |
| - Computer software maintenance    | 369          | 346          |
| - Utilities                        | 267          | 316          |
| - Regulatory fees                  | 216          | 242          |
| - Training                         | 191          | 242          |
| - Project works not capitalised    | 3,212        | 2,142        |
| - Other services                   | 2,350        | 2,489        |
| <b>Total supplies and services</b> | <u>9,408</u> | <u>8,599</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.

|  |          |            |
|--|----------|------------|
| <b>3.5 Other operating expenses</b>    |          |            |
| Other expenses                         |          |            |
| <i>Operating lease rental expenses</i> |          |            |
| - Lease payments                       | 0        | 338        |
| Total operating lease rental expenses  | <u>0</u> | <u>338</u> |
| Ex gratia expense (refer to Note 9.7)  | 0        | 0          |
| <b>Total other operating expenses</b>  | <u>0</u> | <u>338</u> |

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and are deemed relevant for the understanding of this financial report. They are expensed in the period in which they are incurred.

For practical expedients applied under AASB 16 in relation to short term leases, low value leases and variable lease payments, refer to Note 9.8.

4. Key assets available to support output delivery

Introduction

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

Structure

Infrastructure, property, plant and equipment

- 4.1 Infrastructure, property, plant and equipment
  - 4.1.1 Reconciliation of movements in carrying values of infrastructure, property, plant and equipment
  - 4.1.2 Fair value determination: Non-financial physical assets
  - 4.1.3 Depreciation
  - 4.1.4 Asset write-offs
  - 4.1.5 Net gain on disposal of non-current assets
- 4.2 Intangible assets
  - 4.2.1 Intangible asset write-offs
- 4.3 Assets classified as held for sale

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 2020

|                                       | Land<br>\$'000 | Water<br>infrastructure<br>\$'000 | Machinery, fittings and<br>equipment<br>\$'000 | Plant<br>\$'000 | Motor vehicles<br>\$'000 | Buildings<br>\$'000 | Capital works in<br>progress<br>\$'000 | Total<br>\$'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 |

Year ended 30 June 2019

|                                       | Land<br>\$'000 | Water<br>infrastructure<br>\$'000 | Machinery, fittings and<br>equipment<br>\$'000 | Plant<br>\$'000 | Motor vehicles<br>\$'000 | Buildings<br>\$'000 | Capital works in<br>progress<br>\$'000 | Total<br>\$'000 |
|---------------------------------------|----------------|-----------------------------------|--|-----------------|--------------------------|---------------------|--|-----------------|
| At 1 July 2018                        | 29,879         | 1,192,488                         | 1,814  | 513             | 2,510                    | 3,254               | 22,101                                 | 1,252,559       |
| Additions - new assets                | 0              | 0                                 | 0  | 0               | 1,341                    | 0                   | 36,807                                 | 38,148          |
| Additions - asset renewal             | 0              | 0                                 | 0  | 0               | 0                        | 0                   | 7,464                                  | 7,464           |
| Transfers                             | 0              | 23,359                            | 377  | 157             | 0                        | 94                  | (23,987)                               | 0               |
| Revaluation                           | 7,718          | 152,857                           | 0  | 0               | 0                        | 280                 | 0                                      | 160,855         |
| Impairment                            | 0              | (900)                             | 0  | 0               | 0                        | 0                   | 0                                      | (900)           |
| Transfers to held for sale            | (3,621)        | 0                                 | 0  | 0               | 0                        | 0                   | 0                                      | (3,621)         |
| Disposals                             | 0              | 0                                 | (34)   | 0               | (585)                    | 0                   | 0                                      | (619)           |
| Depreciation of regulatory asset base | 0              | (2,118)                           | (408)  | (96)            | (585)                    | (129)               | 0                                      | (3,336)         |
| Depreciation of other assets          | 0              | (11,921)                          | 0  | 0               | 0                        | (132)               | 0                                      | (12,053)        |
| At 30 June 2019                       | 33,976         | 1,353,765                         | 1,749  | 574             | 2,681                    | 3,367               | 42,386                                 | 1,438,497       |

At 1 July 2018

|                          |        |           |         |       |         |       |        |           |
|--------------------------|--------|-----------|---------|-------|---------|-------|--------|-----------|
| Gross carrying amount    | 29,879 | 1,218,261 | 5,383   | 1,445 | 4,313   | 3,717 | 22,101 | 1,285,099 |
| Accumulated depreciation | 0      | (25,773)  | (3,569) | (932) | (1,803) | (463) | 0      | (32,540)  |
| Net carrying amount      | 29,879 | 1,192,488 | 1,814   | 513   | 2,510   | 3,254 | 22,101 | 1,252,559 |

At 30 June 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 |

#### *Initial recognition*

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 (2019: \$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.

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.

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 non-current physical assets*

Revaluations are conducted in accordance with FRD103H. Scheduled revaluation is undertaken every five years with an annual assessment of fair value to determine if it is materially different to carrying value. If the difference to carrying value is greater than 10 per cent, a management revaluation is undertaken while a movement greater than 40 per cent will normally involve an approved valuer (usually the Valuer-General Victoria) to perform a detailed assessment of the fair value. If the movement in fair value since the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts.

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

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

Revaluation increases and revaluation decreases relating to individual assets within a class of infrastructure, property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes. Asset revaluation reserves are not transferred to accumulated surplus/(deficit) on derecognition of the relevant asset.

#### **4.1.2 Fair value determination: Non-financial physical assets**

##### ***Significant judgment: Fair value measurements of assets and liabilities***

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

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

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

##### ***Fair value hierarchy***

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

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

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

**Non-financial physical assets**

**Fair value measurement hierarchy for assets as at 30 June 2020**

|   | Carrying amount<br>as at 30 June 2020<br>\$'000 | Fair value measurement at end of reporting period using: |                       |                       |
|---|---|--|-----------------------|-----------------------|
|   |   | Level 1 (i)<br>\$'000                                    | Level 2 (i)<br>\$'000 | Level 3 (i)<br>\$'000 |
| Land at fair value  |   |  |                       |                       |
| Non-specialised land  | 2,841   | 0  | 2,841                 | 0                     |
| Specialised land  | 31,105  | 0  | 0                     | 31,105                |
| <b>Total of land at fair value</b>                              | <b>33,946</b>                                   | <b>0</b>   | <b>2,841</b>          | <b>31,105</b>         |
| Buildings at fair value   |   |  |                       |                       |
| Non-specialised buildings                                       | 5,348   | 0  | 0                     | 5,348                 |
| <b>Total of buildings at fair value</b>                         | <b>5,348</b>                                    | <b>0</b>   | <b>0</b>              | <b>5,348</b>          |
| 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               |
| <b>Total of water infrastructure at fair value</b>              | <b>1,391,218</b>                                | <b>0</b>   | <b>0</b>              | <b>1,391,218</b>      |
| 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                   |
| <b>Total of machinery, fittings and equipment at fair value</b> | <b>1,624</b>                                    | <b>0</b>   | <b>0</b>              | <b>1,624</b>          |
| Motor vehicles and plant at fair value                          |   |  |                       |                       |
| Motor vehicles  | 2,540   | 0  | 0                     | 2,540                 |
| Plant   | 495   | 0  | 0                     | 495                   |
| <b>Total of motor vehicles and plant at fair value</b>          | <b>3,035</b>                                    | <b>0</b>   | <b>0</b>              | <b>3,035</b>          |

**Fair value measurement hierarchy for assets as at 30 June 2019**

|   | Carrying amount<br>as at 30 June 2019<br>\$'000 | Fair value measurement at end of reporting period using: |                       |                       |
|---|---|--|-----------------------|-----------------------|
|   |   | Level 1 (i)<br>\$'000                                    | Level 2 (i)<br>\$'000 | Level 3 (i)<br>\$'000 |
| Land at fair value  |   |  |                       |                       |
| Non-specialised land  | 2,871   | 0  | 2,871                 | 0                     |
| Specialised land  | 31,105  | 0  | 0                     | 31,105                |
| <b>Total of land at fair value</b>                              | <b>33,976</b>                                   | <b>0</b>   | <b>2,871</b>          | <b>31,105</b>         |
| Buildings at fair value   |   |  |                       |                       |
| Non-specialised buildings                                       | 3,367   | 0  | 0                     | 3,367                 |
| <b>Total of buildings at fair value</b>                         | <b>3,367</b>                                    | <b>0</b>   | <b>0</b>              | <b>3,367</b>          |
| Water infrastructure at fair value                              |   |  |                       |                       |
| Reservoirs and weirs  | 796,971   | 0  | 0                     | 796,971               |
| Tunnels   | 62,138  | 0  | 0                     | 62,138                |
| Irrigation channels and pipes                                   | 221,218   | 0  | 0                     | 221,218               |
| Irrigation drains   | 52,513  | 0  | 0                     | 52,513                |
| Irrigation structures, meters and pumps                         | 220,926   | 0  | 0                     | 220,926               |
| <b>Total of water infrastructure at fair value</b>              | <b>1,353,766</b>                                | <b>0</b>   | <b>0</b>              | <b>1,353,766</b>      |
| Machinery, fittings and equipment at fair value                 |   |  |                       |                       |
| Machinery and tools   | 390   | 0  | 0                     | 390                   |
| Computer equipment  | 978   | 0  | 0                     | 978                   |
| Furniture and fittings  | 381   | 0  | 0                     | 381                   |
| <b>Total of machinery, fittings and equipment at fair value</b> | <b>1,749</b>                                    | <b>0</b>   | <b>0</b>              | <b>1,749</b>          |
| Motor vehicles and plant at fair value                          |   |  |                       |                       |
| Motor vehicles  | 2,680   | 0  | 0                     | 2,680                 |
| Plant   | 571   | 0  | 0                     | 571                   |
| <b>Total of motor vehicles and plant at fair value</b>          | <b>3,251</b>                                    | <b>0</b>   | <b>0</b>              | <b>3,251</b>          |



**Notes:**

(i) Classified in accordance with the fair value hierarchy, see Note 4.1.2

There have been no transfers between levels during the period.

The Valuer General Victoria (VGV) is the Corporation's independent valuation agency in relation to valuation of property, plant and equipment and infrastructure. The Corporation, in conjunction with VGV, monitors changes in the fair value of 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 2016.

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 2016.

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 2016.

**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 2016. 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.

There were no changes in valuation techniques throughout the period to 30 June 2020.

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

*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 2020 of all asset classes, with no material movements identified since the managerial revaluation undertaken as 30 June 2019.

**Reconciliation of Level 3 fair value measurements**

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 2020**

| Asset type                              | Opening balance | Additions | Transfers | Disposals and write-off | Depreciation | Impairment | 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             |

**Reconciliation of Level 3 fair value (\$'000) at 30 June 2019**

| Asset type                              | Opening balance | Additions | Transfers | Disposals and write-off | Depreciation | Impairment | Revaluation | Unrealised gains/(losses) on non-financial assets | Closing balance |
|---|-----------------|-----------|-----------|-------------------------|--------------|------------|-------------|---|-----------------|
| Specialised land                        | 24,420          | 0         | 0         | 0                       | 0            | 0          | 6,685       | 0   | 31,105          |
| Non-specialised buildings               | 3,254           | 0         | 94        | 0                       | (261)        | 0          | 280         | 0   | 3,367           |
| Reservoirs and weirs                    | 698,072         | 0         | 2,076     | 0                       | (3,838)      | 0          | 100,660     | 0   | 796,970         |
| Tunnels                                 | 54,228          | 0         | 9         | 0                       | (83)         | 0          | 7,984       | 0   | 62,138          |
| Irrigation channels and pipes           | 184,404         | 0         | 16,363    | 0                       | (3,711)      | (635)      | 24,798      | 0   | 221,219         |
| Irrigation drains                       | 45,993          | 0         | 35        | 0                       | (261)        | 0          | 6,745       | 0   | 52,512          |
| Irrigation structures, meters and pumps | 209,791         | 0         | 4,876     | 0                       | (6,146)      | (265)      | 12,670      | 0   | 220,926         |
| Machinery and tools                     | 424             | 0         | 67        | 0                       | (101)        | 0          | 0           | 0   | 390             |
| Computer equipment                      | 922             | 0         | 294       | 0                       | (239)        | 0          | 0           | 0   | 978             |
| Furniture and fittings                  | 469             | 0         | 15        | (34)                    | (69)         | 0          | 0           | 0   | 381             |
| Motor vehicles                          | 2,510           | 0         | 1,341     | (585)                   | (585)        | 0          | 0           | 0   | 2,681           |
| Plant                                   | 513             | 0         | 157       | 0                       | (96)         | 0          | 0           | 0   | 574             |

Notes:

| Description of significant unobservable inputs to Level 3 valuations (i) |   |   |                              |  |
|--|---|---|------------------------------|--|
| Asset class  | Fair value at<br>30 June 2019<br>(\$'000) | Fair value at<br>30 June 2020<br>(\$'000) | Valuation technique<br>(ii)  | Significant unobservable inputs (ii)   |
| Specialised land   | 31,105                                    | 31,105                                    | Market / Adjusted            | Community Service Obligation (CSO) adjustment to market value  |
| Non-specialised buildings (52)   | 3,367                                     | 5,348                                     | 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)   | 750,226                                   | 741,630                                   | Depreciated replacement cost | Cost per reservoir<br><br>Useful life of reservoirs  |
| Weirs (6)  | 46,744                                    | 52,292                                    | Depreciated replacement cost | Cost per weir<br><br>Useful life of weirs  |
| Tunnels (3)  | 62,138                                    | 62,043                                    | Depreciated replacement cost | Cost per tunnel<br><br>Useful life of tunnels  |
| Irrigation channels  | 171,306                                   | 166,354                                   | Depreciated replacement cost | Cost per metre of channel<br><br>Useful life of irrigation channels  |
| Irrigation pipes   | 49,913                                    | 89,618                                    | Depreciated replacement cost | Cost per metre of pipeline<br><br>Useful life of irrigation pipes  |

| Description of significant unobservable inputs to level 3 valuations (i) |   |   |                                 |  |
|--|---|---|---------------------------------|--|
| Asset class  | Fair value at<br>30 June 2019<br>(\$'000) | Fair value at<br>30 June 2020<br>(\$'000) | Valuation technique<br>(ii)     | Significant unobservable inputs (ii)                       |
| Irrigation drains  | 52,512                                    | 52,262                                    | Depreciated<br>replacement cost | Cost per metre<br><br>Useful life of irrigation drains     |
| Irrigation structures, meters and pumps                                  | 220,926                                   | 227,018                                   | Depreciated<br>replacement cost | Cost per unit<br><br>Useful life of irrigation structures  |
| Machinery and tools  | 390                                       | 365                                       | Depreciated<br>replacement cost | Cost per unit<br><br>Useful life of machinery and tools    |
| Computer equipment   | 978                                       | 791                                       | Depreciated<br>replacement cost | Cost per unit<br><br>Useful life of computer equipment     |
| Furniture and fittings   | 381                                       | 468                                       | Depreciated<br>replacement cost | Cost per unit<br><br>Useful life of furniture and fittings |
| Motor vehicles   | 2,681                                     | 2,540                                     | Depreciated<br>replacement cost | Cost per unit<br><br>Useful life of motor vehicles         |
| Plant  | 574                                       | 495                                       | Depreciated<br>replacement cost | Cost per unit<br><br>Useful life of plant                  |

**Notes:**

(i) These significant unobservable inputs remain unchanged from 30 June 2019.

(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.

#### 4.1.3 Depreciation

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.

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

#### Impairment

Non-financial assets, including items of 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 depreciated replacement cost and fair value less costs to sell. The recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

|   | 2019-2020<br>\$'000 | 2018-2019<br>\$'000 |
|---|---------------------|---------------------|
| <b>4.1.4 Asset write-offs</b>   |                     |                     |
| <i>Assets transferred/written off</i>   |                     |                     |
| Written down value of transferred assets  | 0                   | 0                   |
| Written down value of transferred assets represents the transfer of ownership of irrigation drains to landholders as part of the Corporation's nutrient reduction activities. Drains were transferred at no cost to landholders under this program. |                     |                     |
| <b>Total asset write-offs</b>   | <u>0</u>            | <u>0</u>            |
| <b>4.1.5 Net gain on disposal of non-current assets</b>   |                     |                     |
| The net gain on disposal of assets includes the following specific net gains and expenses:  |                     |                     |
| Proceeds from sale of infrastructure, property, plant and equipment   | 701                 | 694                 |
| Written down value of disposed infrastructure, property, plant and equipment  | <u>(407)</u>        | <u>(619)</u>        |
| Net gain on disposal of assets  | <u>294</u>          | <u>75</u>           |



## 4.2 Intangible assets

|                                | Software<br>\$'000 | Water allocation<br>\$'000 | Implementation in<br>progress<br>\$'000 | Total<br>\$'000 |
|--------------------------------|--------------------|----------------------------|---|-----------------|
| <b>Year ended 30 June 2020</b> |                    |                            |   |                 |
| 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                | 826                | 218                        | 506                                     | 1,550           |
| <b>At 1 July 2019</b>          |                    |                            |   |                 |
| Cost (gross carrying amount)   | 8,300              | 222                        | 397                                     | 8,919           |
| Accumulated amortisation       | (7,658)            | 0                          | 0                                       | (7,658)         |
| Net carrying amount            | 642                | 222                        | 397                                     | 1,261           |
| <b>At 30 June 2020</b>         |                    |                            |   |                 |
| Cost (gross carrying amount)   | 8,757              | 218                        | 506                                     | 9,481           |
| Accumulated amortisation       | (7,931)            | 0                          | 0                                       | (7,931)         |
| Net carrying amount            | 826                | 218                        | 506                                     | 1,550           |
|                                | Software<br>\$'000 | Water allocation<br>\$'000 | Implementation in<br>progress<br>\$'000 | Total<br>\$'000 |
| <b>Year ended 30 June 2019</b> |                    |                            |   |                 |
| At 1 July 2018                 | 1,050              | 229                        | 173                                     | 1,452           |
| Additions                      | 0                  | 0                          | 278                                     | 278             |
| Transfer                       | 54                 | 0                          | (54)                                    | 0               |
| Assets written off             | 0                  | (7)                        | 0                                       | (7)             |
| Amortisation                   | (462)              | 0                          | 0                                       | (462)           |
| At 30 June 2019                | 642                | 222                        | 397                                     | 1,261           |
| <b>At 1 July 2018</b>          |                    |                            |   |                 |
| Cost (gross carrying amount)   | 8,246              | 229                        | 173                                     | 8,648           |
| Accumulated amortisation       | (7,196)            | 0                          | 0                                       | (7,196)         |
| Net carrying amount            | 1,050              | 229                        | 173                                     | 1,452           |
| <b>At 30 June 2019</b>         |                    |                            |   |                 |
| Cost (gross carrying amount)   | 8,300              | 222                        | 397                                     | 8,919           |
| Accumulated amortisation       | (7,658)            | 0                          | 0                                       | (7,658)         |
| Net carrying amount            | 642                | 222                        | 397                                     | 1,261           |

### Recognition

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

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 *Intangible Assets* is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. [AASB 138.74-75; FRD 109A]

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

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

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                | 272        | 462        |
| <b>Total amortisation</b> | <u>272</u> | <u>462</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 | 4 | 7 |
|---|---|---|

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.

|  |          |          |
|--|----------|----------|
| <b>Total intangible asset write-offs</b> | <u>4</u> | <u>7</u> |
|--|----------|----------|

#### 4.3 Assets classified as held for sale

|                             |              |              |
|-----------------------------|--------------|--------------|
| Freehold land held for sale | <u>3,753</u> | <u>3,753</u> |
|-----------------------------|--------------|--------------|

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

**5. Other assets and liabilities**

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

**Structure**

- 5.1 Receivables
- 5.2 Payables
  - 5.2.1 Ageing analysis of contractual payables
- 5.3 Right-of-use-assets and lease liabilities

**5.1 Receivables****Contractual**

|                                      |       |       |
|--------------------------------------|-------|-------|
| Service and usage charges            | 3,568 | 3,111 |
| Allowance for expected credit losses | (95)  | (95)  |
| Contributed Capital                  | 0     | 7,000 |

**Statutory**

|                                  |     |       |
|----------------------------------|-----|-------|
| GST Input tax credit receivables | 281 | 1,107 |
|----------------------------------|-----|-------|

**Total current receivables**

|       |        |
|-------|--------|
| 3,754 | 11,123 |
|-------|--------|

**Total receivables**

|       |        |
|-------|--------|
| 3,754 | 11,123 |
|-------|--------|

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.

**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 2020 was determined as follows for trade receivables:

| 30 June 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%                         | 12%                        | 3%    |
| Gross Carrying Amount-service and usage charges (\$'000) | 1,077   | 82                         | 1,739                      | 818                        | 3,716 |
| Loss allowance (\$'000)                                  | 0       | 0                          | 0                          | 95                         | 95    |
| 1 July 2019  | 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%                         | 4%                         | 3%    |
| Gross Carrying Amount-service and usage charges (\$'000) | 258     | 635                        | 23                         | 2,218                      | 3,134 |
| Loss allowance (\$'000)                                  | 0       | 0                          | 0                          | 95                         | 95    |

Trade receivables 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.

|                                      | 2019-2020<br>\$'000 | 2018-2019<br>\$'000 |
|--------------------------------------|---------------------|---------------------|
| <b>5.2 Payables</b>                  |                     |                     |
| <b>Contractual</b>                   |                     |                     |
| Trade creditors                      | 4,291               | 8,253               |
| Advances for capital and other works | 138                 | 130                 |
| <b>Statutory</b>                     |                     |                     |
| Fringe Benefits Tax payable          | 88                  | 96                  |
| <b>Total current payables</b>        | 4,517               | 8,479               |
| <b>Total payables</b>                | <u>4,517</u>        | <u>8,479</u>        |

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.

#### 5.2.1 Ageing analysis of contractual payables

|                       | Carrying amount<br>\$'000 | Nominal amount<br>\$'000 | Maturity dates              |                      |                             |                       |                    |
|-----------------------|---------------------------|--------------------------|-----------------------------|----------------------|-----------------------------|-----------------------|--------------------|
|                       |                           |                          | Less than 1 month<br>\$'000 | 1-3 months<br>\$'000 | 3 months - 1 year<br>\$'000 | 1 - 5 years<br>\$'000 | 5+ years<br>\$'000 |
| 2020                  |                           |                          |                             |                      |                             |                       |                    |
| Supplies and services | 4,429                     | 4,429                    | 4,391                       | 28                   | 10                          | 0                     | 0                  |
| <b>Total</b>          | <u>4,429</u>              | <u>4,429</u>             | <u>4,391</u>                | <u>28</u>            | <u>10</u>                   | <u>0</u>              | <u>0</u>           |
| 2019                  |                           |                          |                             |                      |                             |                       |                    |
| Supplies and services | 8,383                     | 8,383                    | 8,371                       | 12                   | 0                           | 0                     | 0                  |
| <b>Total</b>          | <u>8,383</u>              | <u>8,383</u>             | <u>8,371</u>                | <u>12</u>            | <u>0</u>                    | <u>0</u>              | <u>0</u>           |

2019-2020  
\$'000

2018-2019  
\$'000

### 5.3 Right-of-use-assets and lease liabilities

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

*(i) Amounts recognised in the Balance Sheet*

The Balance Sheet shows the following amounts relating to leases:

**Right-of-use assets**

|              |             |          |
|--------------|-------------|----------|
| Buildings    | 1478        | 0        |
| <b>Total</b> | <u>1478</u> | <u>0</u> |

**Lease liabilities**

|                                |             |          |
|--------------------------------|-------------|----------|
| Current                        | 192         | 0        |
| Non – Current                  | 1333        | 0        |
| <b>Total lease liabilities</b> | <u>1525</u> | <u>0</u> |

Additions to the right-of-use assets during the 2020 financial year were \$1.7m.

\*In the previous year, the Corporation only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 Leases. For adjustments recognised on adoption of AASB 16 on 1 January 2019, please refer section 9.8.

*(ii) Amount recognised in the statement of profit or loss*

The statement of profit or loss shows the following amounts relating to leases:

**Depreciation charge of right-of-use assets**

|              |            |          |
|--------------|------------|----------|
| Buildings    | 225        | 0        |
| <b>Total</b> | <u>225</u> | <u>0</u> |

|   |           |          |
|---|-----------|----------|
| Interest expense (included in finance cost)   | 60        | 0        |
| 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        |
| Expense relating to variable lease payments not included in lease liabilities (included in administrative and other operating expenses) | 0         | 0        |
| <b>Total</b>  | <u>60</u> | <u>0</u> |

**The total cash outflow for leases in 2020 was \$0.244m.**

*(iii) The Corporation's leasing activities and how these are accounted for*

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. From 1 July 2019 leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by Corporation.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. 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 Corporation's incremental borrowing rate. Treasury Corporation of Victoria (TCV)/Department of Treasury's (DTF) calculator is used to determine incremental borrowing rate.

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. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and photo copiers with individual values less than \$10,000 when new.

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
- residual value guarantees
- leases not yet commenced to which the lessee is committed.

*Variable lease payments*

Some property leases contain variable payment terms. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established Corporations. Variable lease payments that depend on specific payment terms are recognised in the Comprehensive Operating Statement in which the condition that triggers those payments occurs.

*(iv) 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.



**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.

**Structure**

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

**6.1 Interest bearing liabilities****Current interest bearing liabilities**

Treasury Corporation of Victoria (TCV) - Unsecured

4,560

4,610

**Total current interest bearing liabilities**

4,560

4,610

**Non-current**

Treasury Corporation of Victoria (TCV) - Unsecured

58,140

44,430

**Total non-current interest bearing liabilities**

58,140

44,430

**Total interest bearing liabilities**

62,700

49,040

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 (\$210k) twice annually and a final \$2.14m maturity in June 2021
- Fixed - Rate facility with repayments of interest twice annually and a final \$1.25m maturity in June 2021

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

- 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
- 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

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<br>\$'000 | Nominal amount<br>\$'000 | Maturity dates       |                             |                       |                    |
|--|---------------------------|--------------------------|----------------------|-----------------------------|-----------------------|--------------------|
|  |                           |                          | 1-3 months<br>\$'000 | 3 months - 1 year<br>\$'000 | 1 - 5 years<br>\$'000 | 5+ years<br>\$'000 |
| 2020                                   |                           |                          |                      |                             |                       |                    |
| Treasury Corporation of Victoria (TCV) | 62,700                    | 65,662                   | 585                  | 3,975                       | 25,470                | 32,670             |
| 2019                                   |                           |                          |                      |                             |                       |                    |
| Treasury Corporation of Victoria (TCV) | 49,040                    | 50,964                   | 715                  | 3,895                       | 19,640                | 24,790             |

**6.1.2 Interest expense**

|                                  |              |              |
|----------------------------------|--------------|--------------|
| Other interest expense           | 1,226        | 1,060        |
| Interest on leases under AASB 16 | 60           | 0            |
| Financial accommodation levy     | 520          | 429          |
| <b>Total interest expense</b>    | <b>1,806</b> | <b>1,489</b> |

Interest expense includes costs incurred in connection with the borrowing of funds. Interest costs include interest on bank overdrafts, short term and long term borrowings, amortisation of discounts or premiums relating to borrowings, 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 Cash flow information**

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

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             | 3            |
| Cash at bank                              | 1,029         | 2,265        |
| Deposits at call                          | 10,315        | 4,622        |
| <b>Balance as per cash flow statement</b> | <b>11,346</b> | <b>6,890</b> |

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

|   |              |               |
|---|--------------|---------------|
| <b>Net loss for the period before income tax</b>                | (11,345)     | (3,833)       |
| <b>Non-cash movements:</b>                                      |              |               |
| Depreciation and amortisation                                   | 16,623       | 15,850        |
| Impairment  | 0            | 0             |
| Gain on sale of fixed assets                                    | (294)        | (75)          |
| Written down value of transferred assets                        | 0            | 0             |
| Written down value of destroyed, lost or de-commissioned assets | 1,494        | 960           |
| <b>Movements in assets and liabilities:</b>                     |              |               |
| Increase in inventories   | (38)         | (13)          |
| Decrease/(Increase) in current receivables                      | (529)        | 506           |
| Decrease in contract assets                                     | 438          | 0             |
| Decrease/(Increase) in other current assets                     | 57           | (107)         |
| Decrease in provision for employee benefits                     | (110)        | (366)         |
| Increase in contract liabilities                                | 2,295        | 0             |
| Increase/(Decrease) in payables                                 | 57           | (6)           |
| <b>Net cash flows from operating activities</b>                 | <b>8,648</b> | <b>12,916</b> |

|   | 2019-2020<br>\$'000 | 2018-2019<br>\$'000 |
|---|---------------------|---------------------|
| <b>6.2.2 Financing facilities</b>   |                     |                     |
| <b>Unsecured bank overdraft facility, reviewed annually and payable at call</b>   |                     |                     |
| Amount used   | 0                   | 0                   |
| Amount unused   | 0                   | 0                   |
| <b>Total</b>  | <u>0</u>            | <u>0</u>            |
| <b>Unsecured loan facilities with various maturity dates through to 2019-20 and which may be extended by mutual agreement</b> |                     |                     |
| Amount used   | 62,700              | 49,040              |
| Amount unused   | 530                 | 4,550               |
| <b>Total</b>  | <u>63,230</u>       | <u>53,590</u>       |

### 6.3 Commitments for expenditure

Commitments for future expenditure include Operating and Capital commitments arising from contracts. Notes 6.3.2 and 8.2.1 provide details on Capital and Environmental commitments, respectively.

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.

Please refer to Note 6.3.2 and Note 8.2.1 for details on capital and environmental commitments, respectively.

#### 6.3.1 Total commitments payable

Nominal Amounts: 2020

|   | Less than 1 year<br>\$'000 | 1 to 5 years<br>\$'000 | Over 5 years<br>\$'000 | Total<br>\$'000 |
|---|----------------------------|------------------------|------------------------|-----------------|
| Operating and lease commitments payable     | 1,967                      | 6,423                  | 7,252                  | 15,642          |
| <b>Total commitments (inclusive of GST)</b> | <u>1,967</u>               | <u>6,423</u>           | <u>7,252</u>           | <u>15,642</u>   |
| Less GST recoverable                        | 179                        | 584                    | 659                    | 1,422           |
| <b>Total commitments (exclusive of GST)</b> | <u>1,788</u>               | <u>5,839</u>           | <u>6,593</u>           | <u>14,220</u>   |

Nominal Amounts: 2019

|   | Less than 1 year<br>\$'000 | 1 to 5 years<br>\$'000 | Over 5 years<br>\$'000 | Total<br>\$'000 |
|---|----------------------------|------------------------|------------------------|-----------------|
| Operating and lease commitments payable     | 2,265                      | 6,926                  | 7,638                  | 16,829          |
| <b>Total commitments (inclusive of GST)</b> | <u>2,265</u>               | <u>6,926</u>           | <u>7,638</u>           | <u>16,829</u>   |
| Less GST recoverable                        | 206                        | 630                    | 694                    | 1,530           |
| <b>Total commitments (exclusive of GST)</b> | <u>2,059</u>               | <u>6,296</u>           | <u>6,944</u>           | <u>15,299</u>   |

#### 6.3.2 Capital commitments

Capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. These future expenditures ceased to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

|   | Less than 1 year<br>\$'000 | 1 to 5 years<br>\$'000 | Over 5 years<br>\$'000 | Total<br>\$'000 |
|---|----------------------------|------------------------|------------------------|-----------------|
| Capital expenditure commitments payable     | 5,761                      | 500                    | 0                      | 6,261           |
| <b>Total commitments (inclusive of GST)</b> | <u>5,761</u>               | <u>500</u>             | <u>0</u>               | <u>6,261</u>    |
| Less GST recoverable                        | 524                        | 45                     | 0                      | 569             |
| <b>Total commitments (exclusive of GST)</b> | <u>5,237</u>               | <u>455</u>             | <u>0</u>               | <u>5,692</u>    |

2019

|   |               |           |          |               |
|---|---------------|-----------|----------|---------------|
| Capital expenditure commitments payable     | 15,633        | 62        | 0        | 15,695        |
| <b>Total commitments (inclusive of GST)</b> | <u>15,633</u> | <u>62</u> | <u>0</u> | <u>15,695</u> |
| Less GST recoverable                        | 1,421         | 6         | 0        | 1,427         |
| <b>Total commitments (exclusive of GST)</b> | <u>14,212</u> | <u>56</u> | <u>0</u> | <u>14,268</u> |

## 7. Risks, contingencies and valuation judgements

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

### Structure

- 7.1 Financial instruments specific disclosures
  - 7.1.1 Financial instruments: Categorisation
  - 7.1.2 Financial risk management objectives and policies
- 7.2 Contingent assets and contingent liabilities
- 7.3 Power purchase agreement

### 7.1 Financial instruments specific disclosures

#### Introduction

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

These financial instruments include:

| Financial assets           | Financial liabilities                      |
|----------------------------|--|
| Cash and deposits          | Payables:                                  |
| Receivables:               | For supplies and services                  |
| Sale of goods and services | Amounts payable to government and agencies |
| Other receivables          | Other payables                             |
| Term deposits              | Interest bearing liabilities:              |
|                            | 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

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.

#### 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 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 2019, the Corporation held a Financial Accommodation approval for \$72.23m of borrowings (1 July 2018 \$64.59m 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 2019-20 financial year surplus funds were invested with the National Australia Bank, Westpac and the Treasury Corporation of Victoria 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 Note 5.1

#### **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 2020, the Corporation had not accessed \$0.53m (2019: \$4.50m) 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.

| 30 June 2020                             | 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 |  |  |
| <b>Contractual Financial Assets</b>      |                        |                                  |                               |                            |                             |                                |                   |                   |                   |  |  |
| 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)             |  |  |
| <b>Contractual Financial Liabilities</b> |                        |                                  |                               |                            |                             |                                |                   |                   |                   |  |  |
| 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)             |  |  |

| 30 June 2019                             | 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 |  |  |
| <b>Contractual Financial Assets</b>      |                 |                                  |                               |                            |                             |                                |                   |                   |                   |  |  |
| Cash assets and deposits at call         | 6,890           | 0.54%                            | 6,887                         | 0                          | 3                           | 69                             | 69                | (69)              | (69)              |  |  |
| Receivables                              | 12,358          |                                  | 0                             | 0                          | 12,358                      | 0                              | 0                 | 0                 | 0                 |  |  |
|  | 19,248          |                                  | 6,887                         | 0                          | 12,361                      | 69                             | 69                | (69)              | (69)              |  |  |
| <b>Contractual Financial Liabilities</b> |                 |                                  |                               |                            |                             |                                |                   |                   |                   |  |  |
| Payables and accruals                    | 8,319           |                                  | 0                             | 0                          | 8,319                       | 0                              | 0                 | 0                 | 0                 |  |  |
| Interest bearing liabilities             | 49,040          | 3.04%                            | 0                             | 49,040                     | 0                           | 0                              | 0                 | 0                 | 0                 |  |  |
| Advances for capital and other works     | 130             |                                  | 0                             | 0                          | 130                         | 0                              | 0                 | 0                 | 0                 |  |  |
|  | 57,489          |                                  | 0                             | 49,040                     | 8,449                       | 0                              | 0                 | 0                 | 0                 |  |  |
| Total                                    | (38,241)        |                                  | 6,887                         | (49,040)                   | 3,912                       | 69                             | 69                | (69)              | (69)              |  |  |

### 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 2020 (2019: 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 2020 (2019: nil)

### 7.3 Power purchase agreement

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. The Corporation will account for its investment in ZEW as a financial instrument within the scope of AASB 9 *Financial Instruments*. ZEW is a related party of 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.

At 30 June 2020 the conditions precedent in the PPA are not completed and ZEW does not have a contractual obligation for the CFD derivative. Therefore, there are no other transactions to be recognised. Upon satisfaction of the conditions precedent, the CFD derivative will be recognised as a financial liability and will be measured at its fair value. Subsequent changes in the fair value of the derivative will be recognised in profit and loss. The Members' Agreement specifies that the Corporation must make a loan available to the Special Purpose Vehicle (SPV) amounting to \$8,570.48. The loan provided to ZEW meets the definition of a financial asset as it gives rise to a contractual right for the Corporation to receive cash from ZEW at the end of the loan term. Once the facility is operational, the financial impact of the members' agreement with ZEW is expected to be an increase in revenue, expenses, and recognition of LGCs as intangible assets or asset held for sale (asset).



**8. Statutory obligations****Introduction**

The section included disclosures in relation to the Corporation's statutory obligations.

**Structure**

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

**8.1 Tax****8.1.1 Income tax**

The Corporation is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office (ATO).

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

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

The effect of this reassessment in the current financial year is a decrease to the deferred tax liability balance (\$21.8m), a decrease to income tax revenue (\$2.2m) and an increase to the asset revaluation reserve (\$24m).

From 1 July 2020, the corporate tax rate is further reduced to 26%.

**Income statement**

|                          |              |                |
|--------------------------|--------------|----------------|
| Current tax              | 0            | 0              |
| Movement in deferred tax | (896)        | (3,005)        |
|                          | <u>(896)</u> | <u>(3,005)</u> |

**Tax reconciliation**

|   |                 |                |
|---|-----------------|----------------|
| Net result before income tax  | <u>(11,345)</u> | <u>(3,833)</u> |
| Tax at the Australian tax rate of 27.5% (2019: 30%)   | (3,120)         | (1,150)        |
| Tax effect of amounts which are not assessable/deductible (taxable) in calculating taxable income |                 |                |
| Sponsorships and entertainment  | 2               | 1              |
| Adjustment in respect of income tax of previous year  | (1)             | (11)           |
| Non-reciprocal capital grant  | 0               | (1,845)        |
| Reduction in opening deferred taxes resulting from reduction in tax rate                          | 2,223           | 0              |
| Income tax revenue  | <u>(896)</u>    | <u>(3,005)</u> |

**Income tax recognised in Other Comprehensive Income**

|   |                 |               |
|---|-----------------|---------------|
| Reduction in opening deferred taxes resulting from reduction in tax rate  | (23,960)        | 0             |
| Net gain on revaluation of infrastructure, property, plant and equipment  | 0               | 160,855       |
| Impairment of infrastructure, property, plant and equipment   | 0               | (900)         |
| Income tax revenue (expense) recognised in Other Comprehensive Income at the Australian tax rate of 27.5% (2019: 30%) | <u>(23,960)</u> | <u>47,987</u> |

2019-2020  
\$'000

2018-2019  
\$'000

### 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          | 1,503          | 1,547          |
| Benefit of carry forward tax losses     | 106,062        | 115,797        |
|   | <u>107,565</u> | <u>117,344</u> |
| Offset against deferred tax liabilities | (107,565)      | (117,344)      |
|   | <u>0</u>       | <u>0</u>       |

#### Deferred tax liabilities

The balance comprises temporary differences attributable to:

|  |                |                |
|--|----------------|----------------|
| Cumulative depreciation and amortisation                                 | 79,983         | 90,658         |
| Revenue in advance   | 0              | 0              |
| Net gain on revaluation of infrastructure, property, plant and equipment | 285,300        | 287,524        |
| Reduction in opening deferred taxes resulting from reduction in tax rate | (21,737)       | 0              |
| Offset from deferred tax assets  | (107,565)      | (117,344)      |
|  | <u>235,982</u> | <u>260,838</u> |

#### Movement in deferred tax liabilities

|                                       |                |                |
|---------------------------------------|----------------|----------------|
| Carrying amount 1 July                | 260,838        | 215,857        |
| Debited to other comprehensive income | (23,960)       | 47,987         |
| Debited to the net result             | (896)          | (3,005)        |
|                                       | <u>235,982</u> | <u>260,838</u> |

### 8.2 Environmental contribution

#### Environmental contribution levy

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

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

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

#### 8.2.1 Environmental commitment

At 30 June 2020, the Corporation had an outstanding environmental contribution commitment, to be paid as follows:

|   | Less than 1 year<br>\$'000 | 1 to 5 years<br>\$'000 | Over 5 years<br>\$'000 | Total<br>\$'000 |
|---|----------------------------|------------------------|------------------------|-----------------|
| 2020  |                            |                        |                        |                 |
| Environmental contribution levy             | 530                        | 1,590                  | 0                      | 2,120           |
| <b>Total commitments (inclusive of GST)</b> | <u>530</u>                 | <u>1,590</u>           | <u>0</u>               | <u>2,120</u>    |
| Less GST recoverable                        | 0                          | 0                      | 0                      | 0               |
| <b>Total commitments (exclusive of GST)</b> | <u>530</u>                 | <u>1,590</u>           | <u>0</u>               | <u>2,120</u>    |

### 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 2019-20 financial year.

**9. Other disclosures**

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

**Structure**

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

**9.1 Equity****9.1.1 Contributed capital****Contributed Capital**

|   |                |                |
|---|----------------|----------------|
| Balance at 1 July   | 452,974        | 432,858        |
| Capital transactions with the State Government in its capacity as owner arising from: |                |                |
| Contribution - Macalister Irrigation System (MID2030 Phase 1B project)                | 0              | 16,500         |
| Contribution - Werribee Irrigation System (Modernisation project)                     | 1,174          | 3,616          |
| Contribution - Bacchus Marsh Irrigation System (Modernisation project)                | 1,493          | 0              |
| Balance 30 June   | <u>455,641</u> | <u>452,974</u> |

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**

|  | 2019-2020      |                     |                                |                 |
|--|----------------|---------------------|--------------------------------|-----------------|
|  | Land<br>\$'000 | Buildings<br>\$'000 | Water Infrastructure<br>\$'000 | Total<br>\$'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  | <u>20,889</u>  | <u>1,986</u>        | <u>670,352</u>                 | <u>693,227</u>  |
|  | 2018-2019      |                     |                                |                 |
|  | Land<br>\$'000 | Buildings<br>\$'000 | Water Infrastructure<br>\$'000 | Total<br>\$'000 |
| Asset revaluation reserve  | 14,764         | 1,721               | 540,814                        | 557,299         |
| Asset impairment   | 0              | 0                   | (900)                          | (900)           |
| Asset impairment and write-off - tax (at 30%)                                      | 0              | 0                   | 270                            | 270             |
| Revaluation increment on non-current assets  | 7,718          | 280                 | 152,857                        | 160,855         |
| Revaluation increment - tax (at 30%)   | (2,315)        | (84)                | (45,858)                       | (48,257)        |
| Closing balance  | <u>20,167</u>  | <u>1,917</u>        | <u>647,184</u>                 | <u>669,267</u>  |

**9.1.3 Accumulated surplus**

|   |                 |               |
|---|-----------------|---------------|
| Accumulated surplus at beginning of reporting period                  | 18,454          | 19,282        |
| Adjustment to opening balance on adoption of new accounting standards | (1,135)         | 0             |
| Net result for the period   | <u>(10,449)</u> | <u>(828)</u>  |
| Accumulated surplus at end of reporting period                        | <u>6,870</u>    | <u>18,454</u> |

**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. In making this determination, the Corporation considered the impact on its operations from the introduction of stage 4 COVID-19 restrictions in metropolitan Melbourne and stage 3 COVID-19 restrictions in regional Victoria, effective from August 2, 2020.

**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 Minister during the 2019-20 reporting period was the Hon Lisa Neville MP, Minister for Water. Remuneration paid to the responsible Minister 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:

| <b>Name</b>                   | <b>Title</b>                              | <b>Period of appointment during the 2019-20 reporting period</b> |
|-------------------------------|---|--|
| Members of Corporation Board: |   |  |
| Ms D James AM                 | Chairman                                  | 1 July 2019 to 30 June 2020                                      |
| Mr T Swingler                 | Deputy Chairman                           | 1 July 2019 to 30 September 2019                                 |
| Mr M Malouf AM                | Deputy Chairman                           | 4 October 2019 to 30 June 2020                                   |
| Mr M Malouf AM                | Director                                  | 1 July 2019 to 3 October 2019                                    |
| Ms N Cleary                   | Director                                  | 1 July 2019 to 30 June 2020                                      |
| Mrs N Pye                     | Director                                  | 1 July 2019 to 30 September 2019                                 |
| Mr A Hume                     | Director                                  | 1 July 2019 to 30 June 2020                                      |
| Ms P Maddy                    | Director                                  | 1 July 2019 to 30 June 2020                                      |
| Ms M Murray                   | Director                                  | 1 July 2019 to 30 June 2020                                      |
| Ms K Steel                    | Director                                  | 1 October 2019 to 30 June 2020                                   |
| Mr C Edwards                  | Director                                  | 1 October 2019 to 30 June 2020                                   |
| Mr C FitzGerald               | Managing Director and Accountable Officer | 1 July 2019 to 30 June 2020                                      |

Mr C Parker (General Manager Customer Service) acted in the position of Managing Director and Accountable Officer from 31 October 2019 - 11 November 2019.

**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– \$599,999 (\$640,000 – \$649,999 in 2018-19).

**9.4 Related parties**

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

Related parties of the Corporation include:

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

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

**Key management personnel (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 | 543        | 598        |
| Post-employment benefits     | 47         | 42         |
| Other long-term benefits     | 8          | 7          |
| <b>Total</b>                 | <b>598</b> | <b>647</b> |

Notes: Note that KMPs are also reported in the disclosure of remuneration of executive officers (Note 9.5).

**Significant transactions with government-related entities**

During the year, the Corporation received funding of \$23.82 million (2019: \$53.08 million) and made payments of \$6.89 million (2019: \$5.98 million) with the following government-related entities:

**Government-related entity receipts**

| <b>Entity name</b>  | <b>Brief description of main activity</b>   |               |               |
|---|---|---------------|---------------|
| 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)  | 2,667         | 27,404        |
| Department of Environment, Land, Water and Planning               | Grant funding in relation to various projects (refer Note 2.3 )   | 2,665         | 1,138         |
| Treasury Corporation of Victoria                                  | Loan accommodation funding in relation to the Corporation's capital expenditure requirements (refer Note 6.1) | 18,270        | 24,500        |
| Department of Economic Development, Jobs, Transport and Resources | Grant funding in relation to improving boating facilities   | 0             | 33            |
| Zero Emissions Water  | Promote energy and emissions reduction initiatives to reduce carbon emissions                                 | 15            | 0             |
| <b>Total</b>  |   | <b>23,617</b> | <b>53,075</b> |

**Government-related entity receivables**

| <b>Entity name</b>                                  | <b>Brief description of main activity</b>  |          |              |
|---|--|----------|--------------|
| 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) | 0        | 7,000        |
| <b>Total</b>  |  | <b>0</b> | <b>7,000</b> |

|   |   | 2019-2020<br>\$'000 | 2018-2019<br>\$'000 |
|---|---|---------------------|---------------------|
| <b>Government-related entity payments</b>           |   |                     |                     |
| <b>Entity name</b>                                  | <b>Brief description of main activity</b>   |                     |                     |
| Treasury Corporation of Victoria                    | Repayments of loan accommodation in relation to the Corporation's capital expenditure | 4,610               | 3,930               |
| Treasury Corporation of Victoria                    | Payments of interest on loan accommodation funding (refer Note 6.1.2)                 | 1,226               | 1,060               |
| Department of Environment, Land, Water and Planning | Payments of environmental contribution (refer Note 8.2)                               | 541                 | 556                 |
| Department of Treasury and Finance                  | Payments of financial accommodation levy (refer Note 6.1.2)                           | 520                 | 429                 |
| <b>Total</b>  |   | 6,897               | 5,975               |
| <b>Government-related entity payables</b>           |   |                     |                     |
| <b>Entity name</b>                                  | <b>Brief description of main activity</b>   |                     |                     |
| Treasury Corporation of Victoria                    | Accrued interest on loan accommodation funding (refer Note 6.1.2)                     | 158                 | 215                 |
| Department of Treasury and Finance                  | Accrued payments of financial accommodation levy (refer Note 6.1.2)                   | 141                 | 120                 |
| Department of Environment, Land, Water and Planning | Accrued payments of groundwater monitoring activities                                 | 0                   | 120                 |
| <b>Total</b>  |   | 299                 | 455                 |

#### **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.

#### **9.5 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                 | 996                | 1,099 |
| Post-employment benefits                     | 90                 | 83    |
| Other long-term benefits                     | 31                 | 29    |
| <b>Total remuneration</b>                    | 1,117              | 1,211 |
| <b>Total number of executives</b>            | 5                  | 5     |
| <b>Total annualised employee equivalents</b> | 5.0                | 4.6   |

#### **Notes:**

(i) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 *Related Party Disclosures* and are 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.

#### **9.6 Remuneration of auditors**

##### **Victorian Auditor-General's Office**

|                                       |    |    |
|---------------------------------------|----|----|
| Audit of the financial statements     | 48 | 47 |
| <b>Total remuneration of auditors</b> | 48 | 47 |

#### **9.7 Ex-gratia expense**

|                                |   |   |
|--------------------------------|---|---|
| Property damage expense (i)    | 0 | 0 |
| <b>Total ex gratia expense</b> | 0 | 0 |

In accordance with FRD 11A *Disclosure of Ex-Gratia Expenses* the Corporation must disclose in aggregate the total amount of material (greater than \$5000) expenses.

(i) Payments for water damage to properties due to pipeline leaks (not being in settlement of a legal liability).



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

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

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

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

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

AASB 15 accounting policies are disclosed in Note 2.1.1 and 2.1.2. At the end of this note are:

- tables showing the adjustments recognised for each individual line item on adoption of AASB 15,; and
- tables showing the amount by which each individual line item is affected in the current reporting period under AASB 15 as compared to AASB 118, AASB 111 and AASB 1004.

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

The Corporation has transitioned to AASB 1058 *Income for not-for-profits* from 1 July 2019. In accordance with the transition provisions in AASB 1058 and as mandated by FRD 122 Transitional requirements on the application of AASB 1058 *Income of Not-for-Profit Entities*, this new standard has been adopted retrospectively (under the modified retrospective method). Under this transition method, the entity has elected to apply this standard retrospectively only to contracts and transactions that are not completed contracts at the date of initial application. A completed contract is a contract or transaction for which the entity has recognised all of the income in accordance with AASB 1004 *Contributions*. Comparatives for the 2019 financial year have not been restated. The reclassifications and the adjustments arising from this new standard are therefore recognised in the opening balance of retained earnings on 1 July 2019. The Corporation has not applied the fair value measurement requirements for right-of-use assets arising from leases with significantly below-market terms and conditions principally to enable the entity to further its objectives as allowed under temporary option under AASB 16 and as mandated by FRD 122.

AASB 1058 accounting policies are disclosed in Note 2.3 and 5.3. At the end of this note are:

- tables showing the adjustments recognised for each individual line item on adoption of AASB 1058; and
- tables showing the amount by which each individual line item is affected in the current reporting period by the application of AASB 1058 as compared to AASB 1004 before the change.
- an explanation of the reasons for significant changes identified.

**AASB 16 Leases**

The Corporation has transitioned to AASB 16 *Leases* from 1 July 2019. In accordance with the transition provisions in AASB 16 and as mandated by FRD 123 Transitional requirements on the application of AASB 16 *Leases*, the new rules have been adopted retrospectively (under the modified retrospective method). Comparatives for the 2019 financial year have not been restated. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance of retained earnings on 1 July 2019. The Corporation has applied this approach to transition consistently to all of its leases for which it is a lessee

On adoption of AASB 16, the Corporation recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.97%. On transition, DTF mandates measurement of ROU assets at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Balance Sheet as at 30 June 2019.

For leases previously classified as finance leases the Corporation recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date. This resulted in measurement adjustments of \$0 for residual value guarantees and \$0 for variable lease payments based on an index or rate. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

AASB 16 accounting policies are disclosed in Note 5.3. At the end of this note are:

- tables showing the adjustments recognised for each individual line item on adoption of AASB 15, AASB 16, AASB 1058 and AASB 1059;

**(i) Practical expedients applied**

In applying AASB 16 for the first time, the Corporation has used the following practical expedients to all its contracts as permitted by the standard and as mandated by the DTF:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019
- accounting for leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- accounting for low value leases.

The Corporation has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Corporation relied on its assessment made applying AASB 117 and Interpretation 4 Determining Whether an arrangement contains a lease.

**(ii) Reconciliation of operating lease commitment to lease liability**

|   |              |          |
|---|--------------|----------|
| Operating lease commitments disclosed as at 30 June 2019  | 797          | 0        |
| Discounted using the lessee's incremental borrowing rate of at the date of initial application    | (141)        | 0        |
| Add: finance lease liabilities recognised as at 30 June 2019                                      | 0            | 0        |
| Less: short-term leases not recognised as a liability   | 0            | 0        |
| (Less): low-value leases not recognised as a liability  | 0            | 0        |
| Add/(less): contracts reassessed as lease contracts   | 0            | 0        |
| Add/(less): adjustments as a result of a different treatment of extension and termination options | 1,048        | 0        |
| Add/(less): adjustments relating to changes in the index or rate affecting variable payment       | 0            | 0        |
| <b>Lease liability recognised as at 1 July 2019</b>   | <b>1,704</b> | <b>0</b> |
| Of which are:   |              |          |
| Current lease liabilities   | 178          | 0        |
| Non-current lease liabilities   | 1,526        | 0        |
| <b>Total</b>  | <b>1,704</b> | <b>0</b> |



(iii) *Peppercorn leases*

Peppercorn leases are leases where the lease payments do not reflect the fair value of the property being leased. In other words, the consideration paid by the lessee is significantly less than the fair value.

The transition approach mandated by the DTF to measure ROU assets related to peppercorn leases is at cost.

(iv) *Low value leases*

The Corporation is not required to make any adjustments on transition for leases for which the underlying asset is of low value. The Corporation shall recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis. The Corporation shall apply another systematic basis if that basis is more representative of the pattern of the Corporation's benefit. The Corporation shall account for those leases applying this Standard from the date of initial application.

(v) *Adjustments recognised in the balance sheet on 1 July 2019*

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- right-of-use assets – increase by \$1.704m
- lease liabilities – increase by \$1.704m.

The net impact on retained earnings on 1 July 2019 was \$0.

(vi) *Lessor and Intermediate lessor*

A Corporation as a lessor is not required to make any adjustments on transition for leases in which it is a lessor and accounts for those leases applying this Standard from the date of initial application.

The Corporation acts as an intermediate lessor for [0] number of properties. As an intermediate lessor, the Corporation reassess subleases that were classified as operating leases applying AASB 117 and are ongoing at the date of initial application, to determine whether each sublease should be classified as an operating lease or a finance lease. The Corporation performs this assessment at the date of initial application on the basis of the remaining contractual terms and conditions of the head lease and sublease at that date. For subleases that were classified as operating leases applying AASB 117 but finance leases applying this Standard, the Corporation accounts for the sublease as a new finance lease entered into at the date of initial application.

(vii) *Investment property*

The Corporation is not required to make any adjustments on transition for leases previously accounted for as investment property using the fair value model in AASB 140 *Investment Property*. The lessee shall account for the right-of-use asset and the lease liability arising from those leases applying AASB 140 and this Standard from the date of initial application.

**Impact on financial statements**

As a result of the above changes in the Corporation's accounting policies, the following tables show the adjustments recognised for each line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided:

*List of material PPPs based on AASB 1059 Service Concession Arrangements*

|  | 2019 -2020                       | 2019-2020                             | 2019-2020                        |
|--|----------------------------------|---------------------------------------|----------------------------------|
| Material service concession arrangements | PPP arrangements accounted under | PPP arrangements accounted under AASB | PPP arrangements accounted under |
| No arrangements                          | 0                                | 0                                     | 0                                |
| No arrangements                          | 0                                | 0                                     | 0                                |

(A) *Impact on 1 July 2018 Statement of Financial Position AASB 1059 Service Concession Arrangements*

| (\$ thousands)                       | 30 June 2018 as originally presented under AASB 116/117 | AASB 16 (A) | AASB 1059 (B) | 1 July 2018 restated (A+B) |
|--------------------------------------|---|-------------|---------------|----------------------------|
| <b>ASSETS</b>                        |   |             |               |                            |
| Current Assets                       | 14,040  | 0           | 0             | 14,040                     |
| <b>Total Current Assets</b>          | 14,040  | 0           | 0             | 14,040                     |
| Non Current Assets                   | 1,254,011   | 0           | 0             | 1,254,011                  |
| <b>Total Non Current Assets</b>      | 1,254,011   | 0           | 0             | 1,254,011                  |
| <b>TOTAL ASSETS</b>                  | 1,268,051   | 0           | 0             | 1,268,051                  |
| <b>LIABILITIES</b>                   |   |             |               |                            |
| Current Liabilities                  | 17,890  | 0           | 0             | 17,890                     |
| <b>Total Current Liabilities</b>     | 17,890  | 0           | 0             | 17,890                     |
| Non Current Liabilities              | 240,722   | 0           | 0             | 240,722                    |
| <b>Total Non Current Liabilities</b> | 240,722   | 0           | 0             | 240,722                    |
| <b>TOTAL LIABILITIES</b>             | 258,612   | 0           | 0             | 258,612                    |
| <b>NET ASSETS</b>                    | 1,009,439   | 0           | 0             | 1,009,439                  |
| <b>EQUITY</b>                        | 1,009,439   | 0           | 0             | 1,009,439                  |
| <b>TOTAL EQUITY</b>                  | 1,009,439   | 0           | 0             | 1,009,439                  |

(B) Impact on 1 July 2019 Statement of Financial Position (AASB 15, AASB 16, AASB 1058 and AASB 1059)

| Impact on Statement of Financial Position | 30 June 2019 as<br>originally<br>presented | AASB 15* | AASB 16 + | AASB 1058 | AASB 1059 | 1 July 2019<br>restated |
|---|--|----------|-----------|-----------|-----------|-------------------------|
| <b>ASSETS</b>                             |  |          |           |           |           |                         |
| Current Assets                            | 24,526                                     |          |           |           |           | 24,526                  |
| <b>Total Current Assets</b>               | 24,526                                     | 0        | 0         | 0         | 0         | 24,526                  |
| Non Current Assets                        | 1,439,758                                  | 0        | 1,704     | 0         | 0         | 1,441,462               |
| <b>Total Non Current Assets</b>           | 1,439,758                                  | 0        | 1,704     | 0         | 0         | 1,441,462               |
| <b>TOTAL ASSETS</b>                       | 1,464,284                                  | 0        | 1,704     | 0         | 0         | 1,465,988               |
| <b>LIABILITIES</b>                        |  |          |           |           |           |                         |
| Current Liabilities                       | 17,871                                     | 1,135    | 178       | 0         | 0         | 19,184                  |
| <b>Total Current Liabilities</b>          | 17,871                                     | 1,135    | 178       | 0         | 0         | 19,184                  |
| Non Current Liabilities                   | 305,718                                    | 0        | 1,526     | 0         | 0         | 307,244                 |
| <b>Total Non Current Liabilities</b>      | 305,718                                    | 0        | 1,526     | 0         | 0         | 307,244                 |
| <b>TOTAL LIABILITIES</b>                  | 323,589                                    | 1,135    | 1,704     | 0         | 0         | 326,428                 |
| <b>NET ASSETS</b>                         | 1,140,695                                  | (1,135)  | 0         | 0         | 0         | 1,139,560               |
| <b>EQUITY</b>                             | 1,140,695                                  | (1,135)  |           |           |           | 1,139,560               |
| <b>TOTAL EQUITY</b>                       | 1,140,695                                  | (1,135)  | 0         | 0         | 0         | 1,139,560               |

+The transition adjustment of \$1.704m relates to the recognition of a right to use leased asset and a financial liability to pay the obligation for lease payments. Further disclosures in relation to AASB 16 are at notes 1, 5.3 and 9.8 of this report.

\*The transition adjustment of \$1.135m relates to performance obligations not met as at 30 June 2019. Further disclosures in relation to AASB 15 are at notes 1, 2.3 and 9.8 of this report.

(C) Impact on 2018-19 Comprehensive Operating Statement (AASB 1059)

| (\$ thousands)                              | 2018-2019 as<br>originally<br>presented | AASB 1059 | 2018-2019 restated |
|---|---|-----------|--------------------|
| <b>Revenue</b>                              | 41,803                                  | 0         | 41,803             |
| <b>Total Revenue</b>                        | 41,803                                  | 0         | 41,803             |
| <b>Expenses</b>                             |   |           |                    |
| Administration and other operating expenses | 28,297                                  | 0         | 28,297             |
| Depreciation and impairment                 | 15,388                                  | 0         | 15,388             |
| Amortisation                                | 462                                     | 0         | 462                |
| Finance Costs                               | 1,489                                   | 0         | 1,489              |
| <b>Total Expenses</b>                       | 45,636                                  | 0         | 45,636             |
| <b>Net result before tax</b>                | (3,833)                                 | 0         | (3,833)            |
| Income tax (expense)/revenue                | 0                                       | 0         | 0                  |
| <b>Net result for the period</b>            | (3,833)                                 | 0         | (3,833)            |

(D) Impact of AASB 15 and AASB 1058 compared to AASB 118 and AASB 1004 for 2019-20

| (\$ thousands)   | Reference | 2019-2020<br>AASB 15/1058 | 2019-2020<br>AASB 118/1004 | Difference |
|--|-----------|---------------------------|----------------------------|------------|
| <b>Revenue</b>   |           |                           |                            |            |
| Revenue from contracts with customers                        | 2.1       | 31,957                    | 0                          | 31,957     |
| Government grants and contributions                          | 2.3       | 370                       | 2,295                      | 2,665      |
| Interest income  |           | 22                        | 0                          | 22         |
| Net gain on disposal of non-current assets                   | 4.1.5     | 294                       | 0                          | 294        |
| Other income   | 2.4       | 3,926                     | 0                          | 3,926      |
| <b>Total Revenue</b>   |           | 36,569                    | 2,295                      | 38,864     |
| <b>Expenses</b>  |           |                           |                            |            |
| Direct operational expenses                                  | 3         | 36,159                    | 0                          | 36,159     |
| Environmental contributions                                  | 8.2       | 541                       | 0                          | 541        |
| Finance cost   | 6.1.2     | 1,806                     | 0                          | 1,806      |
| Administrative and other operating expenses                  | 3.4       | 9,408                     | 0                          | 9,408      |
| <b>Total expenses</b>  |           | 47,914                    | 0                          | 47,914     |
| <b>Net result before tax</b>                                 |           | (11,345)                  | 2,295                      | (9,050)    |
| Income tax (expense)/revenue                                 | 8.1.1     | 896                       | (631)                      | 265        |
| <b>Net result for the period</b>                             |           | (10,449)                  | 1,664                      | (8,785)    |
| <b>Other comprehensive income</b>                            |           |                           |                            |            |
| Items that will not be reclassified to net result            |           |                           |                            |            |
| Change in asset revaluation surplus                          | 9.1.2     | 0                         | 0                          | 0          |
| Income tax relating to these items                           | 8.1.1     | 0                         | 0                          | 0          |
| Other comprehensive income for the period, net of income tax |           | 0                         | 0                          | 0          |
| <b>Total comprehensive income for the period</b>             |           | 0                         | 0                          | 0          |
| <b>Comprehensive result</b>                                  |           | (10,449)                  | 1,664                      | (8,785)    |

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

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

| Standard  |
|---|
| <p>AASB 2018-6 <i>Amendments to Australian Accounting Standards – Definition of a Business</i></p> <p>AASB 2019-1 <i>Amendments to Australian Accounting Standards – References to the Conceptual Framework</i></p> <p>AASB 2019-3 <i>Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform</i>.</p> <p>AASB 2019-5 <i>Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia</i>.</p> <p>AASB 2019-4 <i>Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements</i>.</p> <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><i>Conceptual Framework for Financial Reporting</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 2020 and the financial position of the Corporation as at 30 June 2020.

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 2020.



Ms Diane James AM  
Chairman  
Gippsland and Southern Rural Water Corporation  
Dated on 7 September 2020



Mr Stuart Wrigglesworth  
Chief Financial Officer  
Gippsland and Southern Rural Water Corporation  
Dated on 7 September 2020



Mr Cameron FitzGerald  
Managing Director  
Gippsland and Southern Rural Water Corporation  
Dated on 7 September 2020

# Independent Auditor's Report

## To the Board of the Gippsland and Southern Rural Water Corporation

|  |  |
|--|--|
| <b>Opinion</b>   | <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"> <li>• balance sheet as at 30 June 2020</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• statutory certification.</li> </ul> <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>   |
| <b>Basis for Opinion</b>                                 | <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report. 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>  |
| <b>Board's responsibilities for the financial report</b> | <p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. 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>  |
| <b>Other Information</b>                                 | <p>The Board is responsible for the "other information" included in the corporation's Annual Report for the year ended 30 June 2020. 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> |

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

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

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

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

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

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MELBOURNE  
8 September 2020



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



## PERFORMANCE REPORT

| KPI Number | Key Performance Indicator   | 2018-19 Result | 2019-20 Result | 2019-20 Target | % Variance to prior year | Notes    | % Variance to target | Notes  |    |
|------------|---|----------------|----------------|----------------|--------------------------|----------|----------------------|--------|----|
| <b>F1</b>  | <b>Cash Interest Cover</b>  |                |                |                |                          |          |                      |        |    |
|            | <u>Net operating cash flows before net interest and tax</u><br>Net interest payments                          | times          | 11.2           | 6.1            | 3.2                      | -45.5%   | 1                    | 90.6%  | 7  |
| <b>F2</b>  | <b>Gearing Ratio</b>  |                |                |                |                          |          |                      |        |    |
|            | <u>Total Debt (including Finance Leases)</u><br>Total assets  | x 100          | 3.35%          | 4.27%          | 4.70%                    | 27.4%    | 2                    | -9.2%  |    |
| <b>F3</b>  | <b>Internal Financing Ratio</b>   |                |                |                |                          |          |                      |        |    |
|            | <u>Net operating cash flow</u><br>Net capital expenditure   | x 100          | 27.93%         | 29.77%         | 18.50%                   | 6.6%     |                      | 60.9%  | 8  |
| <b>F4</b>  | <b>Current Ratio</b>  |                |                |                |                          |          |                      |        |    |
|            | <u>Current assets</u><br>Current liabilities (excluding long-term employee provisions and revenue in advance) | times          | 1.53           | 1.72           | 0.55                     | 12.4%    | 3                    | 215.6% | 9  |
| <b>F5</b>  | <b>Return on Assets</b>   |                |                |                |                          |          |                      |        |    |
|            | <u>Earnings before net interest and tax</u><br>Average assets   | x 100          | -0.21%         | -0.69%         | -0.37%                   | -236.1%  | 4                    | -86.8% | 10 |
| <b>F6</b>  | <b>Return on Equity</b>   |                |                |                |                          |          |                      |        |    |
|            | <u>Net profit after tax</u><br>Average total equity   | x 100          | -0.08%         | -0.91%         | -0.50%                   | -1081.0% | 5                    | -82.0% | 11 |
| <b>F7</b>  | <b>EBITDA Margin</b>  |                |                |                |                          |          |                      |        |    |
|            | <u>Earnings Before Interest, Tax, Depreciation and Amortisation</u><br>Total revenue                          | x 100          | 31.19%         | 17.72%         | 26.80%                   | -43.2%   | 6                    | -33.9% | 12 |

**Notes:**

**Significant variances to prior year**

1. Cash Interest Cover

A deterioration of 45.5% has resulted from lower 2019-20 net operating cashflows before net interest and tax of \$4.3m from:

- less receipts from government grants as a result of the large capital grant received in 2018-19 (\$6.0m).

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 receipts from government and is not related to any deterioration of SRW performance. No remedial action is proposed by SRW.

2. Gearing Ratio

A deterioration of 27.4% has resulted from an increase in debt due to 2019-20 capital expenditure being \$10.73m in excess of operating and government contribution cash flow.

Remedial action for the deterioration to the Gearing Ratio:

The change to the Gearing Ratio since 2018-19 is due to an increase in debt as a result of large capital expenditure for the modernisation of irrigation districts. This capital expenditure in excess of the operating cash surplus was identified within the 2019-20 Corporate Plan. As the change is fully consistent with the SRW strategy and the existing pricing path set by the 2018-23 determination by the Essential Services Commission, no remedial action is proposed by SRW.

3. Current Ratio

An improvement of 12.4% since 30 June 2020 has resulted from:

- a reduction in current liabilities (excluding contract liabilities) of \$3.7m due to lower capital expenditure and associated current accruals at June 2020.
- partly offset by a reduction in cash and receivables of \$2.9m largely due to the high receivables in June 2019 as a result of a large capital grant received (\$6.0m).

4. Return on Assets

A deterioration of 236.1% since 2018-19 has resulted from a \$7.4m increase to Net loss:

- government grants and contributions reduced by \$6m as a result of a significant one-off capital grant for \$6.1m received in 2018-19 for irrigation modernisation.
- depreciation expenses increased by \$1.0m for additional depreciation of assets revalued at June 2020 (\$0.8m) and newly constructed assets (\$0.2m).

Remedial action for the deterioration to Return on Assets:

The change to Return on Assets since 2018-19 is due a large one-off capital grant received in 2018-19. As SRW's future operating financial performance is not dependent upon capital grant receipts, no remedial action is proposed by SRW.

5. Return on Equity

A deterioration of 1081.0% since 2018-19 has resulted from a \$9.6m increase to Net loss:

- government grants and contributions reduced by \$6m as a result of a significant one-off capital grant for \$6.1m received in 2018-19 for irrigation modernisation.
- depreciation expenses increased by \$1.0m for additional depreciation of assets revalued at June 2020 (\$0.8m) and newly constructed assets (\$0.2m).
- interest expense increased by \$0.3m as a result of higher debt balances in 2019-20.
- income tax revenue decreased by \$2.2m as a result of a reduction in the tax rate in 2019-20 from 30% to 27.5%.

6. EBITDA Margin

A deterioration of 43.2% since 2018-19 has resulted from a \$6.4m decrease to EBITDA:

- government grants and contributions reduced by \$6m as a result of a significant one-off capital grant for \$6.1m received in 2018-19 for irrigation modernisation.
- sale of water and entitlements increased by \$2.2m largely as a result of a significant water entitlement sale in the Tarwin River catchment (\$3.1m).
- offset by higher operating expenses in 2019-20 (see Note 12).

Remedial action for the deterioration to Return on Assets:

Noting that several factors which led to a decrease in EBITDA in 2019-20 are one-off in nature, the Corporation has put in place actions for 2020-21 to maintain the operating cost base to the level of expenditure set by the 2020-21 Corporate Plan.

### **Significant variances to target**

The 2019-20 target is derived from the 2019-20 Corporate Plan of the Corporation.

#### **7. Cash Interest Cover**

An improvement of 90.6% is due to higher Net operating cash flows before net interest and tax of \$2.1m, resulting from an increase in the receipt of government grants (\$2.7m) offset by an increase in payments to suppliers and employees (see Note 12).

#### **8. Internal Financing Ratio**

An improvement of 60.9% has resulted from higher Net operating cash flow before net interest and tax of \$2.1m (see Note 7).

#### **9. Current Ratio**

An improvement of 215.6% to target has resulted from an increase in Current assets by \$14m compared to the 2019-20 Corporate Plan:

- increase of \$10m in the cash balance as a result of establishing additional long term debt (\$1.5m), advance receipt of government grants (\$3.5m) and lower capital expenditure (\$5.0m).
- assets classified as held for sale (\$3.7m).

#### **10. Return on Assets**

A deterioration of 86.8% has resulted from a \$4.7m increase to Net loss before interest and tax:

- net gain on the disposal of non-current assets \$3.0m less as the sale of surplus land did not proceed due to the deterioration of market conditions
- service and usage charges \$0.4m less due to decreased water usage and application fee income
- depreciation expenses increased by \$1.1m for additional depreciation of assets revalued at June 2020 (\$0.8m) and newly constructed assets (\$0.3m).
- supplies and services increased by \$1.2m for operating expenses associated with irrigation modernisation projects.
- increase in employee benefit expenses due to changes caused by the COVID-19 pandemic, via an increase in employee leave provisions (\$0.2m) and less staff costs capitalised (0.25m).
- increase in operating expenses for additional costs associated with major channel repairs, information technology costs, audit and legal costs.

These improvements were offset by a \$2.1m increase in revenue from the sale of water entitlements.

Remedial action for the deterioration to Return on Assets:

Noting that many of the factors which led to an increase in Net loss before interest and tax in 2019-20 are one-off in nature, the Corporation has put in place actions for 2020-21 to maintain the operating cost base to the level of expenditure set by the 2020-21 Corporate Plan.

#### **11. Return on Equity**

A deterioration of 82.0% has resulted from a \$5.3m increase to Net loss:

- net gain on the disposal of non-current assets \$3.0m less as the sale of surplus land did not proceed due to the deterioration of market conditions
- service and usage charges \$0.4m less due to decreased water usage and application fee income
- depreciation expenses increased by \$1.1m for additional depreciation of assets revalued at June 2020 (\$0.8m) and newly constructed assets (\$0.3m).
- supplies and services increased by \$1.2m for operating expenses associated with irrigation modernisation projects.
- increase in employee benefit expenses due to changes caused by the COVID-19 pandemic, via an increase in employee leave provisions (\$0.2m) and less staff costs capitalised (0.25m).
- increase in operating expenses for additional costs associated with major channel repairs, information technology costs, audit and legal costs.
- income tax revenue decreased by \$2.2m as a result of a reduction in the tax rate in 2019-20 from 30% to 27.5%.

These improvements were offset by a \$2.1m increase in revenue from the sale of water entitlements, \$0.7m lower interest charges from lower debt and interest rates and \$0.9m higher income tax credit.

Remedial action for the deterioration to Return on Equity:

Noting that many of the factors which led to an increase in Net loss in 2019-20 are one-off in nature, the Corporation has put in place actions for 2020-21 to maintain the operating cost base to the level of expenditure set by the 2020-21 Corporate Plan.

#### **12. EBITDA Margin**

A deterioration of 33.9% has resulted from a \$3.6m decrease to Earnings before interest, tax, depreciation and amortisation:

- net gain on the disposal of non-current assets \$3.0m less as the sale of surplus land did not proceed due to the deterioration of market conditions
- service and usage charges \$0.4m less due to decreased water usage and application fee income
- supplies and services increased by \$1.2m for operating expenses associated with irrigation modernisation projects.
- increase in employee benefit expenses due to changes caused by the COVID-19 pandemic, via an increase in employee leave provisions (\$0.2m) and less staff costs capitalised (\$0.25m).
- increase in operating expenses for additional costs associated with major channel repairs, information technology costs, audit and legal costs.

This was offset by a \$2.1m increase in revenue from the sale of water entitlements.

Remedial action for the deterioration to Return on Equity:

Noting that many of the factors which led to a decrease in EBITDA in 2019-20 are one-off in nature, the Corporation has put in place actions for 2020-21 to maintain the operating cost base to the level of expenditure set by the 2020-21 Corporate Plan.

## PERFORMANCE REPORT

| WATER SERVICE PERFORMANCE INDICATORS |   | 2018-19<br>Result | 2019-20<br>Result | 2019-20<br>Target | % Variance to prior<br>year | Notes | % Variance to<br>target | Notes |
|--------------------------------------|---|-------------------|-------------------|-------------------|-----------------------------|-------|-------------------------|-------|
| <b>KPI Number</b>                    | <b>Key Performance Indicator</b>  |                   |                   |                   |                             |       |                         |       |
| <b>WSR1/C1.4</b>                     | <b>Rural water supply deliveries</b>  |                   |                   |                   |                             |       |                         |       |
|                                      | <u>Number of orders delivered</u> x 100   | 89.1%             | 87.4%             | 95.0%             | -1.9%                       |       | -8.0%                   | 1b    |
|                                      | Total number of orders  |                   |                   |                   |                             |       |                         |       |
| <b>C1.5</b>                          | <b>Applications completed within agreed timeframes</b>  |                   |                   |                   |                             |       |                         |       |
|                                      | <u>Number of applications completed</u> x 100   | 88.1%             | 96.5%             | 99.0%             | 9.5%                        | 2a    | -2.5%                   | 2b    |
|                                      | Total number of applications  |                   |                   |                   |                             |       |                         |       |
| <b>WSR2</b>                          | <b>Unavailability of Domestic and Stock supply</b>  |                   |                   |                   |                             |       |                         |       |
|                                      | 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    |
| <b>WSR3</b>                          | <b>Groundwater supply</b>   |                   |                   |                   |                             |       |                         |       |
|                                      | <u>Number of transfers processed within target period</u> x 100   | 93.8%             | 81.7%             | 90.0%             | -12.9%                      | 4a    | -9.2%                   | 4b    |
|                                      | Total number of transfers processed   |                   |                   |                   |                             |       |                         |       |

**Notes:**

- 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. More importantly, all orders that were not cancelled were delivered to customers.
- 2a. Continued process improvement has driven an increase in the number of applications completed within established timeframes.
- 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 5% of the applications that we processed during 2019-20. As such, the change in result from 2018-19 and from our target reflects only a small number of applications. Across all categories, we processed 96.5% of applications within target timeframes.

| CUSTOMER RESPONSIVENESS PERFORMANCE INDICATORS |   | 2018-19<br>Result | 2019-20<br>Result | 2019-20<br>Target | % Variance to prior<br>year | Notes | % Variance to<br>target | Notes |
|--|---|-------------------|-------------------|-------------------|-----------------------------|-------|-------------------------|-------|
| <b>KPI Number</b>                              | <b>Key Performance Indicator</b>                      |                   |                   |                   |                             |       |                         |       |
| <b>CRR4</b>                                    | <b>Billing Complaints</b>                             |                   |                   |                   |                             |       |                         |       |
|  | <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 two years, and an ongoing target of less than 1 complaint per 1,000 customers.

| ENVIRONMENTAL PERFORMANCE INDICATORS |   | 2018-19<br>Result | 2019-20<br>Result | 2019-20<br>Target | % Variance to prior<br>year | Notes | % Variance to<br>target | Notes |
|--------------------------------------|---|-------------------|-------------------|-------------------|-----------------------------|-------|-------------------------|-------|
| <b>KPI Number</b>                    | <b>Key Performance Indicator</b>        |                   |                   |                   |                             |       |                         |       |
| <b>E2</b>                            | <b>Total net CO2 emissions</b>          |                   |                   |                   |                             |       |                         |       |
|                                      | <u>Net tonnes CO2 equivalent</u> tonnes | 1,383.0           | 1,102.0           | 1,300.0           | -20.3%                      | 1a    | -15.2%                  | 1b    |

**Notes:**

- 1a. & 1b. Our CO2 emissions have reduced since 2018-19, and were better than our target for the 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 2019-20 financial year, is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the 2019-20 Corporate Plan, the actual 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 2020



Mr Stuart Wrigglesworth  
Chief Financial Officer  
Gippsland and Southern Rural Water Corporation  
Dated on 7 September 2020



Mr Cameron FitzGerald  
Managing Director  
Gippsland and Southern Rural Water Corporation  
Dated on 7 September 2020

# 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 2020, 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 in respect of the year ended 30 June 2020, presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the *Financial Management Act 1994*.

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

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

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

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

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

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

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

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

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

---

MELBOURNE  
8 September 2020



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 |
|---|------------------|----------------|
| <b>Declarations in PART A: Report of Operations</b> |                  |                |
| Responsible Body Declaration                        | SD 5.2.3         | 02             |
| <b>01 - Highlights</b>                              |                  |                |
| Message from the Chairman and Managing Director     | MRO              | 04-05          |
| <b>02 - About Us</b>                                |                  |                |
| Manner of establishment and ministers               | FRD 22H          | 08             |
| Vision, Mission and Values                          | MRO              | 08-09          |
| Nature and range of services provided               | FRD 22H          | 06-07, 11      |
| Objectives functions, powers and duties             | FRD 22H          | 06-07          |
| <b>03 - Our Performance</b>                         |                  |                |
| Irrigation districts                                | FRD 22H          | 12-15          |
| Groundwater and Rivers                              | FRD 22H          | 15-16          |
| Compliance reporting (Rural water corporations)     | MRD04            | 16-17          |
| Major Projects                                      | FRD 22H          | 18-19          |
| Capital works - headworks                           | FRD 22H          | 20             |
| Dam safety and Emergency management                 | FRD 22H          | 20             |
| <b>04 - Our Governance</b>                          |                  |                |
| Organisational structure and corporate governance   | FRD 22H          | 21-22          |
| Governing board                                     | FRD 22H          | 21--24         |
| Audit committee membership                          | FRD 22H/SD 3.2.1 | 24-25          |
| Board committees                                    | FRD 22H          | 25-26          |
| Our leadership team                                 | MRO              | 27-28          |
| <b>05 - Our people</b>                              |                  |                |
| Public sector values and employment principles      | FRD 22H          | 31             |
| Employment and Conduct Principles                   | FRD 22H          | 08, 31         |
| Diversity Action Plan (workforce inclusion)         | FRD 22H          | 31-33          |
| Workforce Data                                      | FRD 22H/FRD 29C  | 30,34          |
| Executive Officer data                              | FRD 15E          | 34             |
| Occupational Health and Safety                      | FRD 22H          | 35-36          |
| <b>06 - Our customers and community</b>             |                  |                |
| Engagement objectives                               | MRD07            | 37-38          |
| Customer engagement                                 | MRD07            | 38-39          |
| Stakeholder engagement, including Aboriginal values | MRD07            | 39-41          |
| Community engagement                                | MRD07            | 41             |
| Recreational values                                 |                  | 42             |

| Requirements | Legislation | Page reference |
|--------------|-------------|----------------|
|--------------|-------------|----------------|

## 07 - Our environment

|   |         |       |
|---|---------|-------|
| Regional Catchment Management Strategy                | MRD 03  | 44    |
| Victorian Biodiversity Strategy                       | MRD 03  | 44    |
| Victorian Waterway Management Strategy                | MRD 03  | 44    |
| Regional Waterway Strategies                          | MRD 03  | 45    |
| State Environmental Protection Policy (Waters) SEPP   | MRD 03  | 45    |
| Integrated Water Management                           | MRO     | 45    |
| Greenhouse Gas and energy reporting (NGERS framework) | MRD 06  | 45-47 |
| Office-based environmental data                       | FRD 24D | 45-47 |

## 08 - Bulk Entitlements

|                             |        |    |
|-----------------------------|--------|----|
| Thomson Macalister          | MRD 04 | 50 |
| Werribee River              | MRD 04 | 53 |
| Maribyrnong                 | MRD 04 | 55 |
| Latrobe Reserve             | MRD 04 | 51 |
| Latrobe                     | MRD 04 | 52 |
| Yallourn River (Loy Yang B) | MRD 04 | 54 |
| Tarago River                | MRD 04 | 54 |

## 09 - Our business

|  |              |       |
|--|--------------|-------|
| Financial Management Compliance Attestation  | SD 5.1.4 (a) | 56    |
| Compliance with <i>Water Act 1989</i>  | FRD 22H      | 56    |
| <i>Building Act 1993</i>   | FRD 22H      | 56    |
| <i>Local Jobs First Act 2003 -incorporating the Victorian Industry Participation Policy Act 2003</i> | FRD 25D      | 56-57 |
| Compliance with the <i>Carers Regulation Act 2012</i>  | FRD 22H      | 57    |
| Compliance with the <i>Public Interest Disclosures Act 2012</i>                                      | FRD 22H      | 57    |
| Corporate Water Consumption  | FRD 22H      | 58    |
| Competitive Neutrality Policy  | FRD 22H      | 58    |
| Government advertising expenditure   | FRD 22H      | 58    |
| Additional information   | FRD 22H      | 58    |
| Freedom of Information   | FRD 22H      | 58-59 |
| ICT expenditure  | FRD 22H      | 57    |

## 10 - Financial overview

|  |         |       |
|--|---------|-------|
| Economic regulation  | MRO     | 60    |
| Pricing principles   | MRO     | 60    |
| Financial management   | MRO     | 60-61 |
| Five-year financial summary                                  | FRD 22H | 64    |
| Five-year performance summary                                | FRD 22H | 64    |
| Significant change in financial position                     | FRD 22H | 61    |
| Major changes or factors affecting performance               | FRD 22H | 61    |
| Subsequent events which will affect operations in the future | FRD 22H | 61    |
| Capital Plan expenditure 2019-20                             | FRD 22H | 62    |
| Major contracts  | FRD 12B | 62    |
| Consultancies  | FRD 22H | 62-63 |

| Requirements | Legislation | Page reference |
|--------------|-------------|----------------|
|--------------|-------------|----------------|

## PART B: Financial Report

### Financial statements required under Part 7 of the Financial Management Act 1994

|   |           |         |
|---|-----------|---------|
| Comprehensive Operating Statement   | SD 4.2(b) | 68-69   |
| Balance Sheet   | SD 4.2(b) | 70      |
| Statement of Changes in Equity  | SD 4.2(a) | 71      |
| Cash Flow Statement   | SD 4.2(b) | 72      |
| Compliance with applicable Australian Accounting Standards and other authoritative pronouncements | SD 4.2(c) | 73-74   |
| Compliance with Ministerial Directions  | SD 4.2(c) | 74      |
| Rounding of amounts   | SD 4.2(d) | 74      |
| Accountable Officer's declaration   | SD 4.2(j) | 02      |
| Compliance with Model Financial Report  | SD 4.2(f) | 68-111  |
| Accounting for dividends  | FRD 03A   | 104     |
| Early adoption of authoritative accounting pronouncements   | FRD 07B   | 96-97   |
| Disclosure of ex-gratia payments  | FRD 11A   | 107     |
| Disclosure of major contracts   | FRD 12B   | 105     |
| Long service leave, wage inflation and discount rates   | FRD 17B   | 79      |
| Disclosures of responsible persons and executive officers in the financial report                 | FRD 21C   | 106     |
| Significant changes in factors affecting performance  | FDR 22H   | 61      |
| Accounting for VicFleet Motor Vehicle Lease Arrangements on or after 1 February 2004              | FRD 26B   | *       |
| Presentation and reporting of performance information   | FRD 27C   | 115-117 |
| Standard requirements for the publication of Annual Report  | FRD 30D   | 1-124-  |
| Financial reporting directions - framework  | FRD 100A  | 73      |
| Inventories   | FRD 102A  | 70      |
| Non-current physical assets   | FRD 103F  | 82-90   |
| Borrowed costs  | FRD 105B  | 97      |
| Impairment of assets  | FRD 106A  | 89      |
| Investment properties   | FRD 107B  | *       |
| Intangible assets   | FRD 109A  | 91-92   |
| Cash flow statements  | FRD 110A  | 72      |
| Defined benefit superannuation obligations  | FRD 112D  | 80      |
| Investments in subsidiaries, jointly controlled entities and associates                           | FRD 113A  | *       |
| Financial instruments — general government entities and public non-financial corporations         | FRD 114B  | 100     |
| Contributions of existing non-financial assets to third parties                                   | FRD 117A  | *       |
| Contributions by owners   | FRD 119A  | 105     |
| Accounting and reporting pronouncements applicable to 2019-20 reporting period                    | FRD 120K  | 111     |
| Financial report statutory certification, signed  | MRO       | 112     |
| VAGO Opinion on the Financial Report, signed  | MRO       | 113-114 |
| Performance Report, financial   | MRO       | 115-116 |
| Performance Report, non-financial   | MRO       | 117     |
| Performance report statutory certification, signed  | MRO       | 118     |
| VAGO Opinion on the Performance Report, signed  | MRO       | 119-120 |
| Disclosure Index  | MRO       | 121-123 |

\* Nothing to report

# Appendix 2: Glossary

|          |   |
|----------|---|
| BGA      | Blue Green Algae                                  |
| BMID     | Bacchus Marsh Irrigation District                 |
| Capex    | Capital Expenditure                               |
| CCC      | Customer Consultative Committee                   |
| CIMP     | Corporate Incident Management Plan                |
| CMA      | Catchment Management Authority                    |
| DELWP    | Department of Environment Land Water and Planning |
| DS       | Domestic and Stock                                |
| DSEP     | Dam Safety Emergency Plan                         |
| EMS      | Environmental Management System                   |
| EPA      | Environment Protection Authority                  |
| ESC      | Essential Services Commission                     |
| EWOV     | Energy and Water Ombudsman of Victoria            |
| FOI      | Freedom of Information                            |
| GMA      | Groundwater Management Area                       |
| 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                                    |
| SEPP     | State Environment Protection Policy               |
| SFMP     | Streamflow Management Plan                        |
| SoO      | Statement of Obligations                          |
| SRMP     | Security Risk Management Plan                     |
| SW       | Surfacewater                                      |
| TCV      | Treasury Corporation of Victoria                  |
| VAGO     | Victorian Auditor General's Office                |
| VEWH     | Victorian Environmental Water Holder              |
| VicWater | Victorian Water Industry Association              |
| VIR      | Visual Inspection Report                          |
| WID      | Werribee Irrigation District                      |
| WIRO     | Water Industry Regulatory Order                   |
| WMP      | Water Management Plan                             |
| WSPA     | Water Supply Protection Area                      |
| WUL      | Water Use Licence                                 |

# 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 115-117) 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.

### 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 tCO <sub>2</sub> e by the year 2025. By implementing our Zero 2025 strategy, we will reduce carbon emissions by at least 45 tCO <sub>2</sub> e in 2018-19. | Page 46-47<br>Exceeded our tCO <sub>2</sub> e target, despite delays in commissioning the IWN large-scale project<br>Werribee depot solar installed and operational<br>Completed a catchment carbon offset plan, pilot project being scoped. |

### E3 Climate adaptation

| Corporate Plan commitment   | Status   |
|---|--|
| Review our allocation (available water) fortnightly and communicate allocation changes to our customers.  | Completed for 2019-20.   |
| Publish regular water supply outlooks on our website, which we also communicate through regular district updates.   | Completed for 2019-20.   |
| Encourage water trading between customers in surplus to those who need more water   | Page 16-17   |
| Make water savings available for allocation auctions each season.   | Completed for 2019-20.   |
| Maintain drought contingency plans to assist with managing low allocations in any given season, helping customers to plan and manage dry periods.   | Page 15-16   |
| 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. | Page 14 for efficiency targets<br>Page 18-19 for modernisation benefits<br>Page 13 for reducing outfalls, a further reduction of 31% on 2018-19.   |
| Power generators and urban water corporations have access to our water allocation model, which provides them with real-time information on their water in our storages.   | Implemented and ongoing.   |
| 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.   | During 2019-20 we continued work with DELWP to: <ul style="list-style-type: none"> <li>• improve rosters and restrictions for the Mitchell River</li> <li>• improve trading rules for the South-West Limestone.</li> </ul> |

## Customer and community outcomes

See **Our Performance, pages 12-20, Our customers and community, pages 37-42, and Performance Report, page 117.**

### C1 Customer Satisfaction

We are committed to the following customer outcomes, as outlined in our recent 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 2019-20 year were consistent with the prices proposed in our Corporate Plan.

**The 2019-20 Tariff Schedule is available on <http://www.srw.com.au/customers/fees/>**

### C2 Customer and community engagement

See pages 37-42 for details on customer, stakeholder and community engagement,

See page 42 for our Community Service Obligations, Hardship and Social Sustainability actions.

## Water for Aboriginal cultural, spiritual and economic values

See page 40-41

- 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   |
|--|--|
| Target staff having undertaken cultural awareness training (100% over a 3yr period). | <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 is being rolled out in full in 2020-21.</p> <p>In partnership with Gippsland Environmental Agencies (GEA)' 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 Gunditjmara 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> |



### 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. In 2019-20, we booked Welcome to Country and Smoking Ceremony services for major events, and staff undertook cultural training sessions with GLaWAC. We have committed to further sessions as soon as these are able to be restarted. Our board and executive team took a tour with Budj Bim tours during 2019-20. We are further developing our social procurement policy for 2020-21.

### AC1.2 Traineeships and sponsored study

While we had no traineeships or sponsored study placements in 2019-20, we are working with alliance partners to implement further opportunities in 2020-21.

### AC2 Effective engagement of Traditional Owners for inclusion of Aboriginal Values in water planning.

<sup>1</sup> 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.

| Corporate Plan commitment  | Status   |
|--|--|
| Refer significant surface and groundwater applications to Traditional Owner groups               | <p>We refer significant surface and groundwater applications to Traditional Owner groups.</p> <p>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.</p>   |
| 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. | <p>This is embedded in our revised Traditional Owner Policy and in actions under our Partnership Agreement,</p> <p>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.</p> <p>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.</p> |



### AC3 Aboriginal Inclusion Plan / Reconciliation Plan

Our focus in this area for 2019-20 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 11 Integrated Water Management groups that operate across our region. We also sit on several of the project control groups, and support working groups with relevant surface and groundwater information strategies and projects where they intersect with our areas of responsibility. This can include groundwater supply or diversions from dams or unregulated rivers.

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.

Two of the local government areas in our region were declared in drought in 2019-20, and East Gippsland experienced major bushfire in Dec-Feb 2020. This affected not only production on our customers' own farms and rural enterprises, but also the businesses and service suppliers in the regional economy. We have used our community sponsorship to support farmer mental health at various community events. We continue to make purchasing decisions which support local businesses wherever appropriate, in accordance with our procurement guidelines.

## **Recreational values**

Consideration of recreational values in carrying out functions and providing services

See page 42

## **Leadership and Culture**

Water corporations reflect the needs of our diverse communities.

### **G1 Gender and cultural diversity**

See pages 29-34 People and Culture.

### **G3 Health and Safety**

See page 35-36 for reporting in accordance with FRD22H.

## **Financial Sustainability**

Delivering safe and cost-effective water services in a financially sustainable way.

Measures: F1 - F7, pages 115



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