



Southern  
Rural Water

# Annual Report

2021-2022

## Responsible body's 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 2022.



### Joanne Butterworth-Gray

Chair  
Gippsland and Southern Rural Water  
Corporate Dated on 12 October 2022

## About this report

This Annual Report has been prepared for the financial year 1 July 2021 to 30 June 2022. This report is prepared in Adobe PDF format and is available for download as an A4 document.

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ISSN 1837-1992

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## Acknowledgments

We acknowledge and respect Victorian Traditional Owners as the original custodians of Victoria's land and waters, their unique ability to care for Country and deep spiritual connection to it. We honour Elders past and present whose knowledge and wisdom has ensured the continuation of culture and traditional practices.

We are committed to genuinely partner, and meaningfully engage, with Victoria's Traditional Owners and Aboriginal communities to support the protection of Country, the maintenance of spiritual and cultural practices and their broader aspirations in the 21st century and beyond.



We partnered with Budj Bim Tours to present an in-person and virtual tour for Southern Rural Water employees of Budj Bim National Park, in recognition of NAIDOC week. Budj Bim Tour Guide Braydon Saunders (right) with Southern Rural Water field officers Justin Fedley and Kev Williams.

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## Executive summary

Southern Rural Water is a vital link that supports \$2.3 billion in agricultural production across southern Victoria. We are responsible for the management of \$1.85 billion in assets across irrigation channels, storages, surface water and groundwater and we deliver essential water to our customers who require reliable water supply to sustain their businesses.

Customer value is core to our business, and Southern Rural Water consistently aspires to enhance our service interface and transform old irrigation channels into modern pipe infrastructure with automated systems that increase efficiency of water use and enable water savings.

In the water sector, transformation of old irrigation channels is called modernisation, and our business has secured funding for both the Macalister and Werribee irrigation districts. Macalister is now in Phase 2 of modernisation, having completed works at west Boisdale and the Werribee Irrigation District has seen the completion of three phases of modernisation, achieving 22.5 kilometres of new pipelines, customer outlet upgrades, and a 21% increase in water efficiency.

We continue to seek government funding to support the agriculture industry's co-contribution to modernisation, and recently we secured new funding for resilience and critical infrastructure to modernise the Bacchus Marsh Irrigation District and to enable the upgrade of two key siphons (pipes) in the Macalister.

Yet we are more. Southern Rural Water delivers water for community value, energy generation, and traditional owners' cultural activities.

And we are a proud resource steward, protecting water in our rivers, creeks and underground; as well as facilitating environmental flows that improve native habitats and water quality.

We acknowledge our dedicated and capable people for their excellence in responding to emergencies, as well as maintaining and upgrading water infrastructure that's essential for southern Victorian farmers, businesses, power generators, and communities.

### Community outcomes

Southern Rural Water signed a Memorandum of Understanding with Food and Fibre Great South Coast to support opportunities to improve and to collaborate on further water reform.

### Contribution to Traditional Owner's culture

We allocated a 2500 ML annual water licence to Gunditj Mirring Traditional Owner Aboriginal Corporation for use in the UNESCO World Heritage listed Budj Bim cultural landscape.

### Environmental challenges

Damage from the severe weather system that hit eastern Victoria in June 2021 resulted in floods impacting many customers. At the height of the disaster more than 73 billion litres of water flowed through Cowwarr Weir. Southern Rural Water re-opened this popular reserve after major restoration works in December 2021.

### Emergency management

In response to the June 2021 floods, Southern Rural Water was granted authority by the Governor in Council to decide applications to mitigate risks to the Yallourn coal mine associated with the cracking on the east bank of the Morwell River Diversion.

Our work, in partnership with other government agencies and power companies, ensured that appropriate measures were implemented to avoid the loss of a significant proportion of power generation capacity for the state.

Our dams and infrastructure safely weathered a magnitude 5.8 earthquake in Gippsland; while comprehensive emergency management planning ensured we were able to coordinate effectively with our stakeholders and communities.

### Customer satisfaction

As we have modernised our customer interface, we have focussed on a user-friendly website – our customers are the reason we exist. To understand if we are achieving customer value, we conducted an independent customer survey in the Macalister Irrigation District where 85% of our customers in the Macalister are satisfied with our service.

### Net zero emissions

We have progressed towards our net-zero carbon emissions target of 2025. This year we have installed behind-the-meter solar photovoltaic generation and automated systems in our irrigation districts

### Recognition

Southern Rural Water was recognised for our focus on excellence, as finalists for Organisation Excellence in the Australian Water Association awards in February 2022 for the Bacchus Marsh Irrigation District modernisation project.



Joanne Butterworth-Gray  
Chair

### Our people – Always Safe

Our people are at the heart of our achievements during 2021-2022. Southern Rural Water has sustained a focus on being Always Safe, resulting in a lower total reportable injury frequency rate. Diversity and inclusivity are key to having a vibrant and productive workplace and our Gender Equality Action Plan is a tool to demonstrate continuous improvement.

### The next five years

Every five years we outline our planned service delivery, infrastructure investment and customer pricing in a submission to the Essential Services Commission. Our customers are predominantly food producers who deliver economy-wide benefits, and during the past 12 months, we have conducted extensive customer engagement to inform the submission.

The price submission will be provided to the Essential Service Commission in September 2022. The submission has been designed to ensure that strong foundations are in place as we work towards achieving long-term financial sustainability for Southern Rural Water.

The price submission will enable us to continue to deliver great value to our regions and lay the foundations for long-term financial sustainability.

We thank the Hon. Lisa Neville, Minister for Water and the Hon. Richard Wynne who acted as Minister for Water for their support throughout 2021-22 and welcome the new the Hon. Harriet Shing, Minister for Water as we look toward 2022-23.



Cameron FitzGerald  
Managing Director

# About us



## Who we are

Gippsland and Southern Rural Water Corporation, trading as Southern Rural Water (SRW), is a state-owned water corporation.

We supply water to irrigators, power generators, and urban water corporations and we work with the Victorian Environmental Water Holder alongside catchment management authorities and Melbourne Water to manage the release of environmental flows.

We service customers across 88,000 square kilometres, or 37% of the state, stretching from the South Australian border to the New South Wales border, and from the Great Dividing Range to the Victorian coastline.

We operate seven major dams, eight diversion weirs, and three irrigation districts and we manage take and use licences for waterways, licences relating to catchment dams, and farm dam registration.

We recognise the important role we play as stewards of water resources, ensuring that we manage them sustainably for the long term.

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 \$1.85 billion in assets, we deliver water from catchment to farm gate, businesses and industry and employ 160 people. We have business centres located in Maffra, Werribee and Warnambool, and also have smaller offices scattered across our regions, ensuring we remain closely connected to our customers across our whole service area.

## What we do

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

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

### Irrigation

We manage the release and delivery of water to the Werribee, Bacchus Marsh and Macalister irrigation districts.

This includes operating and maintaining regulated channels, pipeline networks, drainage systems, and the supply of recycled water.

### Large dams

We operate and maintain seven dams to harvest water on behalf of irrigators and bulk entitlement holders, including power generators and urban water utilities. In addition to the dams, we manage eight weirs and the Willang Yarn balancing storage, all of which help us to manage water flows through our system.

We also work with catchment management authorities, Melbourne Water and the Victorian Environmental Water Holder to manage the release of environmental flows.

## Groundwater and rivers

We are delegated under the *Water Act 1989* to manage licensed water use from southern Victoria's unregulated rivers and groundwater aquifers. This includes assessing applications to take and use water and construct new farm bores and dams, along with metering water use, ensuring compliance with legal requirements and monitoring rivers and aquifers and applying rosters and restrictions where necessary to protect environmental outcomes.

We manage water use from unregulated rivers and groundwater aquifers across southern Victoria, including groundwater in urban areas.

## Recreational facilities

We provide a range of recreational facilities at our storages. These range from picnic grounds, playgrounds and barbecues to boat launching ramps catering for fishing and water-skiing. In doing so we cater for a variety of visitors, from those engaging in more passive activities like picnicking and fishing at Blue Rock, to the more intensive boating activities, including water-skiing and jet-skiing at Pykes Creek, Melton and Lake Glenmaggie.

## Supporting Traditional Owner self-determination

We are committed to honouring the knowledge, aspirations and ongoing connection to country of Traditional Owners in our operations, water planning activities and decision-making.

In March 2022, in partnership with the Department of Environment, Land, Water and Planning (DELWP), SRW allocated a 2500 ML per year water licence to Gunditj Mirring Traditional Owner Aboriginal Corporation for cultural use within the UNESCO World Heritage listed Budj Bim cultural landscape.

This follows on from a 2020 decision to issue a 2000 ML licence for an annual allocation from the Mitchell River to the Gunaikurnai Land and Waters Aboriginal Corporation to support cultural activities.

Traditional Owner corporations are exploring water availability in other SRW managed systems where water ownership supports assertion of native title rights and cultural values.

## Other functions

We also undertake a range of ancillary functions, including:

- operating (by appointment) as resource manager for some surface water catchments;
- operating and maintaining groundwater pumps in and around the Macalister Irrigation District (MID) to manage salinity;
- providing administrative support to the Drillers Licence Board Victoria; and
- leading, supporting and collaborating on special projects relating to the water sector.

## Storages

### Lake Glenmaggie

Macalister River

177,640 ML  
1760 ha



### Lake Narracan

Latrobe River

7230 ML  
281 ha



### Blue Rock Lake

Tanjil River

208,000 ML  
873 ha



### Cowwarr Weir

Rainbow Creek  
(Thomson River System)

210 ML  
10 ha



### Rosslynne Reservoir

Jacksons Creek

25,400 ML  
198 ha



### Melton Reservoir

Werribee River

14,360 ML  
230 ha



### Merrimu Reservoir

Werribee River  
(Tributary)

32,215 ML  
420 ha

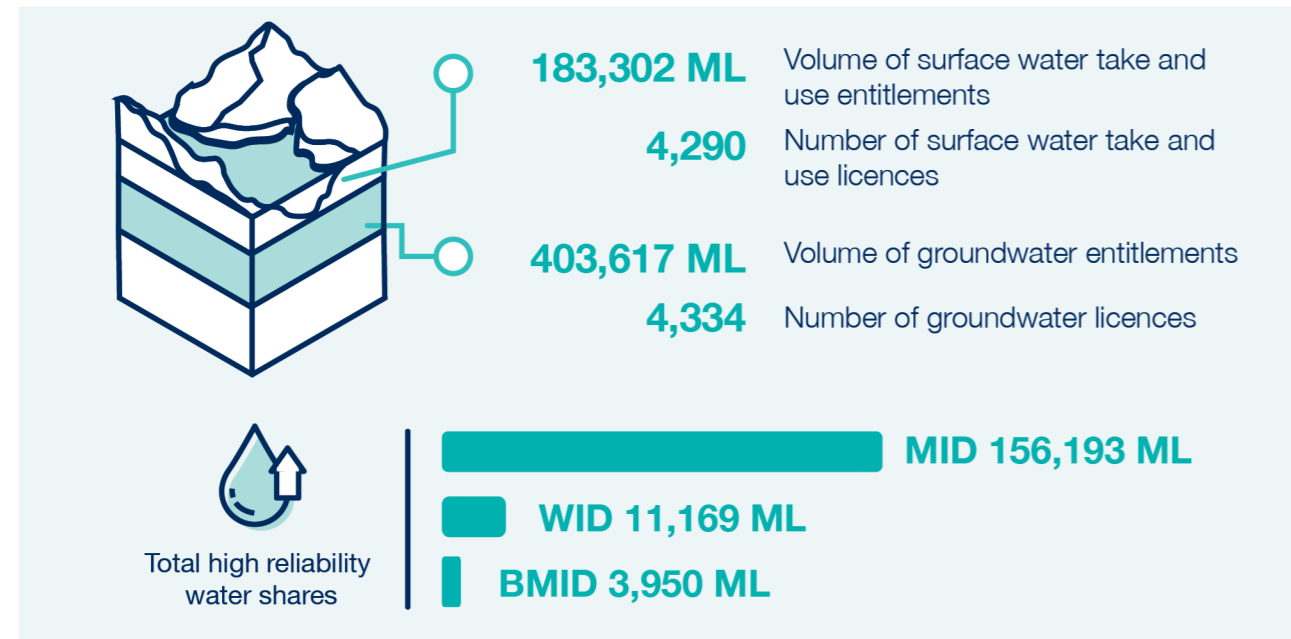


### Pykes Creek Reservoir

Werribee River (Tributary)

22,119 ML  
203 ha





7

Major storages



1187 KM

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



\$1.85 B

in assets



8

Diversion weirs



487,000 ML

Total storages capacity volume



WID 7,864 ML

Total recycled water customer contracted volume



## Our vision

SRW's vision is great value for customers and community through excellence in rural water management. In delivering this vision, our aspirations are to provide:

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

## Our people

### Behaviours

Our trademark behaviours provide the core values that drive our culture, guiding us to deliver excellence in rural water management. They are: always safe; united; customer first; ambitious; results driven; innovative; and respectful.

### Health, safety and wellbeing

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

### Culture

Leadership drives culture and culture is what sets us apart. During 2021-22, we have continued to take necessary steps to make SRW a great place to work for everyone.

## Our foundations

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

### Financially sound

We cannot achieve our vision without financial stability. Key initiatives include leveraging funding opportunities, procurement transformation, modernisation programs, and ensuring we set ourselves up for the future through a robust water sales program that will be supported by comprehensive preparation for the next price submission.

### Efficient systems

We will continue to enhance our service offering to our customers and update internal systems through technology and asset enhancements to achieve efficiencies for customers and our business alike.

### Resource steward

We will continue to build our understanding of the natural systems we manage, to achieve quadruple bottom line outcomes (i.e. social, cultural, environmental and economic) and support our target of net zero emissions by 2025.

### Great partner

We cannot achieve our vision in isolation. Partnering with stakeholders and customers to achieve outcomes is important.

### Insight-driven

The impacts of our decisions may be felt by many for generations to come. We will seek to build our internal capacity and cross-functional understanding through greater collaboration, to ensure outcomes are considered and comprehensive.

### Resilient organisation

To be resilient we need to be prepared to respond to emergencies and incidents, and position ourselves to leverage opportunities.

### Outstanding asset manager

We are committed to modernisation and the pursuit of outstanding asset management which strengthens our ability to effectively manage our assets, both through life cycle and operationally, to achieve optimum efficiency, reliability, and financial sustainability.

## Our aspirations

### Customer value

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

### Community value

We take our contribution to support thriving regional communities seriously. We are committed to honouring the knowledge, aspirations, and ongoing connection to country of Traditional Owners in our operations, water planning activities and decision-making. We understand that the services we provide, the partnerships we build, and investment decisions we make are important. We also acknowledge the social value of our assets and that the water we manage is a precious resource. As a result, we are working to minimise our impacts and improve environmental outcomes.

### Excellence

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





# Governance



## Organisation structure



Note: This board and executive team structure is reflective of 30 June 2022.

Business units	
Service Delivery	Operating our Macalister, Werribee and Bacchus Marsh irrigation districts. Managing licence diversions from surface and groundwater, and the construction of bores and dams.
Asset Futures	Developing and delivering the capital plan, including critical modernisation projects, with a focus on outstanding asset management and dam safety management.
People, Safety and Culture	Supporting the health, safety and wellbeing of our people. Managing the employment, engagement, and development of a diverse, knowledgeable, and engaged workforce. Managing our facilities and fleet to ensure contemporary, accessible, and sustainable work environments and resources. Planning and supporting our emergency management response.
Strategy and Performance	Strategic planning of water resources, pricing, business performance monitoring, and environment and climate adaptation planning. Providing communications and engagement activities for customers, stakeholders, Traditional Owners and communities.
Customers and Technology	Providing customer service via telephone, online, and face-to-face channels, supported by digital technologies aligned to customer expectations. Implementing IT systems and networks and investing in technology to support our strategic objectives and mitigate risks including cyber security.
Finance and Governance	Supporting and delivering financial management, risk management, and corporate governance.

## Responsible Minister

SRW is a statutory water corporation established under the *Water Act 1989*. The responsible Minister for the period from 1 July 2021 to 26 June 2022 was the Hon. Lisa Neville MP, Minister for Water. The Hon. Harriet Shing MP was sworn in as the Minister for Water on 27 June 2022. The Hon. Richard Wynne acted as the Minister for Water from 1 July 2021 to 22 August 2022.

## Role of the board

In accordance with the *Water Act 1989*, the SRW board is responsible for the strategic planning of the corporation and 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 chair in accordance with the *Water Act 1989*. The responsible Minister similarly appoints non-executive directors. The deputy chair, one of the appointed directors, is appointed by the board. The board also appoints the managing director.

Directors are appointed based on their qualifications and experience – they do not represent any particular constituency. The responsible Minister sets remuneration for non-executive directors.

## Director profiles

### Joanne Butterworth-Gray Chair

Joanne Butterworth-Gray is a professional chair and non-executive director with extensive experience across capital projects, land management and precinct planning, utilities and logistics, tourism, and legal. Joanne is chair of Campaspe Port Enterprise and Seafood Industry Victoria, a director of Gippsland Ports and a trustee of Caulfield Racecourse Reserve Trust. Joanne’s executive career in the public service included leading reform within emergency management, delivering culture improvement in HM Prison Barwon, and facilitating economic partnerships across the three tiers of government. Joanne has a transformational style of leadership focussed on culture, strategy and financial performance.

### Michael Malouf AM Deputy Chair

Michael Malouf AM is a director of Malouf Management Services Pty Ltd and is a sessional member at Planning Panels Victoria. 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, and was the managing director at Barwon Water. More recently he was the CEO at VicRoads. Michael 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. In recognition of his significant service to local government, and to the community of Victoria, Michael was awarded a Member of the Order of Australia, General Division, in the Australia Day 2020 Honours List.

### Cameron FitzGerald

Managing Director

Cameron FitzGerald has more than two decades of professional experience, with 17 of these years in the water sector. Having successfully delivered high-profile transformative programs across the sector, Cameron is committed to driving outstanding outcomes for SRW's customers and local communities. He 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.

### Naomi Cleary

Naomi 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. Naomi is an executive director of the International Federation of Sport Climbing Australia, president of the Oceania Council and is also a director of VicWater. She holds a Bachelor of Business Studies and is a Certified Practising Accountant and a graduate of the Australian Institute of Company Directors.

### Mark Darras

Mark Darras has previously served on the boards of Australia Post and Australia Post Super, John Holland Engineering and John Holland Queensland, the Telecommunications Universal Service Management Agency, and the South Australian Forestry Corporation. Mark has previously been a member of the Australian Takeovers Panel and was formerly with Ashurst Lawyers specialising in corporate transactions and infrastructure projects.

### Jane Doolan

Jane Doolan is currently a member of the Murray-Darling Basin Authority and an Adjunct Professor at the University of Canberra. She has recently completed her term as the Environment Commissioner with the Australian Productivity Commission. She has more than 25 years' experience in sustainable water resource management, providing policy advice on issues such as urban and rural water supply and security, national water reform, river health, environmental water allocation and catchment management, and the management of water during drought and climate change. Previous positions include director of Western Water Authority, professorial fellow in Natural Resource Governance at the University of Canberra, deputy secretary for Water in the Victorian Department of Environment and Primary Industries, commissioner with the National Water Commission, and chair of the Murray Darling Freshwater Research Centre.

### Christopher Edwards

Christopher Edwards was previously a board director of Westernport Water and holds current directorships of 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. He holds a Bachelor of Science (Economics) and is a Certified Practising Accountant and a graduate of the Australian Institute of Company Directors.

### Michelle McCrum

Michelle McCrum has extensive management consulting, leadership, and project delivery experience. She is also a director and chairperson of the board of Knox Basketball Inc. Michelle has held previous executive director and secretary roles at CBUS Industry Super and Hawthorn Citizens Junior Football Club. She has a Bachelor of Science, Maths (Honours), from Oglethorpe University in Atlanta, Georgia USA, and is a graduate of the Australian Institute of Company Directors.

### Kylie Steel

Kylie 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. She is a director of the Barwon Health Foundation.

## Former directors

### Diane James AM

Chair to 30 September 2021

Diane 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 chair 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 chair 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, Diane was awarded a Member of the Order of Australia 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. Diane was a director of the board from 1 October 2015 until her term of appointment concluded on 30 September 2021.

### Peta Maddy

Chair Asset Governance Committee to 30 September 2021

Peta 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. Peta 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. Peta 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. Peta was a director of the board from 1 October 2017 until her term concluded on 30 September 2021.

## Board committees

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

Committee and membership	Responsibilities
<p><b>Audit, Risk and Governance Committee</b></p> <p>Current members:</p> <ul style="list-style-type: none"> <li>Naomi Cleary (Chair)</li> <li>Christopher Edwards</li> <li>Michelle McCrum</li> <li>Joanne Butterworth-Gray (from 9 November)</li> <li>Kylie Steel (from 9 November)</li> </ul> <p>Former members:</p> <ul style="list-style-type: none"> <li>Michael Malouf AM (to 9 November)</li> <li>Peta Maddy (to 30 September)</li> </ul> <p>All members of the committee are independent.</p>	<p>Key oversight responsibilities</p> <ul style="list-style-type: none"> <li>integrity of the annual financial statements and financial reporting;</li> <li>exposure to legal and business risk and associated risk management;</li> <li>effectiveness of the external and internal audit functions;</li> <li>adequacy and effectiveness of financial management, financial control systems, and other internal controls;</li> <li>monitoring compliance with laws and regulations; and</li> <li>fostering excellence in corporate governance.</li> </ul>
<p><b>Asset Governance Committee</b></p> <p>Current members:</p> <ul style="list-style-type: none"> <li>Michael Malouf AM (Chair from 9 November)</li> <li>Kylie Steel</li> <li>Jane Doolan (from 9 November)</li> <li>Mark Darras (from 9 November)</li> </ul> <p>Former members:</p> <ul style="list-style-type: none"> <li>Michelle McCrum (to 9 November)</li> <li>Peta Maddy (Chair to 30 September)</li> <li>Diane James AM (to 30 September)</li> </ul>	<p>Key oversight responsibilities</p> <ul style="list-style-type: none"> <li>adequacy and integrity of capital works planning;</li> <li>performance and governance of capital program delivery;</li> <li>strategic asset management improvement program;</li> <li>dam safety performance including dam portfolio risk assessments and dam design review; and</li> <li>environmental strategy implementation.</li> </ul>

### People, Safety and Culture Committee

Current Members:

- Michelle McCrum (Chair from 9 November)
- Michael Malouf AM (Chair to 9 November)
- Naomi Cleary
- Christopher Edwards

Former Members:

- Diane James AM (to 30 September 2021)
- Peta Maddy (to 30 September 2021)
- Kylie Steel (to 9 November 2021)
- Cameron FitzGerald (to 9 November 2021)

Key oversight responsibilities

- people and culture framework, plan and initiatives;
- fostering excellence in remuneration practice, specifically to ensure that executive remuneration policies and procedures comply with government requirements and better practice;
- diversity and inclusion initiatives;
- adherence to the agreed trademark behaviours; and
- implementation and effectiveness of health, safety, and wellbeing framework, plans and initiatives relating to all employees.

*Note: Unless directly appointed, the board chair is an ex-officio member of all board committees.*

### Customer consultative committees

Directors also attend the scheduled customer consultative committees throughout the year, with one regular attendee.

#### Macalister Customer Consultative Committee

- Joanne Butterworth-Gray (from 9 November)
- Chris Edwards (until 9 November)

#### Southern Groundwater and Rivers Forum

- Jane Doolan (from 9 November)
- Michelle McCrum (until 9 November)

#### Werribee Bacchus Marsh Customer Consultative Committee

- Mark Darras (from 9 November)
- Peta Maddy (until 30 September)

### Board stakeholder engagement

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

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

### Board and committee meeting attendance

Director	Board	Audit, Risk and Governance Committee	Asset Governance Committee	People, Safety and Culture Committee	Customer committee
Joanne Butterworth-Gray	8/8	3/3			2/4
Mark Darras	8/8		3/3		1/2
Jane Doolan	8/8		3/3		3/3
Naomi Cleary	10/10	4/4		4/4	
Christopher Edwards	10/10	4/4		4/4	2/2
Michael Malouf AM	10/10	1/1	4/4	4/4	
Michelle McCrum	10/10	3/4	1/1	4/4	1/1
Kylie Steel	8/10	3/3	3/4	1/1	
Cameron FitzGerald	10/10			1/1	
Former					
Diane James AM	2/2		1/1	1/1	
Peta Maddy	2/2	1/1	1/1	1/1	1/1

Notes: The above shows board member attendance and eligibility from 1 July 2021. All board members can attend all committee meetings. Unless directly appointed, the board chair is an ex-officio member of all board committees. The managing director has a standing invite and attends all committee meetings.

# Our people



## People and culture

This year we developed a Gender Equality Action Plan, which is heavily supported by an internal champion network that meets regularly to discuss and support the plan's delivery.

We launched our new People Plan 2025. This plan is a critical enabler for delivering on SRW's vision. Our strategic people plan aspires to enhance employee capability and professional development and is focussed on customer service delivery excellence.

Our culture continues to be a key feature as we seek to transition to a modernised and values-driven way of working, generating thriving, sustainable, and tangible success across the business.

### Key initiatives

#### Enterprise agreement

Enterprise bargaining commenced after a notice of employee representational rights was issued in January. The first meeting was held in February and good progress has been made. The focus has been on discussing collaboratively and encouraging input from employees and unions.

Key interests for SRW include a focus on gender equality, flexibility, clarity, and fairness. SRW continues to bargain in good faith with a commitment to timely, successful and productive negotiations.

#### Recruitment

SRW is committed to applying merit-based decision making and equity principles when appointing employees. The selection process ensures that applicants are assessed and evaluated fairly and equitably on the basis of key selection criteria and other accountabilities without discrimination.

#### Employment and conduct principles

All employees are provided with a copy of the Code of Conduct for Victorian Public Sector Employees. Our induction processes, policies and training reinforce many elements of the code of conduct. We also have an aligned set of policies, including SRW's trademark behaviours and workplace legislation.

#### Gender Equality Action Plan

A Gender Equality Action Plan (GEAP) was developed in collaboration with employees, unions and board members and submitted to the Commission for Gender Equality in the Public Sector in March.

The plan outlines key initiatives including enhancing recruitment and promotion practices and attracting a diverse workforce, focussing on flexibility, culture, inclusivity and equal remuneration.

Work is underway on implementation of the plan with the creation of an internal champions network that meets regularly to discuss and support the delivery of key outcomes.

As part of developing the GEAP, we found employees (male 94%, female 93%) felt due consideration would be given to flexible working arrangements. Employees also felt that the organisation supports employees with family or other caring responsibilities (male 81%, female 93%).

Our gender diversity targets	Previous	Current	Target
	June 2021	June 2022	June 2026
Overall women	33%	32%	>40%
Women holding executive positions	43%	43%	50%
Women in the leadership group	43%	41%	50%
Women holding degree-required positions (other than engineering)	45%	48%	50%
Women with STEM positions	30%	20%	>40%
Women in field positions <sup>1</sup>	4%	12%	>30%

<sup>1</sup>Includes storage operators, water service officers, field officers and compliance officers. It excludes supervisors and managers.

### Workplace and inclusion policy

At SRW our people are at the heart of everything we do. We value the contribution of a diverse workforce that offers new and different perspectives, powering greater collaboration and innovation. We acknowledge that it is our responsibility to create gender equality and inclusive workplaces where everyone can be their best self, regardless of gender.

We have a diverse workforce that reflects our communities. We foster a workplace culture that is inclusive and collaborative, supporting the diversity of our people.

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

We are committed to providing employment opportunities for Aboriginal and Torres Strait Islander people and will continue to take action to attract, retain and provide a culturally safe environment for these employees. About 1% of our workforce identifies as Aboriginal or Torres Strait Islander.

The following table outlines additional workplace inclusion goals in the disability, age and Aboriginal and Torres Strait Islander people categories.

	Workplace inclusion goals	Previous	Target	Current
		June 2021	June 2026	June 2022
<b>Disability</b>	Percentage of the workforce with an identified disability	NA	>10%	NA
<b>Age</b>	Under 25 years	2%	>8%	1%
<b>Aboriginal and Torres Strait Islander people</b>	Maintain or increase proportion of staff who identify being of Aboriginal and Torres Strait Islander descent	1%	>3%	1%

### New ways of working

Our COVID-19 response was aligned to our people-first culture. People leaders established new operating rhythms with their teams and engaged in new ways of working.

### Upskilling our people

This year we have created:

- an engaging and structured online onboarding and induction experience for new starters that accelerates the integration of new employees;
- training matrices to capture current and future business unit training needs;

- engaging eLearning courses in collaboration with subject matter experts;
- the initial phases of an internal course library in our online learning and development system ensuring that employees are provided with contemporary, best practice training;
- a youth engagement program which links in vocational tertiary and secondary student work experience opportunities and programs by partnering with educational bodies; and
- enhanced connectivity and collaboration across the business via our strategic leadership team, who led collaboration projects.

## Workforce data

The following table discloses the headcount and full-time equivalent (FTE) of all employees in the last full pay period in June 2021-22 and the last equivalent period in 2020-21.

	June 2022						June 2021							
	All Employees		Ongoing			Fixed Term & Casual	All Employees		Ongoing			Fixed Term & Casual		
	No	FTE	FT	PT	FTE	No	FTE	No	FTE	FT	PT	FTE	No	FTE
Gender														
Woman	52	46.44	27	19	40.64	6	5.8	48	42.50	23	18	35.70	7	6.8
Men	110	108.55	90	10	98.55	10	10.0	112	110.70	97	9	104.70	6	6.0
Self-described <sup>1</sup>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prefer not to say <sup>1</sup>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Age														
15-24	2	1.83	0	1	0.83	1	1.0	3	3.00	1	1	2.00	1	1.0
25-34	31	29.56	23	6	27.56	2	2.0	27	25.80	21	3	22.80	3	3.0
35-44	47	44.96	33	9	39.96	5	5.0	42	40.20	30	8	36.40	4	3.8
45-54	47	45.79	36	4	38.99	7	6.8	47	45.40	38	6	42.40	3	3.0
55-64	31	29.50	24	7	29.50	0	0.0	33	32.00	26	6	31.00	1	1.0
65+	4	3.36	1	2	2.36	1	1.0	8	6.90	4	3	5.90	1	1.0
Band A-F														
A	18	16.23	13	5	16.23	0	0.0	19	17.10	11	6	15.10	2	2.0
B	60	58.56	51	7	56.56	2	2.0	57	56.10	51	5	55.10	1	1.0
C	30	27.70	21	8	26.70	1	1.0	31	29.00	23	7	28.00	1	1.0
D	22	21.26	13	6	18.26	3	3.0	21	19.80	16	5	19.80	0	0.0
E	20	19.44	15	3	17.44	2	2.0	19	18.50	16	3	18.50	0	0.0
F	4	4.00	4	0	4.00	0	0.0	5	5.00	3	1	4.00	1	1.0
Executive	8	7.80	0	0	0.00	8	7.8	8	7.80	0	0	0.00	8	7.8
Senior Management	0	0.00	0	0	0.00	0	0.0	0	0.00	0	0	0.00	0	0.0
Other	0	0.00	0	0	0.00	0	0.0	0	0.00	0	0	0.00	0	0.0
<b>Total Employees</b>	<b>162</b>	<b>154.99</b>	<b>117</b>	<b>29</b>	<b>139.19</b>	<b>16</b>	<b>15.80</b>	<b>160</b>	<b>153.30</b>	<b>120</b>	<b>27</b>	<b>140.50</b>	<b>13</b>	<b>12.80</b>

<sup>1</sup> SRW has not collected this data during the past two years.

## Health, safety and wellbeing

The health, safety and wellbeing of our people is our number one priority. In 2022, we focussed on embedding our trademark behaviour always safe and supported this through an increased focus on health, safety and wellbeing risk management. We do this by ensuring our ongoing compliance with the Occupational Health and Safety Act and looking for opportunities to go above and beyond.

### Key initiatives

#### Safety performance

There was one lost time injury for 2021-22. The lost time injury frequency rate for employees is 4.1 per million hours worked, compared to 3.8 in 2020-21. We continue to strengthen our approach to managing health, safety and wellbeing risks to ensure the safety of our staff, contractors and others who may be impacted by our operations.

#### Risk management

As part of our always safe approach, we have introduced a new health, safety and wellbeing risk management procedure that seeks to provide greater clarity, vision and confidence regarding the management of our risks. The introduction of health, safety and wellbeing workgroup risk assessments has elevated awareness and knowledge across the organisation.

#### Contractor safety

A major review of our approach to contractor safety has resulted in significant change to our onboarding. We will continue to use our MyOSH occupational health and safety management system to embed and streamline changes.

#### Flexible working

SRW has implemented individual flexibility arrangements, including initiatives such as compressed hours or working from home to name a few. As such, with greater update of flexibility, SRW has implemented a number of initiatives (including in-house ergonomic assessments) to help support the safety of our people working from home.

#### Mental health and wellbeing

We continue to promote the health and wellbeing of our people with the introduction of initiatives such as mental health first aid training and the implementation of the Trade Mutt 'open conversations' initiative, which involves wearing a colourful safety shirt to stimulate a conversation on mental health.

#### COVID-19 response

Responding effectively to the challenges posed by COVID-19 remains an ongoing focus. We will continue to monitor developments to support the health, safety and wellbeing of our people and the ongoing delivery of services to our customers.

#### Safety culture survey

Safety culture is measured using the Global Safety Index. We experienced a slight decline from 60.2 to 59.4. We see that a particular focus on risk management, mental health, and reward and recognition will help us strengthen our results.



### Safety performance indicators

Indicator	2021-22	2020-21	2019-20	2018-19	2017-18
Number of lost time injuries for the year	1	1	3	4	2
Lost time injury frequency rate (per million hours worked)	4.1	3.8	11.4	14.2	7.3
Number of days lost due to injuries incurred during the year	12	21	315	18	248
Number of medical treatment injuries for the year	0	5	4	6	4
Medical treatment frequency rate (per million hours worked)	0	19.2	15.2	22.7	14.5
Total number of incidents (excluding near-misses)	8	9	13	24	15
Total number of incidents (excluding near-misses) per 100 FTE	5.2	6.2	8.1	15.0	8.9
Total number of near misses reported	11	6	20	36	20
Frequency rate of near misses reported	44.7	15.4	76.3	137.7	72.7
Number of first aid incidents	7	3	6	14	9
First aid treatment frequency rate	28.4	11.5	22.8	23.9	32.7
Standard lost claims exceeding employer liability (>10 days)	1	1	2	0	1
Standard lost claims exceeding employer liability (>10 days) per 100 FTE	0.65	0.68	1.2	0	0.69
Average cost per compensation claim	\$2,714	\$45,752.25	\$78,728	\$3,916	\$7,169
Number of reported hazards closed out	52	154	177	252	379
Number of reported hazards for the year per 100 FTE	52	154	177	252	379
Number of workplace inspections completed	77	57	72	52	50

# Our performance



## Our year

The 2021-22 year continued to be challenging with the ongoing management of water supply to customers whilst ensuring we maintained both employee and community safety as we navigated through the impacts of COVID-19.

Throughout the year we saw ongoing wet conditions in the east, with our largest water storage at Lake Glenmaggie spilling. In the west, as with previous years, we saw steady conditions meaning that 100% high and low reliability water shares were issued early in the season.

Our unregulated customers across our groundwater and rivers business experienced highly variable conditions, including sustained rainfall and flood events in the east and central regions, damaging summer storms around Ballarat, and generally dry conditions west of Geelong. This resulted in highly variable demand patterns based on geographic location and enterprise type, but with a net result of lower overall usage than previous years.

### Irrigation districts

The year saw continued COVID-19 restrictions on our workforce. With a well-managed COVID-19 response plan, we were able to maintain the continuity of water supply without compromising the safety of our people, customers or community.

Moving forward, our operating model in the field now includes ongoing measures that can be adjusted to meet the COVID-19 risk setting in the community.

### Macalister Irrigation Area

In Victoria's east, regulated water is supplied to the Macalister Irrigation Area (MIA) via two main systems. The gravity-fed irrigation district relies on upstream heads of water to move through the channels and pipes, while other customers rely on the direct river diversions from the Thomson, Rainbow and Macalister rivers.

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 1000 customers.

The irrigation season for the MID runs between 15 August and 15 May, with river diversion customers able to order water every day of the year.

As with the previous two seasons, we experienced a very wet start to the 2021-22 season with Lake Glenmaggie storage spilling from 1 July all the way through to 15 December.

During this time we continued to see largely wet weather resulting in customers utilising 8661 ML worth of spill water. Due to high inflows into the storage leading into the start of the season, we opened with 100% allocation against high-reliability water shares (HRWS) on 1 July.

Lake Glenmaggie started the year at 78% capacity. With continued and forecasted large rains, the storage level was managed and spill declared from 1 July at an operational full supply level.

Date	MID HRWS	MID LRWS	WID/BMID HRWS	WID/BMID LRWS
1/07/2021	100%	0%	95%	0%
13/07/2021	100%	0%	95%	0%
27/07/2021	100%	0%	95%	0%
10/08/2021	100%	0%	95%	0%
24/08/2021	100%	0%	95%	0%
7/09/2021	100%	0%	100%	10%
21/09/2021	100%	0%	100%	10%
6/10/2021	100%	0%	100%	30%
19/10/2021	100%	0%	100%	40%
2/11/2021	100%	0%	100%	40%
18/11/2021	100%	0%	100%	60%
30/11/2021	100%	0%	100%	60%
14/12/2021	100%	5%	100%	70%
29/12/2021	100%	5%	100%	90%
11/01/2022	100%	10%	100%	100%
26/01/2022	100%	10%	100%	100%
8/02/2022	100%	15%	100%	100%
22/02/2022	100%	50%	100%	100%
8/03/2022	100%	100%	100%	100%

Notes: The refers to high-reliability water share and low-reliability water share allocations in the Macalister Irrigation District and the Werribee and Bacchus Marsh Irrigation District

Our share of the Thomson Dam Drought Reserve had started with a volume of 41,637 ML. With the consistent wet season inflows storage levels continued to rise, and by 20 August 2021 the internal spill limit of 45,000 ML was reached. As there was little to no demand on the Thomson storage, we remained at the internal spill point until mid-January 2022. As demand picked up in the district, water was utilised from the reserve from mid-January 2022 through to mid-March 2022, and by the end of April 2022 we were internally spilling.

Customer deliveries in the MIA this season totalled 68,090 ML. With continued rainfall for the first half of the season, we had record low usage recorded for the first six months of 21,000 ML, followed by another record low usage of 47,000 ML through to the end of the season. Overall, this represents the lowest MIA usage since the early 1960s.

As we experienced a wet start to the year and usage was well down, we hit a peak of 100% HRWS and 50% low-reliability water shares (LRWS) up until 22 February 2022. At this point LRWS was increased to 100%.

Overall, it was a good season for customers with plenty of on-farm rain supported by a large volume of water available through the storages. At the end of the 2021-22 season, Lake Glenmaggie had 110,000 ML in storage and the Thomson Dam Drought Reserve had 45,000 ML in storage.

Macalister Irrigation District performance against target 2021-22		
	Target %	Actual %
Channel performance (pool height consistency) <sup>1</sup>	82%	75%
Delivery	99%	100%
Delivery efficiency <sup>2</sup>	85%	76%
Customers with access to demand management <sup>3</sup>	70%	73%
Release of water savings <sup>4</sup>	7300 ML	0 ML

<sup>1</sup> Channel pool performance continues to be below target due to the unseasonal wet irrigation season. This did not translate into a negative impact on customers with all customers receiving their required orders.

<sup>2</sup> With only four months (December to March) of semi-continuous supply, we have seen the lowest delivery of water. With low delivery to customers the losses do not reduce other than the outfalls, of which the outfalls were below our targeted volume.

<sup>3</sup> This is worked out on outlets and not customers. It means 73% of outlets in the MID have a demand management ordering system available.

<sup>4</sup> The sale of water shares will be deferred until environmental watering plans are completed and approved by the Minister.

### Recovery work at Cowwarr Weir

Repairs to Cowwarr Weir are complete, one year on from major flooding that caused substantial damage to the waterway, weir and recreational facilities. These works were important as Cowwarr Weir provides irrigation water to farmers and growers in the MIA. The flood event in June 2021 saw a peak flow of 73 billion litres of water a day pass through the weir and had a significant impact on catchments, infrastructure and customers.

The weather system that hit Gippsland from 9 to 10 June dropped between 50mm to 210mm across much of the region, causing severe flooding in the Latrobe, Thomson and Macalister river catchments.

This was the worst flood at the weir since 2007 and the fourth largest since the weir became operational in 1958.

Tens of thousands of tonnes of debris, including stone and silt and countless pieces of timber – most of which were large trees and logs, were washed into the weir and required removal.

Works have included the removal of the debris from the park grounds, desilting the weir pool and downstream dissipator, returning the edge of the pool to a safe condition, arborist work to make damaged trees safe, road repairs, fencing repairs, and walkway replacements.



### Werribee and Bacchus Marsh irrigation districts

In the state’s west we manage the supply of river water to customers in the Werribee Irrigation District (WID), the Bacchus Marsh Irrigation District (BMID), and to river diverters along the southern stretches of the Werribee River. We also manage the delivery of recycled water to customers in the WID.

The 2020-21 season ended with the allocation reaching 100% HRWS and 100% LRWS, which resulted in an excellent start to the 2021-22 season. The starting allocation of the 2021-22 season was 95% HRWS with the carryover volume of 11,400 ML. This meant the starting available volume was equivalent to 168% HRWS.

From July 2021 to the start of September 2021 there was minimal inflow to our storages resulting in the allocation remaining at 95% HRWS. From the first week of September 2021 through to mid-January 2022 the catchment received good, consistent rainfall resulting in good inflows, which saw the allocation increase from 95% HRWS, to 100% HRWS and 100% LRWS.

Bacchus Marsh Irrigation District performance against target 2021-22		
	Target %	Actual %
Channel/ pipe performance (pool height consistency) <sup>1</sup>	98%	95%
Delivery	99%	100%
Delivery efficiency	80%	84%

<sup>1</sup> The pool height consistency was slightly down on target due to unexpected damage from a contractor on the spur 5 pipeline and a major burst on the spur 2 pipeline.

This is the third consecutive season that we have had allocations of 100% HRWS and 100% LRWS. The districts have experienced above average rainfall and unusually cool summers, keeping demand lower than historical averages, with overall deliveries for last season being 11,775 ML.

Given the high allocation of river water for the Werribee district, the demand for recycled water was predicted to be low.

The season ended with Pykes Creek at 85.5% and Melton reservoirs at 86%. With the reservoirs being close to capacity, we expect to have a good 2022-2023 season.

Werribee Irrigation District performance against target 2021-22		
	Target %	Actual %
Channel performance (pool height consistency)	98%	99%
Delivery	99%	100%
Delivery efficiency <sup>1</sup>	80%	76%
Recycled water	<1800ec	<1800ec

<sup>1</sup> Three contributing factors impacted WID efficiency: leaks in the district's old channel section, a major pipeline leak on spur 11, and 10 weeks of inaccessible recycled water during the peak of the season.

### Groundwater and rivers

SRW’s delegated licencing and regulatory functions include powers to determine licences and to monitor and enforce licence conditions, along with facilitating the orderly access to water resources through implementation of management plans, works licences and water trade.

The groundwater and rivers business supports more than 8000 customers across a wide range of enterprise types including cultural water, stock and domestic water for rural landholders, dewatering quarries, irrigated food and fibre production, geothermal licences, environmental uses, and large volume licences for heavy industry.

Victoria’s largest cultural water allocation was made following an application by the Gunditj Mirring Traditional Owners Aboriginal Corporation for 2500 ML of winterfill entitlement in the Fitzroy River basin. This water allocation will be used for cultural outcomes across the UNESCO World Heritage listed Budj Bim cultural landscape.

The 2021-22 year commenced with major flooding events in the Gippsland region. The Morwell River diversion was at risk of failure with floodwater threatening major power generation capacity. SRW executed emergency powers issued by the Governor in Council to authorise emergency works and associated approvals. The effective implementation of emergency works protected the threat to critical infrastructure while protecting existing users and the environment.

Prolonged periods of high rainfall exposed weaknesses in some private dams resulting in partial failure of dam walls. SRW used its powers under the *Water Act 1989* to direct these dam owners to make the dams safe by lowering water levels until repair works or decommissioning could be completed.

Compliance work has continued with an increasing focus on unauthorised take, where a licence holder uses more than their licensed volume or takes water at a time they are not authorised to. SRW is actively engaged in the Compliance Community of Practice and Non-urban Metering Working Group led by the Department of Environment, Land, Water and Planning.

SRW has invested in our people to build capacity around successful enforcement actions, including supporting seven employees to complete their Certificate IV in Government Investigations. An introduction to compliance training was also undertaken by field staff and situational awareness training was provided to employees potentially exposed to threatening or aggressive behaviour, along with reviewing safety systems around undertaking compliance activities.

It is expected that trained employees will be able to issue penalty infringement notices (PINs) through Fines Victoria from July 2022. PINs will provide an important tool for enforcement for common infractions and provide a level of escalation between warning letters and court-based enforcement.

Automated meter reading has supported weekly compliance reporting for customers connected to the system. Data management issues have prevented the release of mySRW to our groundwater and rivers customers. Once released to customers, mySRW will provide connected customers with the ability to remotely monitor their water use to ensure they remain within their licence limits.

Currently, potential instances of unauthorised take are flagged on a weekly basis with further investigation undertaken by field staff to verify whether an offence has occurred. Offences are progressed in line with established guidelines. Our rollout of automated meter reading has been significantly curtailed due to the COVID-19 lockdowns and a decision that this task was not essential work to be undertaken during state lockdown mandates.

## Compliance actions

SRW is working to implement the Minister for Water's call for a zero-tolerance approach to water theft and the Minister has established key performance indicators (KPIs) for a range of measures related to unauthorised take. SRW customers consistently demonstrate higher rates of compliance than identified by the KPIs, and our customers are ably supported by field staff and proactive approaches to compliance identified through our compliance and enforcement framework.

Water use is reported on a weekly basis allowing for timely investigation of potential unauthorised take. Our adoption of automated meter reading technology has increased our ability to flag emerging issues with customers and allow informed decisions around water use and trade options.

SRW continues to respond to community notifications of potential *Water Act 1989* offences. Increasingly, SRW field staff are partnering with catchment management authority floodplain officers to undertake joint inspections of illegal works and to clarify roles and powers for each authority under the *Water Act 1989*.

Our employees are active members of the non-urban water compliance community of practice along with the non-urban metering community of practice. These groups support the development and adoption of best management practice approaches to water sector compliance in Victoria.

SRW brings a diverse range of compliance issues to these forums including our significant focus on unlicensed works and our ongoing work around compliance with licence conditions for potentially hazardous dams.

### Alleged *Water Act 1989* offences investigated 2021-22

Total number of detected breaches	64
Total number of investigations commenced <sup>1</sup>	67
Total number of investigations finalised	52

<sup>1</sup> Includes three from 2020-21.

### Enforcement actions taken 2021-22

No action taken	36
Verbal warnings	7
Advisory letters	0
Warning letters - first letter	14
Warning letters - second letter	0
Notices of contraventions	7
Power to enter land (section 133)	0
Lockdown (section 141)	0
Referred to other agencies	1
Recommended for prosecution	0
Penalty infringement notices	0
Others	0

Unauthorised take	Usage volume (ML)	Negative balance (ML)	KPI Volume	Total ABAs	Negative ABAs	KPI ABAs
2021-22	-180,505	-490	0.27% <sup>1</sup>	13,323	44	0.33% <sup>2</sup>
2020-21	-281,182	-46	0.03% <sup>1</sup>	13,302	2	0.01% <sup>2</sup>
2019-20	-324,235	-308	0.10% <sup>1</sup>	13,298	35	0.26% <sup>2</sup>

<sup>1</sup> KPI target unauthorised take < 1.0% of total water use.

<sup>2</sup> KPI target number of negative ABAs < 3.0% of total accounts.

### Bulk entitlement compliance

SRW complied with the provisions of the bulk entitlements during 2021-22.

### Environmental flow compliance

SRW has met all passing flow requirements set out in the bulk entitlements. SRW has also worked with the catchment management authorities and the Victorian Environmental Water Holder to ensure their flow requirements were met during 2021-22.

### Remediation and Environmental Protection Plan

SRW continues to regulate the implementation of the Boundary Creek, Big Swamp and surrounding environment Remediation and Environmental Protection Plan (REPP) prepared by Barwon Water.

The REPP sets out actions and investigative works to address impacts caused by historic groundwater extraction. During the past 12 months Barwon Water has met all obligations under the REPP and has focussed significant attention on actively reducing the acidity loads within the swamp in response to new data and feedback from experts and the community alike.

The wet weather and the continued cessation of pumping means that groundwater levels in the area are continuing to improve and vegetation within the swamp is regenerating. Barwon Water has committed to withdrawing reliance on the borefield in the future and is investigating options to decommission the borefield. This is a significant step in the long-term remediation of the area.

SRW continues to be supported by an Independent Technical Review Panel (ITRP) consisting of four experts from varying fields including hydrogeology/geology, groundwater modelling, geochemistry, and ecology. Feedback from the ITRP is integral to ensuring we appropriately regulate the REPP.

## Reservoir operations

The performance targets for all reservoir operations were met in 2021-22.

Storage operations performance against target 2021-22			
Site	Measure	Target	Actual
Blue Rock Lake	Releases within 10% of ordered flow	95%	100%
Pykes Creek Reservoir and Lake Merrimu	Water is harvested at the maximum possible rate	95%	100%
Werribee system	Releases are within 10% or 5 ML of ordered flow	95%	100%
Maribyrnong system	Releases are within 10% or 1 ML of ordered flow	95%	100%


## Major projects

### Macalister Irrigation District (MID) modernisation


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

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


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



**\$63 M**  
invested into MID2030 Phase 2



**21,600 ML**  
Phase 1A & 1B estimated annual water savings



**10,000 ML**  
Phase 2 estimated annual water savings

Expected benefits include:

- increase Gippsland’s food and fibre outputs;
- improve regional economies;
- optimise water supply efficiency;
- secure the Newry district supply;
- unlock more on-farm investment in irrigation;
- increase farm productivity;
- improve environmental outcomes by reducing nutrient discharges to local waterways and the Gippsland Lakes; and
- boost jobs, both during construction and ongoing as rural businesses expand.

The water savings from the Phase 1A and 1B projects (estimated 21,600 ML) and the majority of savings from the Phase 2 project (estimated 10,000 ML) will support increased agricultural production across the region. The Victorian Government’s share of the Phase 2 water savings (an estimated 1700 ML) will support environmental flows in the Macalister River.

The previous MID2030 Phase 1B program of works are now fully operational, including the Southern Tinamba pipeline system and the automation of channels in the Riverslea area.

Customers are now receiving improved on-farm irrigation flows at a rate they have never experienced before. We have been able to supply multiple customer orders on sections of channel that were previously only able to supply one order at a time. Reduced water usage is also being reported by customers because of the improved flows.

**Phase 2 works:**

- Stratford supply system upgrades with four new regulators operational in 2020.

- In August 2021, we completed upgrades to regulators on the Main Northern channel to improve performance and measurement, along with modernisation works in west Boisdale and the replacement of 40 dethridge meters with fully automated meters.
- As part of the Phase 2B project, SRW partnered with West Gippsland Catchment Management Authority (WGCMA) and Agriculture Victoria to offer a free irrigation farm plan program to enable customers to get the best on-farm efficiencies from a modernised supply.

**Maffra Weir operating gear upgrade**

In June 2021, we commenced the construction phase of the \$3.7 million upgrade of Maffra Weir including the replacement of the gate hoists and the operating bridge.

The mechanical equipment was fabricated offsite and installation took place in August 2021. This ensures ongoing supply of approximately 20% of water within the MID and the ability to reliably pass future floods.

**Cowwarr Weir refurbishment and desilting**

A \$1.14 million project to upgrade the 60-year-old mechanical components at Cowwarr Weir to modern standards has been designed and prepared for delivery in the next financial year. A tender was awarded in April 2022 with preparations, including procurement of equipment from overseas, well underway. The desilting and gate bearings were completed as part of the flood recovery in 2021.

**Werribee modernisation**

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

In April 2016, the Victorian Government committed \$10.44 million to modernise the WID. The funding, matched by the same contribution from irrigators, supported the completion of the first three of five stages to replace ageing and inefficient channels with new pipelines. The first three stages are now operational, including 22.5 kilometres of new pipelines and customer outlet upgrades.

The first three stages will deliver approximately 3750 ML of water savings, with the Victorian Government’s share supporting Werribee River health through environmental flows. Together with the piping of the 4/1 sub-system in 2015 and 2016, we have seen efficiency in the WID increase from 53% to 73%.

In May 2021, a further \$11 million contribution from the federal government was announced. Together with irrigator funding the WID channels will be completely replaced and water savings will increase to 5000 ML.

**22.5 KM**  
of new pipeline

**3750 ML**  
estimated annual water savings

**73%**  
increased delivery efficiency



## Bacchus Marsh Irrigation District (BMID) modernisation

In April 2016, the Victorian Government committed \$4.12 million towards the \$12.4 million project to modernise and pipe the BMID. The first stages of the modernisation project have been completed and are fully operational; this includes a new river pump station, a 0.5 ML tank and 8.5 kilometres of new pipelines and customer outlet upgrades. These works have seen delivery efficiency increase from 63% to more than 80%, delivering the planned annual water savings of up to 1000 ML.

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

The National Water Grid Authority has contributed 50% funding to complete modernisation works on the Spur 12 channel and the refurbishment of the critical Fiskens Street bridge pipeline supplying BMID. These works will be completed by August 2023.

SRW and Moorabool Council agreed to repurpose the Main Channel land through the Bacchus Marsh township, allowing Moorabool Council to build a strategic cycling path to provide further liveability benefits to the community.



## Dam safety, security and emergency management

This financial year was a busy year for emergency management. The year started with the continuation of emergency management and clean up after a major flood in June 2021. The major flood was the largest flood since 2007 for the Thomson and Macalister catchments, and the largest discharge flow rate recorded at Blue Rock Lake. This was followed by another five floods that reached at least minor flood level.

On 22 September, Victoria had one of the largest earthquakes recorded. The epicentre of the earthquake was 56 kilometres from Lake Glenmaggie and was felt at SRW's western reservoirs. The earthquake reached level six on the modified Mercalli intensity scale at Lake Glenmaggie, level five for the eastern reservoirs and level four at the western reservoirs.

These levels resulted in the implementation of the Dam Safety Emergency Plan. Inspections were carried out at each of the reservoirs with no damage detected other than some minor cracking of the Yallourn Weir control room.

SRW completed its annual submission of the Emergency Risk Management Plan and Statement of Attestation to the Minister in February as required by Part 7A of the *Emergency Management Act 2013*. The attestation was based on the Commonwealth designed Aqua Ex exercise – a cybersecurity exercise designed to examine the processes for responding to a cyber-based incident. The external audit, conducted by Entura, made several recommendations on areas for improvement of SRW's ICT Disaster Recovery Plan and incident management arrangements.

All recommendations were accepted either in full or in part with improvements being made to the incident management team arrangements and activations, including clearly defined links between the Corporate Incident Management Plan (CIMP), Business Continuity Plan, and specific incident response plans.

The changes provide a close alignment with the State Emergency Management Plan, allowing for more effective relationships with external emergency partners.

This exercise, combined with a dam safety exercise which was audited by HARC Consultants, provided SRW with a detailed plan for improving emergency management. The recommendations and action plan has been included in the 2022 Emergency Risk Management Plan.

During the year SRW activated the CIMP on nine occasions, including two pipe failures, six flood or rain events and one earthquake. The CIMPs involved activating an incident management team under an incident commander who called on trained team members from across the business.

Outside of emergency management, upgrades and maintenance took place across our sites. Gauging station upgrades were completed for the Licola streamflow monitoring site, replacing a landline station with mobile transmission to improve asset resilience and the accuracy, reliability and frequency of data being transmitted.

The flood forecasting model was calibrated for the Thomson River system, with calibration of the Latrobe and western catchment model to be completed in the next financial year.

Flood forecasting training was also finalised, with eight new forecasters trained in the Unified River Basin Simulator rainfall run-off flood modelling system. This training significantly increased our capacity to respond to events.

The Annual Dam Safety Report is also submitted to the board annually.

## Asset management plans

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



# Our customers, stakeholders & community



## Engagement objectives

SRW is committed to developing resilient and trusted relationships with customers, stakeholders, and communities.

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

- effective and proactive engagement;
- partnerships that deliver mutual objectives;
- learning what our key audiences need from us; and

- sharing our priorities and progress.

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

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.

### Our engagement goals



#### Customers

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

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

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

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



#### Stakeholders

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.



#### Community

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

We meet regularly with our three board-appointed customer consultative committees to ensure we provide a formal process for customer participation in operational, strategic and long-term planning. These committees are the:

- 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 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;
- providing feedback on pricing and billing arrangements;
- offering feedback on customer communication activities;
- supplying a customer's perspective on business issues, with input into problem-solving; and
- linking SRW to the customer communities it serves.

## Stakeholders

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

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

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

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

- the Department of Treasury and Finance;
- primary industry groups, such as the Victorian Farmers Federation and relevant commodity groups, United Dairy Farmers of Victoria, and peak horticultural industry bodies;
- the Energy and Water Ombudsman of Victoria;
- the Victorian Environmental Water Holder;
- federal government agencies such as the Bureau of Meteorology;
- environmental and sustainability groups;
- Regional Development Victoria, including Food and Fibre Great South Coast Food and Food and Fibre Gippsland;

- the Gippsland Regional Water Alliance;
- Gippsland environmental agencies – managing directors forum, Women's Leadership Team, and the Gunaikurnai Land and Waters Aboriginal Corporation working group;
- Integrated Water Management groups; and
- the Pride in Water Alliance.

We have developed and implemented communications and engagement plans for all major projects and initiatives.

Engagement in 2021-22 has included:

- engaging with customers, stakeholders and government agencies on our price submission. This included the creation of a specific Customer Reference Group to discuss key issues with customer and community leaders;
- individual meetings with customers across southern Victoria;
- facilitating meetings between customers and DELWP to share information to inform the Central and Gippsland Sustainable Water Strategy;
- working with Agriculture Victoria, catchment management authorities, and other water corporations on joint programs with customers and communities through the delivery of major projects such as the MID2030;
- participation in International Women's Day forums and project work with other water agencies across the state; and
- the Managing Director and senior leadership team being involved in a range of partnerships and alliances with shared objectives.

## Barwon community leaders group

This financial year, we continued to meet with the Barwon Remediation and Environment Protection Plan (REPP) Community Leaders Group, independently chaired by Shaun Cox from Inxure Strategy Group, to inform our role in the regulation of the Boundary Creek, Big Swamp and surrounding areas REPP.

The community has played a significant role in the success of the remediation actions to date, and their ongoing contribution is important. Recently, SRW and Barwon Water trialled a combined community group meeting for particular topics and purposes to ensure we have greater transparency and consistency within the process. This has seen members from SRW's community leaders group and Barwon Water's remediation reference group come together to hear updates and participate in feedback discussions.

## Torquay dam

In October 2020, a private dam in Torquay was responsible for leakage of water onto nearby properties, resulting in the community being evacuated. During 2021-22 SRW has continued to manage the response, which has included engagement with the community and appearances at the Victorian Civil and Administrative Tribunal (VCAT). In June 2022 the dam owner and SRW agreed on a path forward, which has been accepted by VCAT and the local community.

### Supporting Traditional Owner self-determination

In 2021-2022, we launched compulsory First Nations Cultural Awareness Training for all staff and formed a new internal reconciliation team to coordinate and implement initiatives to build and strengthen our relationships with the Traditional Owners of the lands on which we operate.

Outwardly, we allocated 2500 ML per year to the Gunditj Mirring Traditional Owner Aboriginal Corporation for cultural use within the UNESCO World Heritage listed Budj Bim cultural landscape. This follows the allocation of 2000 ML to the Gunaikurnai Land and Waters Aboriginal Corporation in 2020 and is supported by the approval of an internal policy that waives licence fees associated with the use of water for cultural purposes.



Traditional Owner groups across the Southern Rural Water region.

### Food and Fibre Great South Coast

This year we signed a Memorandum of Understanding with Food and Fibre Great South Coast agreeing to assist them in the development of their 18-point plan.

The partnership has allowed them to create a strong rural water policy position for the south west, providing opportunities to work collaboratively with SRW to influence outcomes for our customers.

It will also bring a new perspective and significant resources to harness all the opportunities associated with the great south coast's water resources. The partnership includes building water literacy and promoting water education and advocacy in the region.



Food and Fibre Great South Coast chair Georgina Gubbins presented General Manager Service Delivery Hugh Christie with a letter of appreciation at this year's sustainable water forum, in recognition of the Memorandum of Understanding.

## 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; and
- educate, particularly on water-related topics.

SRW provides sponsorship to community groups and organisations, industry events or activities, and to employees involved in charitable events. Our sponsorship in 2021-22 included supporting:

- Food and Fibre Gippsland;
- Great South Coast Food and Fibre;
- National Water Week;
- World Water Day;
- Farm World – Lardner Park; and
- small community groups.

## Recreational values

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

All the recreational parks were very busy throughout the summer in line with the ending of travel restrictions resulting from the COVID-19 pandemic.

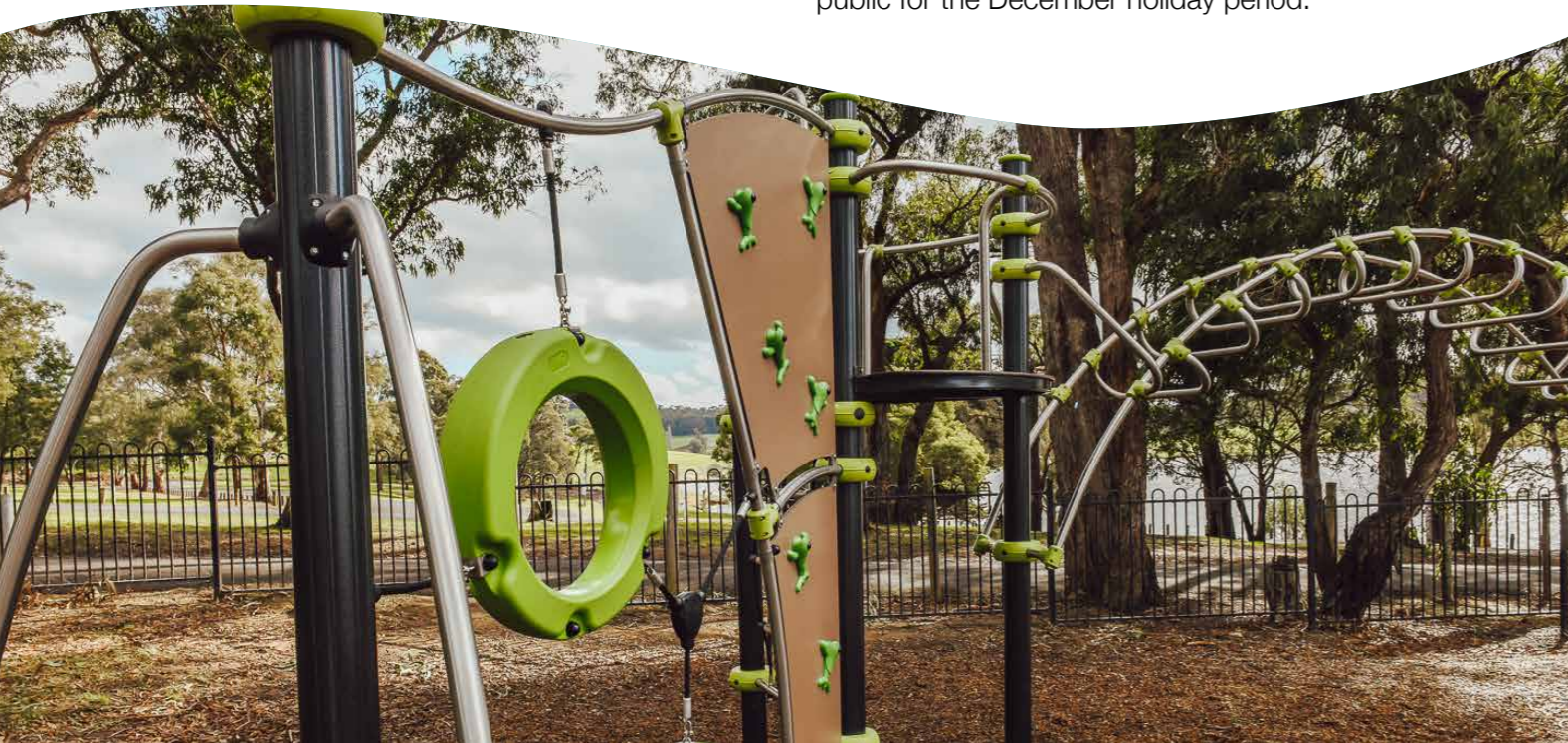
Blue Rock Lake has continued to grow in popularity with the public, particularly with the new all-abilities playground at the recreational park at Old Tanjil Road which was completed in 2020-21. The park has been very popular, seeing high numbers of visitors throughout the year.

SRW is working with Better Boating Victoria to try to improve boating facilities at the second recreational park at Blue Rock as well as other sites at Pykes Creek and Melton reservoirs.

At Pykes Creek a new floating barrier has been installed across the swimming area ensuring swimming is protected from all vessels on the water.

Significant work was carried out at the recreation park at Cowwarr Weir to repair the extensive damage caused by the June flood. Work was completed in time to reopen the park to the public for the December holiday period.

# Environmental sustainability



## Environmental strategy

Our environmental strategy continues to drive strategic initiatives and compliance actions, complementing our corporate strategy. The strategy sets objectives and targets under five key areas: climate and energy, waste, water use, waterway health, and biodiversity and the land. The table below details our focus areas and key outcomes for the year.

Focus area	Outcomes
Climate and energy	Continued to move towards our target of zero net carbon emissions by 2025, recording a total of 654 tCO <sub>2</sub> -e for the year.
Waste	Waste to landfill totalled 36 tonnes for the financial year. During COVID-19 restrictions, office access influenced this result. Waste programs including separate waste streams for recycling at offices and depots have improved waste practices.
Water use	Recorded 3063 kilolitres of water usage throughout offices and depots.
Waterway health	SRW has a research partnership with DELWP, WGCMA and Monash University to investigate nutrient transport and dynamics in the Lake Wellington catchment area, including the MID. SRW has also continued to monitor nutrient loads entering the Gippsland Lakes according to obligations within the Lake Wellington Land and Water Management Plan.
Biodiversity and the land	SRW continued to maintain two native vegetation offset sites at Merrimu and Lake Glenmaggie reservoirs and maintained partnerships with various agencies towards positive biodiversity outcomes in catchment areas and along waterways.

## Regional catchment strategy

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

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

- 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 our program to meter all significant water users;
- contributed to river and groundwater monitoring through partnerships, such as the Regional Water Monitoring Partnerships;
- contributed to the implementation of the Lake Wellington Land and Water Management Plan;
- supported Victoria's Water Recycling Action Plan through the WID Recycled Water Scheme; and
- managed irrigation-induced salinity in the MID through the maintenance and operation of groundwater control pumps.

## 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 to:

- facilitate the movement of water to its highest value use;
- provide and manage water for the environment; and
- restore flow-stressed river systems.

SRW supports the Victorian Waterway Management Strategy by:

- complying with environmental obligations in bulk entitlements;
- operating the MID nutrient monitoring program;
- facilitating the delivery of environmental water by working closely with Melbourne Water, the WGCMA and the Victorian Environmental Water Holder;
- responding to environmental incidents;
- participating in the joint Gippsland Water and WGCMA forums, advising on environmental water from Blue Rock Lake and Lake Glenmaggie;
- participating in the Lake Wellington sustainability group, including assisting with implementation of the regional Land and Water Management Plan; and
- working with catchment partners such as Melbourne Water to achieve improvements in waterway condition near SRW assets (ie the Merrimu, Bacchus Marsh, and Melton reservoir initiatives).

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

## Regional waterway strategies

Regional waterway strategies are required under the *Water Act 1989* and identify high-value waterways and priority management activities during 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 2014-22;
- West Gippsland Waterway Strategy 2014-22;
- Port Phillip and Westernport Waterway Strategy 2014-22;
- Corangamite Waterway Strategy 2014-22; and
- Glenelg Hopkins Waterway Strategy 2014-22.

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

## State Environmental Protection Policy (Waters)

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

The *Environment Protection Act 2017* came into effect on 1 July 2021. At this time the SEPP ceased its function as a subordinate instrument under the Act. Most clauses from the SEPP are now captured in the amended Act; however, there are several saved clauses that are still yet to be determined.

SRW is working closely with the Environmental Protection Authority and DELWP to ensure that any clauses that are not captured under the current legislation are captured for future water quality protection.

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 takes into account upstream and non-irrigated sources of nutrients. 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. Data from the monitoring program has helped to track progress and inform load reduction targets for current and future management of the Gippsland Lakes.



## Integrated water management

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

DELWP established IWM forums to identify, coordinate and prioritise opportunities and areas that would benefit most from collaborative water cycle planning and management.

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

Each forum is represented by water corporations, local government, catchment management authorities and traditional custodians. SRW participates in nine forums with a focus on relevant surface water and groundwater information strategies and projects.

SRW is a key contributor to the Werribee system reconfiguration project, as part of the Werribee catchment IWM forum, which is considering opportunities to substitute existing river water allocations with high quality fit-for-purpose recycled water to enable the transition of river water to urban, environment and cultural uses. SRW is working collaboratively with our partners in the region to explore this opportunity to future-proof our Werribee and Bacchus Marsh irrigation districts.

In collaboration with South East Water, SRW is also exploring the potential for recycled water use in the Cora Lynn/Pakenham area as part of the Westernport catchment IWM forum to transition river and groundwater use to high quality fit-for-purpose recycled water.

## Native vegetation offset site

SRW manages two native vegetation offset credit sites — a 23.09-hectare site adjacent to Lake Glenmaggie and a 46.6-hectare 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 minimisation of weeds, removal and control of pest species such as rabbits, deer and foxes, and monitoring of erosion.

In addition, the restriction of public access to the sites eliminates rubbish dumping, firewood collection, disturbance of vegetation by four-wheel drive vehicles and the spread of weeds and pathogens.

## Biodiversity conservation

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 catchment management authorities to support biodiversity conservation and protection activities when undertaking works and projects.

SRW worked with Grow West, Port Phillip and Westerport Catchment Management Authority and Melbourne Water to facilitate and support revegetation of land in the Werribee River catchment area. SRW is continuing to pursue opportunities to establish more vegetation on its land and we're working with local community Landcare groups to deliver revegetation projects throughout catchment areas and along waterways.

## Climate change adaptation and mitigation

SRW has continued to progress actions contained within our Climate Change Adaptation Plan and Climate Change Mitigation Plan. The plans are overseen by an internal committee and address key objectives for climate change adaptation and mitigation. These are outlined in the following table.

### Adaptation

Address outstanding knowledge gaps regarding the impacts of climate change on SRW's operations and quantification of risk.

Embed well-coordinated, evidence-based responses to climate change and incorporate adaptive planning into SRW's decision making.

Define SRW's role in assisting its stakeholders to adapt to climate change.

Ensure that SRW's water resources and built systems are resilient in the context of climate change.

Protect biodiversity and natural ecosystems throughout SRW's areas of operation.

### Mitigation

Reducing scope 1 emissions to net zero by 2025 and beyond by taking direct actions to reduce emissions from its vehicle fleet, such as purchasing low or zero-emission vehicles, minimising vehicle travel where possible and improving the efficiency of its fleet overall. If necessary, SRW will offset residual scope 1 emissions with high-quality carbon offset units.

Reducing scope 2 emissions to net zero by 2025 through the optimisation of its water supply operations, ongoing use of behind-the-meter renewables, participation in zero emissions water and purchasing green power. SRW will continue to assess more efficient or cost-effective options for renewable energy as opportunities arise.

SRW will develop a phased approach to quantify its scope 3 emissions associated with its value chain, categorise those that are relevant and devise mitigation options and strategies to address these emissions. This approach will be proactive yet adaptable to any future policy requirements as mandated by the government.

Applying a hierarchical framework and guiding principles to decisions regarding activities to reduce or offset emissions.

Development of an offset procurement strategy that ensures intent to engage with carbon offsets comes as a last resort.



## Greenhouse gas emissions and net energy consumption

In 2016, the Victorian Government announced a long-term target of zero net greenhouse gas emissions by 2050. The Statement of Obligations (Emissions Reduction) was amended in 2022.

Under the amended statement water corporations must source 100% of their electricity needs from renewable sources by 2025. As well as this, the Victorian water sector has pledged to reach net zero emissions by 2035.



SRW has:

- procured cheaper long-term renewable energy through the innovative Zero Emissions Water Limited collaboration, along with other Victorian water authorities;
- engaged in preliminary discussions to partner with other Victorian water authorities to establish a joint carbon offset partnership; and
- identified additional opportunities for solar systems, hydropower, and improvements in vehicle fleet efficiency as part of a broader review of SRW's pathway to net zero by 2025.

SRW has reported its emissions in line with the National Greenhouse and Energy Reporting Scheme (NGERS) framework. Overall, SRW is on track to achieve its goal of net zero emissions by 2025.



Service delivery category	Greenhouse gas emissions in tonnes of CO2-e				
	2021-22 projected	2021-22 Result			Variance (%)
		Scope 1 emissions	Scope 2 emissions	Total emissions	
Water supply <sup>1</sup>	0.00	0.00	94.83	94.83	95%
	Variance is due to delivery of large-scale generation certificates (LGCs) from Kiamal Solar Farm Zero Emissions Water (ZEW) Partnership being lower than expected in 2021-22. The project was originally expected to deliver 100% of the LGCs to water corporations in zero emissions water. The Maddingley Pump Station has also continued to be a large power consumer, with actual consumption exceeding baseline calculations. SRW will retire 215 LGCs received through ZEW for the 2021-22 FY to offset total scope 2 emissions. This has been factored into the reported scope 2 emissions in this section.				
Vehicle fleet <sup>2</sup>	1154.00	559.43	0.00	559.43	-52%
	Variance may be attributed to reduction in travel due to COVID-19 restrictions, subsequent increase in remote working and video conferencing, and other passive measures for reducing vehicle travel.				
Other <sup>3</sup>	0.00	0.00	0.00	0.00	0%
	SRW no longer has any offices or depots that are connected to mains gas services. All gas consumption (welding gases) fell below NGER reporting thresholds.				
Total	1,154	559	95	654	-43%
	The overachievement on SRW's projected targets is due to reductions in fleet emissions as a result of reporting under NGERS, reduced travel during COVID-19 restrictions, and other passive measures. SRW's scope 2 emissions are higher than projected due to the Maddingley pump station. However, LGCs delivered through ZEW and additional projects to address scope 2 emissions are in progress.				

<sup>1</sup> Water supply includes scope 2 emissions generated from irrigation pumping stations, groundwater pumps and irrigation channel infrastructure.

<sup>2</sup> Vehicle fleet includes scope 1 emissions generated from pool cars, machinery and fleet used for business purposes.

<sup>3</sup> Other includes scope 2 emissions from all other sites not included in water supply (offices, depots, recreation facilities, etc.)

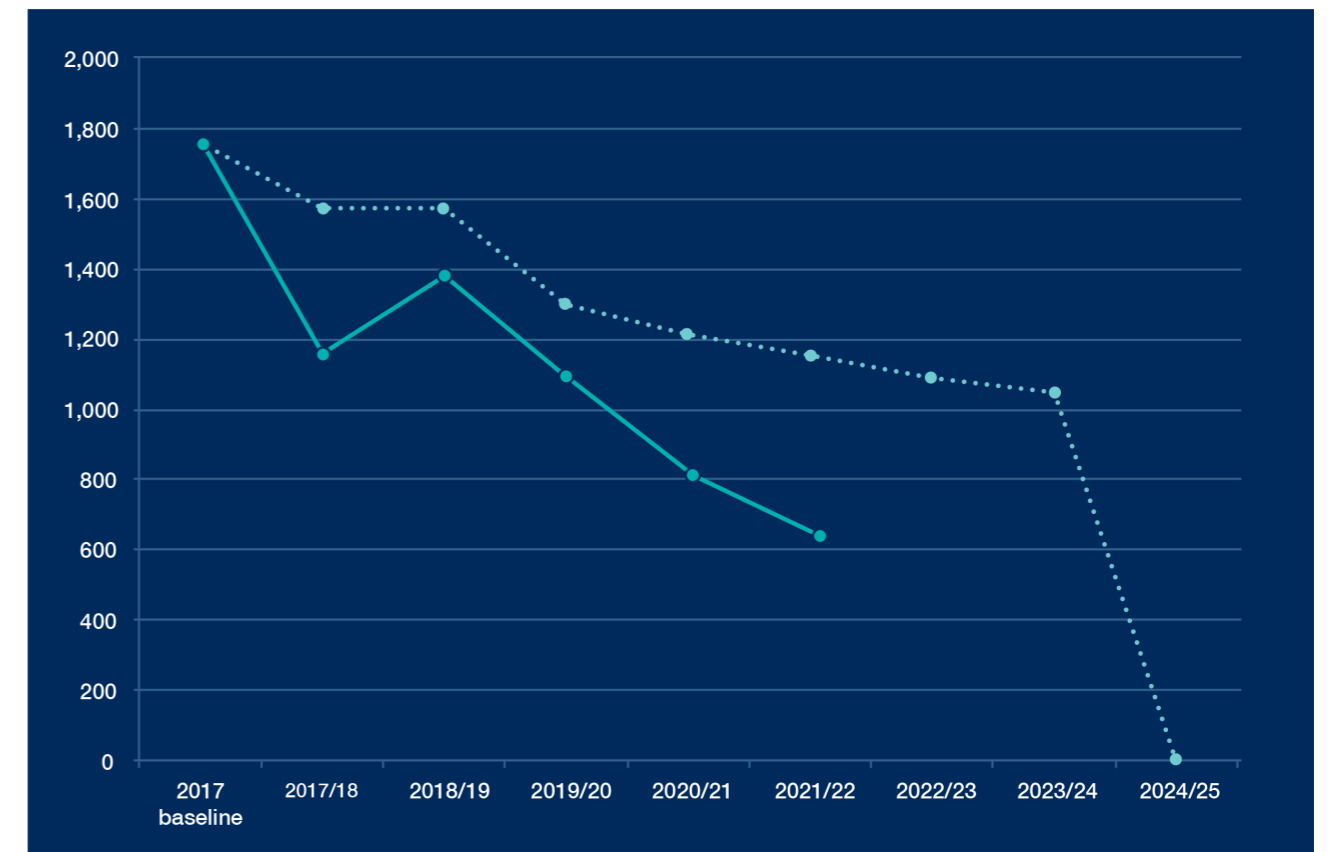


## Renewable energy consumption

Renewable electricity consumption categories	2020-21 Renewable electricity consumption (MWh)	2021-22 Renewable electricity consumption (MWh)	2021-22 Renewable electricity consumption (% of total consumption)	Commentary
Renewable electricity consumption SRW received from the grid as a result of the Commonwealth Government's Large-scale Renewable Energy Target (LRET):				
Total grid-sourced (LRET estimation)	79.27	58.33	9%	Note: this figure is only inclusive of power not covered by SRW purchasing green power.
Renewable electricity consumption as a result of SRW led/self-sourced activities and initiatives:				
Biogas	0	0	0	
Hydroelectric	0	0	0	
Solar	241	289	47%	Includes retirement of 215 LGCs sourced through ZEW, and behind-the-meter generation.
Wind	0	0	0	
Other (green power from grid)	238	231	37%	
Total corporation led/self-sourced	479	521	84%	
Total	559	579	93%	

## Electricity consumption

Service delivery category	2020-21 result (MWh)	2021-22 result (MWh)	Commentary
Water supply	428	320	Within normal range of consumption.
Other (offices, workshops, depots etc.)	286	300	Within normal range of consumption.
Total	713	620	Within normal range of consumption.



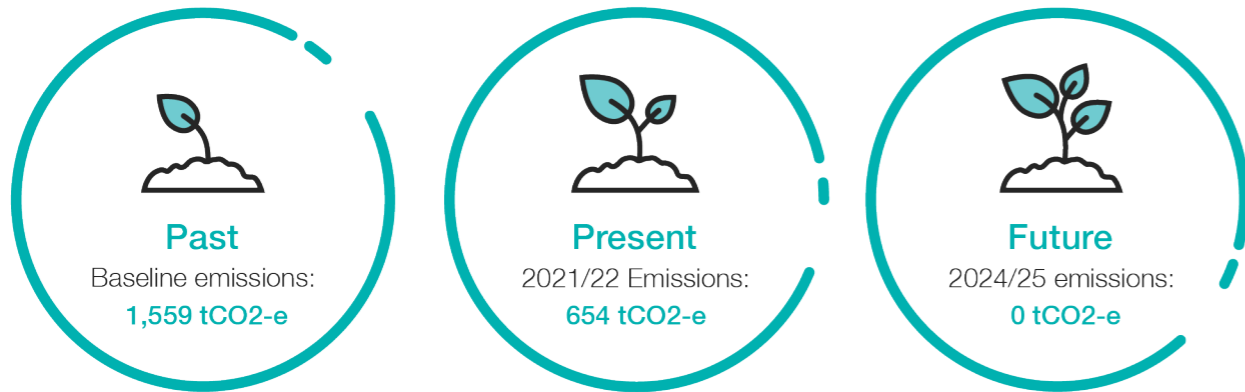
—●— Net greenhouse gas emissions (tonnes of CO2 equivalent)      ●●● Projected net greenhouse gas emissions (tonnes of CO2 equivalent)

# Net zero 2025 pledge



## Net zero emissions

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

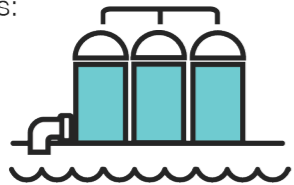


### Current source of emissions from operations:

#### Power for water supply sites

Maddingley pump:  
142 tCO2-e / year

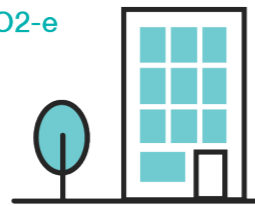
Other pumps:  
165 tCO2-e / year



#### Power for other operations

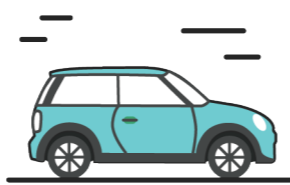
(offices, depots, recreation facilities etc)

217 tCO2-e / year



#### Vehicle fleet

559 tCO2-e / year



2015  
Paris Climate Agreement signed

2016/17  
Zero-2025 Pledge developed

2017/18  
Zero-2025 pledge implemented

2018  
SRW and other water corporations' emissions reduction pledges incorporated into the Statement of Obligations

2025  
Goal of achieving net-zero emissions

2050  
Victorian Government goal of achieving net-zero emissions

# Bulk entitlements



## Bulk entitlements

A bulk entitlement order is a set of operating rules for a reservoir. At SRW we have entitlements associated with the following bulk entitlement orders:

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

As 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, including the 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; and
- 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

The following information is provided in accordance with Section 20.1 of the Thomson/Macalister bulk entitlement (Order 2001).

2021-22		Volume (ML)
1 July 2021	Volume of water held at Lake Glenmaggie	141,465
	Share of Thomson Reservoir storage capacity (under Clause 9)	41,637
Annual 2021-22		
a (i)	Releases from the Thomson Reservoir to supply primary entitlements	1,546
a (ii)	Share of Thomson Reservoir storage capacity (under clause 9)	45,000
a(iii)	Inflows attributed (under clause 10.1 and 10.2)	17,011
At 30 June 2022		
Annual 2021-22		Taken from waterway
e (i)	Northern Channel <sup>1</sup>	16,240
e (ii)	Southern Channel <sup>1</sup>	45,967
e (iii)	Eastern Channel <sup>1</sup>	12,506
e (iv)	Cowwarr Channel <sup>1</sup>	6,162
e (v)	Southern Channel to Thomson Channel	452
(i)	Water taken by the primary entitlement holders	68,090

<sup>1</sup> 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 on request.

2021-22	Water pumped to supply primary entitlement holders	
g (i)	Lake Glenmaggie	0
g (ii)	Macalister River	2,350
g (iii)	Thomson Reservoir	0
g (iv)	Thomson River	4,839
g (v)	Rainbow Creek	2,531
(h)	Volume of water held at Lake Glenmaggie	125,996
	Environmental allocation (2021-22 season)	18,691
	Environmental carryover (2020-21 season)	9,681
	Total available to environment (2021-22 season)	28,372
	Environmental release (including carryover)	390
	Write off unused carryover (due to storage spilling)	9,681
(j)	Environmental carryover available (2022-23 season)	18,301
(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

## Bulk entitlement: Latrobe Reserve

The following information is provided in accordance with Section 15.1 of the Latrobe Reserve bulk entitlement (Order 2013).

2021-22		Volume (ML)
(b)	Volume of water taken by Reserve Holder from Blue Rock Reservoir under this entitlement	Nil
	The amount of water in the Reserve Holder's share of Blue Rock Reservoir under this entitlement:	
(c)	1 July 2021	37,545
	30 June 2022	37,421
(d)	The amount of annual losses debited to the reserve holder's share of Blue Rock	1,676
(e)	The annual amount of any internal spill of water from or to the reserve holder's share of storage in Blue Rock	471 to reserve Nil from reserve
(f)	The implementation of a metering program <sup>1</sup>	
(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

<sup>1</sup> (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

The following information is provided in accordance with Section 16.1 of the Latrobe – Southern Rural Water bulk entitlement (Order 1996).

2021-22		Volume (ML)
	The amount of water in Blue Rock Reservoir:	
(e)	1 July 2021	199,248
	30 June 2022	199,724
	The amount of water in Lake Narracan:	
	1 July 2021	4,982
	30 June 2022	4,655
(f)	The amount of water in the entitlement holder's share of Blue Rock Reservoir - 2.10% as at 30 June 2022	4,165
	The annual amount of water taken by the entitlement holder	
(g)	Upstream of Yallourn Weir	221
	Downstream of Yallourn Weir	2,718.6
(h)	The amount of annual losses debited to the entitlement holder's share of Blue Rock Reservoir (due to evaporation)	830.6 mm
(i)	The annual amount of any internal spill of water to the entitlement holder's share of storage in Blue Rock Reservoir	52.9
(j)	Any periods of rationing and the degree of rationing of licence holders listed under Schedule 1	Nil
	Implementation of programs approved under sub-clauses 14.2 and 15.1. <sup>1</sup>	Program being implemented
(l)	Environmental Management Plan	Program being implemented
	A metering program in line with the bulk entitlement guidelines	
(m)	Temporary or permanent transfers of a bulk entitlement of all or part of the bulk entitlement	Nil
(mA)	Temporary or permanent transfer of all or part of this bulk entitlement or assignment of all or part of a water allocation available under a bulk entitlement to an entitlement holder	Nil

(o)	Amendments to this bulk entitlement	Nil
	The annual amount supplied to any group of licence holders specified by the Minister:	
	Drought Reserve:	0
	Gippsland Water	6,363
	Loy Yang A	615
(p)	Loy Yang B	1,087
	SECV	0
	SRW	0
	TRUenergy	1,089
	Victorian Environmental Water Holder	0
(q)	Failures in complying with this bulk entitlement	Nil
(r)	Existing or anticipated difficulties by the entitlement holder in complying with the bulk entitlement	Nil

<sup>1</sup> 16.1 (l) Approval by DELWP of an Environmental Management Plan SRW had previously submitted. Approval by DELWP of an SRW metering plan for this system in line with the bulk entitlement guidelines.

### Notes

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

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

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

## Bulk entitlement: Werribee System – Irrigation

The following information is provided in accordance with Section 18.1 of the Werribee System – Irrigation bulk entitlement (Order 1997).

2021-22		Volume (ML)
(g)	Releases necessary to supply transfers of primary entitlements	0
	Water taken from the waterway for the year at each of the diversion weirs and pumps specified in clause 10:	
(h)	Bacchus Marsh Diversion Weir	192
	Werribee Diversion Weir	10,322
	Maddingley pumps	2,061
	Water taken by SRW from the system waterway at each of the diversion weirs:	
	Lerderderg Weir to Goodmans Creek SRW share	13,673 1,367
	Goodmans Creek to Merrimu Reservoir SRW share	12,219 1,221
	Werribee Upper Diversion Weir to Pykes Creek	1324.1
	Volume of water taken by primary entitlement holders:	
(i)	<ul style="list-style-type: none"> <li>● High and low reliability water shares</li> <li>● Myrniong</li> </ul>	10,591 HRWS 43.62
	Volume of water taken by primary entitlement holders including outfalls:	
	Bacchus Marsh	1,881 + (Outfalls 8.2)
	River diverters	995
	Myrniong	43.62
	Werribee	7,715.00 + (Outfall 185.3)
(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>1</sup>	100% HRWS 100% LRWS
(p)	Trades of primary entitlement <sup>2</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 5
(t)	Metering program approved to date under sub-clause 17.3	Program being implemented 6
(u)	Any failure by the authority to comply with provisions of the bulk entitlement	Nil
(v)	Compliance: difficulty in complying with the bulk entitlement and any remedial action taken	Nil

<sup>1</sup> 18.1 (n) Detailed allocation history is available in a table on page 32.

<sup>2</sup> 18.1 (p) Further details including number, places of origin and destination are available under the water register.

### Notes

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.

18.1 (e) Releases made under flood management are available on the water register.

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

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

The following information is provided in accordance with Section 15.1 of the Tarago River – Southern Rural Water bulk entitlement (Order 2009).

2021-22		Volume (ML)
(b)	Annual releases made from the Tarago Reservoir to supply primary entitlements	0
(c)	SRW's Bulk Entitlement Metering Program was approved by the responsible Minister in April 2012	Program being implemented

Notes:

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

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

## Bulk entitlement: Latrobe – Loy Yang B

The following information is provided in accordance with Section 12.1 of the Latrobe – Loy Yang B bulk entitlement (Order 1996).

2021-22		Volume (ML)
(c)	Water taken by SRW at its pumping station	16,031
(d)	Works undertaken as part of the metering program <sup>1</sup>	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

<sup>1</sup> 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.

Notes:

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

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

## Bulk entitlement: Maribyrnong – Southern Rural Water

The following information is provided in accordance with Section 19.1 of the Maribyrnong – Southern Rural Water bulk entitlement (Order 2000).

2021-22		Volume (ML)
a (i)	Water released to supply licence entitlements	0
	SRW's share of Rosslynne Reservoir:	
a (ii)	30 June 2021	513
	30 June 2022	818
a (iii)	Inflows, taking into account evaporation and measurement discrepancies	300
a (iv)	Allowances for transfer and operating losses	0
a (v)	Water deducted for passing flow requirements	67.63
(b)	SRW had no difficulty in achieving full compliance with the passing flows	Yes
a (i)	Water released to supply licence entitlements	0
(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

Notes:

19.1 (j) SRW has previously submitted an Environmental Management Plan to DELWP and the program is being implemented. This includes the implementation of a metering program.

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

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

# Our business

## Financial management compliance attestation statement

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



Joanne Butterworth-Gray AM

Chair  
Gippsland and Southern Rural Water Corporation

Dated 12 October 2022

## 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	2021-22	2020-21
Pensioner concessions	\$12,494	\$12,200

## Hardship

A range of personal and external issues, including COVID-19, floods, market fluctuations, and personal hardship affect many customers. We published specific and detailed information on the options available for our customers that may require financial assistance.

Our billing reminders emphasise the range of options available to our customers, including payment extensions or individual payment plans.

Where customers experience hardship we seek to understand their situation and find mutually acceptable solutions. We have a debt management procedure which is published on our website.

	No. of accounts	Value
Payment plans	36	\$385,573



## Social procurement

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

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

Procurement at SRW is categorised as:

- goods and services, including business supplies and service contracts; and
- construction, which includes works and construction services as defined in the Ministerial directions for public construction procurement in Victoria.

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

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

In support of our social procurement responsibilities, we seek to engage local trades and suppliers in the first instance when conducting routine facilities maintenance and cleaning contracts.

In addition, we support social procurement initiatives when we engage our local disability support provider to undertake grounds maintenance at several offices and public recreation areas.

Separate and individual social procurement plans have been developed for major procurements, including the Newry and Nuntin pipelines and the Werribee modernisation works.

In delivering these large procurements, SRW has sought to align the objectives with the Local Jobs First policy, Major Project Skills Guarantee and the Working for Victoria initiative, all targeting local unemployed demographics, including focusing on Indigenous employment and procurement opportunities for the Werribee modernisation works.

SRW has a strong community focus and expects our preferred suppliers to demonstrate engagement with and opportunities for local contractors and local training and employment on the project.

## Building Act 1993

SRW own office facilities at Maffra and Werribee and occupy six additional leased sites. We also have one owned and one leased operations depot at Werribee.

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

2021-22	
Number of major works projects undertaken (>\$50,000)	0
Number of building permits, occupancy permits or certificates of final inspection issued in relation to buildings owned	0 building permits 0 occupancy permits 0 certificates of occupancy
Number of emergency orders and building orders issued in relation to buildings	0 emergency orders 0 building orders
Number of buildings that have been brought into conformity with building standards during the year	0 building brought into conformity

## Water Act 1989

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

## Local Jobs First Act 2003

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

SRW is required to apply the Local Jobs First policy for all projects valued at \$3 million or more in metropolitan Melbourne and state-wide projects, or \$1 million or more for projects in regional Victoria. The MPSG applies to all construction projects valued at \$20 million or more.

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

### Projects commenced: Local Jobs First Standard

During 2021-22, SRW commenced no Local Jobs First Standard projects, where Local Jobs First Standards or MPSG were not applicable.

### Projects completed: Local Jobs First Strategic

During 2021-22, SRW completed two contracts as part of the Local Jobs First Strategic Projects valued at \$63 million. The contracts relate to a project that is based in regional Victoria, with an average estimated local content of 97% for works and 70% for pipeline. MPSG did not apply to this project, which commenced before July 2018.

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

- an average of 98.4% of local content commitment was recorded for construction works and 81.3% commitment was recorded for pipeline;
- a total of 239 jobs (annualised employee equivalent) were supported across the life of the project 2018-22, including the creation of 63 new jobs and the retention of 176 existing jobs; and
- five new apprenticeships, traineeships and cadets were supported and four existing apprenticeships and traineeships were retained.

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

### Reporting requirements: all projects

SRW commenced one project prior to 1 July 2020, with a total of 86% estimated to be of local content for which a LIDP was prepared for contracts and which remains ongoing during 2022-23.

### Public Interest Disclosures Act 2012

The *Public Interest Disclosures Act 2012* (PID Act) enables people to make disclosures about improper conduct by public officers and public bodies. The PID 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 PID 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 or corruption. The conduct must be criminal in nature or a matter for which an officer could be dismissed.

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

You can make a public interest disclosure about SRW or our board members, officers or employees by contacting the Independent Broad-Based Anti-Corruption Commission (IBAC). Please note that SRW is not able to receive public interest disclosures.

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

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

#### Contact details

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

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

Phone: 1300 735 135

Email: Visit IBAC's website for the secure email disclosure process, which also provides for anonymous disclosures.

### Information and communication technology expenditure

For the 2021-22 reporting period, SRW had a total information and communication technology expenditure of \$5.046 million, with the details shown below.

BAU ICT expenditure	\$3.125m
Operational expenditure (A)	\$0
Capital expenditure (B)	\$1.921m
Non-BAU ICT expenditure (Total = A + B)	\$1.921m

## Government advertisement expenditure

SRW's expenditure in the 2021-22 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 focusses on efficiency in the provision of service and does not override other policy objectives of government.

SRW continues to comply with the requirements of the competitive neutrality policy.

## Corporate water consumption

SRW's corporate water consumption for 2021-22 was 30,386.97 kilolitres. Total consumption for the year per full-time equivalent employee was 196.06 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; and
- a statement of completion of declarations of pecuniary interests by relevant officers.

## Information 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); and
- details of overseas visits undertaken (no board members or senior executives took overseas work-related trips).

## 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 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 \$30.60 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 Act.

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:

Freedom of Information Officer

Southern Rural Water  
PO Box 153,  
Maffra Victoria 3860

## Statistics

During 2021-2022, SRW received one application from the general public. This application is still in progress.

SRW made no Fol decisions during the 12 months ending 30 June 2022.

During 2021-22, no requests were subject to VCAT appeal.

Further information regarding the operation and scope of Fol can be obtained from the Act, regulations made under the Act, and [www.foi.vic.gov.au](http://www.foi.vic.gov.au).

# Financial overview



## Economic regulation

Economic regulation of SRW 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:

- prices shall accord with government and Council of Australian Government policies, with particular reference to the National Competition Policy;
- pricing shall meet the full cost of operation;
- SRW shall set separate prices for each specific service supplied;
- prices shall be equitable and avoid cross subsidy;
- SRW will engage with customer committees on pricing and consider their recommendations in making pricing decisions; and
- 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 on its website and in the *Weekly Times* and communicates directly to customers through newsletters and fact sheets.

## Financial management

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

- eastern irrigation;
- western irrigation;
- headworks; and
- groundwater and rivers.

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

## Performance 2021-22

Our operating loss before tax was \$14.3 million, compared to a budgeted loss of \$15.4 million.

SRW prices are approved by the ESC 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 2021-22 financial year SRW recorded \$11.9 million 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 loss before statutory adjustments of \$1.5 million surplus for the 2021-22 financial year, compared to a corporate plan budget of \$0.8 million surplus.

The deterioration in our 2021-22 result compared to the corporate plan by \$1.1 million is largely attributed to:

- service and usage charges being \$1.2 million less due to decreased water usage;
- sale of water and entitlements decrease by \$2.3 million due to no auctions conducted during 2021-22, offset by:
  - / asset write-off expenses decrease by \$2.5 million as no infrastructure assets were written off during 2021-22.

As the factors which led to the difference to the budgeted net result are one-off in nature and were not known at the time of setting the 2021-22 Corporate Plan, SRW has not set a remediation plan for these variations.

### Significant changes in financial position

Expenditure on capital projects was \$9.5 million for the financial year (2020-21 \$13.6 million). A large proportion of this expenditure is associated with irrigation modernisation works (\$4 million).

As planned within the 2021-22 Corporate Plan, the cash operating surplus of SRW is insufficient to fund our capital expenditure program and it is necessary for SRW to utilise debt facilities and access government capital contributions to fund this level of expenditure.

In 2021-22, funding of the gap between operating cashflows and capital expenditure was provided from the receipt of government capital contributions for MID2030 modernisation projects (\$4.8 million). As the MID2030 Phase 2 funds were largely unspent in 2021-22, as at June 2022 SRW has a cash balance of \$19.9 million. This balance is expected to be fully spent in 2022-23 by the delivery of the planned capital expenditure program.

### 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.

## Major contracts

SRW is managing several major capital projects. None of these capital projects were completed during the reporting period.

For information on recent capital projects managed by SRW 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.

## 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 2021-22, we contracted 24 consulting firms for operating contracts greater than \$10,000 to provide advice, skills and services. The total cost of these consultancies was \$993,101. For comparison, during 2020-21 we engaged 13 consulting firms at a total cost of \$994,647.

### Less than \$10,000

During 2021-22, we contracted 13 consulting firms for operating contracts less than \$10,000 to provide advice, skills and services. The total cost of these consultancies was \$77,587. For comparison, during 2020-21 we engaged 17 consulting firms at a total cost of \$124,412.



Consultant	Purpose	Total approved project fee	Expenditure 2021-22	Future expenditure
ArcBlue Consulting Pty Ltd	Procurement review	\$78,409	\$80,126	
Bartley Consulting Pty Ltd	2023-2028 Price Submission development	\$81,800	\$90,040	
CMP Consulting Group	Asset management review	\$19,750	\$15,428	
Dam Consulting Services Pty Ltd	Panel member Torquay dam application	\$27,305	\$27,305	
Federation University Australia	Barwon Downs independent technical review panel	\$12,000	\$12,000	
Dr Jones Environmental Excellence	Barwon Downs independent technical review panel	\$17,000	\$15,135	
ESS Earth Sciences Pty Ltd	Seismic hazard study: Lake Glenmaggie	\$42,600	\$13,300	\$29,300
Feehan Consulting Pty Ltd	MID water savings project: mitigation water	\$18,000	\$10,500	
Fire Up Coaching Pty Ltd	Executive coaching	\$12,000	\$12,000	
Glossop Town Planning	Planning referrals process review	\$15,000	\$15,000	
Gunaikurnai Land and Waters Aboriginal Corporation	MID2030 Phase 2 Newry and West Boisdale assessment	\$29,025	\$29,025	
Hydro Tasmania (Entura)	Dam surveillance services	\$115,460	\$96,759	\$18,701
Hydro Tasmania (Entura)	<i>Emergency Management Act (Part 7A)</i> statutory audit of emergency management network	\$16,550	\$16,550	
HydroGeoLogic Pty Ltd	Barwon Downs remediation and environment protection plan	\$20,000	\$14,125	
Hydrology and Risk Consulting Pty Ltd	Rainfall forecast guideline to assist in making releases from dams	\$14,680	\$14,680	

InsightPay (National Remuneration) Pty Ltd	Job evaluation services	\$11,070	\$11,070	
Life Mastery (Aust) Pty Ltd	Strategic plan development and review	\$11,000	\$11,000	
List G Barristers (Matthew Townsend)	Panel member Torquay dam application	\$38,000	\$37,102	
Opteon Property Group Pty Ltd	MID2030 Phase 2 easement valuations: Newry	\$13,000	\$13,000	
Paqua Consulting	Expert advisory services for the Avon irrigation development and Latrobe irrigation development assessment projects.	\$61,050	\$16,913	\$44,138
Paqua Consulting	WID main channel control review	\$15,000	\$15,000	
Pitcher Partners Consulting Pty Ltd	Probity advisor services for MID	\$29,449	\$29,449	
RM Consulting Group (RMCG)	Assessment for Gippsland to support SVID/price submission	\$77,791	\$58,478	\$19,313
RM Consulting Group (RMCG)	Water trade barriers and trade platform	\$41,960	\$20,989	\$20,971
SMEC Australia Pty Ltd	Carp investigation and design	\$49,892	\$49,892	
SMEC Australia Pty Ltd	Dam safety surveillance services	\$23,690	\$23,690	
SMEC Australia Pty Ltd	MID design main southern channel and main northern channel siphon No. 2	\$173,604	\$42,861	\$130,743
SMEC Australia Pty Ltd	Yallourn Weir right abutment stabilisation investigations	\$192,612	\$129,017	\$5,811
Taylor's Development Strategists Pty Ltd	WID modernisation project outlet survey and drone footage	\$50,350	\$50,434	
Water Technology Pty Ltd	WID flora and fauna study	\$25,571	\$22,236	
<b>Total</b>		<b>\$1,173,410</b>	<b>\$993,101</b>	

## Five-year financial summary

Revenue	2021-22	2020-21	2019-20	2018-19	2017-18
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
Fees and charges	25,520	26,556	26,231	27,285	27,285
Storage operator charges	4,764	4,481	4,536	3,882	3,882
Government grants	1,139	2,756	370	7,525	886
Other	2,004	6,587	5,432	3,111	2,320
Total revenue	33,427	40,380	36,569	41,803	34,373
<b>Expenditure</b>					
Operations and maintenance	19,487	19,100	20,278	20,316	20,155
Other	9,914	10,312	9,208	8,904	8,603
<i>Earnings before interest, taxation, impairment and depreciation</i>	4,026	10,968	7,083	12,583	5,615
Depreciation	16,595	16,632	16,622	14,927	14,418
Asset write-off and impairment	0	611	0	0	98
Finance cost	1,749	1,846	1,806	1,489	1,067
Total expenditure	47,745	48,501	47,914	45,636	44,341
<b>Equity</b>					
Net operating statutory loss before tax	(14,318)	(8,121)	(11,345)	(3,833)	(9,968)
Movement in retained earnings	(11,781)	(7,299)	(10,449)	(828)	(6,985)
<b>Balance sheet</b>					
Current assets	29,185	32,913	21,205	24,526	14,040
Non-current assets	1,434,737	1,437,654	1,448,276	1,439,758	1,254,011
Total assets	1,463,922	1,470,304	1,469,481	1,464,284	1,268,051
Current liabilities	18,568	17,224	17,766	17,890	15,738
Non-current liabilities	254,237	276,120	295,977	240,722	237,248
Total liabilities	272,805	293,344	313,743	258,612	252,986

Net cash inflow from operations	2,326	4,168	8,648	12,916	4,608
Payments for infrastructure, property, plant and equipment	9,600	13,590	29,180	46,659	28,951
<b>Financial result reconciliation</b>					
Net operating statutory loss	(14,318)	(8,121)	(11,345)	(3,833)	(9,968)
Add back non-regulatory depreciation and impairment	11,891	12,396	12,726	12,052	11,405
Less renewals charge	0	0	0	0	(1,109)
Add non-regulatory asset transfers and write-offs	0	611	0	0	98
Add major projects expensed	857	1,393	3,212	2,882	1,599
Operating profit before statutory adjustments	(1,570)	6,279	4,593	11,101	2,025

## Five-year performance summary

Performance indicator	2021-22	2020-21	2019-20	2018-19	2017-18
Internal financing ratio	41.67%	31.54%	29.77%	27.93%	16.32%
Gearing ratio	4.00%	4.22%	4.27%	3.35%	2.25%
Interest cover (cash)	2.50	3.40	6.10	11.20	7.80
Return on assets	-0.90%	-0.47%	-0.69%	-0.21%	-0.74%
Return on equity	-0.99%	-0.63%	-0.91%	-0.08%	-0.69%

# Part B: Financial report





## How this report is structured

Gippsland and Southern Rural Water Corporation (the Corporation) has pleasure in presenting its audited general purpose financial statements for the financial year ended 30 June 2022. 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 2022

		2021-2022 \$'000	2020-2021 \$'000
<b>Revenue</b>	<b>Notes</b>		
<i>Revenue from operating activities</i>			
Service and usage charges	2.1	31,131	31,925
Chargeable works	2.2	324	395
Government grants and contributions	2.3	1,058	1,264
Interest income		61	22
Other income		486	564
<i>Revenue from non-operating activities</i>			
Fair value of assets received free of charge	2.5	0	2,271
Government grants and contributions for capital purposes	2.3	81	1,492
Sale of water and entitlements	2.4	0	1,465
Net gain on disposal of non-current assets	4.1.5	286	982
<b>Total revenue</b>		<b>33,427</b>	<b>40,380</b>
<b>Expenses</b>			
Bulk water	3.3	954	1,141
Environmental contribution	8.2	530	530
Employee benefits	3.1.1	17,814	17,591
Interest	6.1.2	1,749	1,846
Chargeable works	2.2	324	395
Repairs and maintenance	3.2	1,499	1,332
Supplies and services	3.4	8,256	8,413
Depreciation of regulatory asset base	4.1.4	4,518	3,939
Depreciation of other assets	4.1.4	11,891	12,396
Write-off of infrastructure, property, plant and equipment	4.1.1	0	611
Intangible asset write-offs	4.2.1	24	10
Amortisation	4.2	186	297
<b>Total expenses</b>		<b>47,745</b>	<b>48,501</b>
<b>Net result before tax</b>		<b>(14,318)</b>	<b>(8,121)</b>
Income tax revenue	8.1.1	2,537	822
<b>Net result for the period</b>		<b>(11,781)</b>	<b>(7,299)</b>
<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	5,103	40,798
Impairment/write-off of infrastructure, property, plant and equipment	4.1.1	0	(29,868)
Income tax relating to these items	8.1.1	0	(2,840)
Reduction in opening deferred taxes resulting from:			
Reduction in tax rate	8.1.1	9,251	14,086
Land assets not taxable	8.1.1	6,521	0
<b>Other comprehensive income for the period, net of income tax</b>		<b>20,875</b>	<b>22,176</b>
<b>Comprehensive result</b>		<b>9,094</b>	<b>14,877</b>

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 2022

		2021-2022 \$'000	2020-2021 \$'000
	Notes		
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6.3	19,865	22,012
Receivables	5.1	7,405	4,751
Contract assets	5.2	1,299	5,666
Other non-financial assets		617	484
<b>Total current assets</b>		<u>29,186</u>	<u>32,913</u>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	4.1.1	1,431,852	1,434,788
Right-of-use assets	6.2.1	943	1,240
Intangible assets	4.2	1,941	1,626
<b>Total non-current assets</b>		<u>1,434,736</u>	<u>1,437,654</u>
<b>Total assets</b>		<u><u>1,463,922</u></u>	<u><u>1,470,567</u></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	5.3	3,125	3,875
Contract liabilities	5.4	4,541	2,045
Interest bearing liabilities	6.1	5,900	6,100
Lease liabilities	6.2.1	194	193
Employee benefits	3.1.2	4,808	5,011
<b>Total current liabilities</b>		<u>18,568</u>	<u>17,224</u>
<b>Non-current liabilities</b>			
Payables		4	5
Interest bearing liabilities	6.1	52,600	55,900
Lease liabilities	6.2.1	846	1,125
Employee benefits	3.1.2	495	489
Deferred tax liabilities	8.1.2	200,292	218,601
<b>Total non-current liabilities</b>		<u>254,237</u>	<u>276,120</u>
<b>Total liabilities</b>		<u>272,805</u>	<u>293,344</u>
<b>Net assets</b>		<u><u>1,191,117</u></u>	<u><u>1,177,223</u></u>
<b>Equity</b>			
Contributed capital	9.1.1	481,060	476,260
Asset revaluation reserve	9.1.2	722,267	701,392
Accumulated deficit	9.1.3	(12,210)	(429)
<b>Total equity</b>		<u><u>1,191,117</u></u>	<u><u>1,177,223</u></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 2022

	Notes	Asset Revaluation			Total \$'000
		Contributed Capital \$'000	Reserve \$'000	Accumulated Deficit \$'000	
<b>Balance as at 1 July 2020</b>		455,641	679,216	6,870	1,141,727
Net result for the period		0	0	(7,299)	(7,299)
Other comprehensive income	9.1.2, 9.1.3	0	22,176	0	22,176
<b>Total comprehensive income for the period</b>		0	22,176	(7,299)	14,877
Transactions with the State Government in its capacity as owner	9.1.1	20,619	0	0	20,619
<b>Balance as at 30 June 2021</b>		476,260	701,392	(429)	1,177,223
Net result for the period		0	0	(11,781)	(11,781)
Other comprehensive income	9.1.2, 9.1.3	0	20,875	601	21,476
<b>Total comprehensive income for the period</b>		0	20,875	(11,180)	9,695
Transactions with the State Government in its capacity as owner	9.1.1	4,800	0	0	4,800
<b>Balance as at 30 June 2022</b>		<b>481,060</b>	<b>722,267</b>	<b>(11,609)</b>	<b>1,191,718</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 2022

	Notes	2021-2022 \$'000	2020-2021 \$'000
<b>Cash flows from operating activities</b>			
<i>Receipts</i>			
Receipts from service and usage charges		30,570	36,314
Receipts from State Government			
-Operating	2.3	2,954	854
-Capital		81	0
Interest received		61	22
Goods and Services Tax received from the ATO		1,918	2,201
<i>Payments</i>			
Payments to suppliers and employees		(31,059)	(33,414)
Interest paid		(1,646)	(1,746)
Goods and Services Tax paid to the ATO		(553)	(63)
<b>Net cash inflow from operating activities</b>	6.3.1	2,326	4,168
<b>Cash flows from investing activities</b>			
Payments for infrastructure, property, plant and equipment		(9,600)	(13,590)
Proceeds from sale of infrastructure, property, plant and equipment	4.1.5	4,543	757
Payments for intangible assets	4.2	(525)	(381)
<b>Net cash outflow from investing activities</b>		(5,582)	(13,214)
<b>Cash flows from financing activities</b>			
Proceeds from new borrowings (i)		2,600	3,860
Repayment of existing borrowings		(6,100)	(4,560)
Principal element of lease liability		(191)	(207)
Proceeds from contributions by State Government in its capacity as owner	9.1.1	4,800	20,619
<b>Net cash inflow from financing activities</b>		1,109	19,712
<b>Net increase in cash and cash equivalents</b>		(2,147)	10,666
<b>Cash and cash equivalents at the beginning of the financial year</b>		22,012	11,346
<b>Cash and cash equivalents at the end of the financial year</b>	6.3	19,865	22,012

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

(i) \$2.60m of the new borrowings was applied to repay maturing loans of \$5.35m at 30 June 2022

## 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 2022. 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 12 October 2022.

The principal address is:

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

### Functional and presentation currency

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

### Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next 12 months, being the Corporation's operational cycle.

### Rounding

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

### Historical cost convention

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

### Comparative information

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

### Accounting estimates

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

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

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

- accrued water usage charges
- the fair value of land, buildings, infrastructure, plant and equipment (Note 7.3)
- estimation of useful lives (Note 4.1.4)
- the impairment of assets (Note 4.1.4)
- recognition of deferred tax assets and liabilities (Note 8.1)
- accrued income (Note 5.2)
- employee benefit provisions (Note 3.1)
- contingent assets and liabilities (Note 7.2)
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (Note 3.1.3)
- determining whether the performance obligations are sufficiently specific so as to determine whether the arrangement is within the scope of AASB 15 or AASB 1058; refer note 2.1 and 2.2
- the timing of satisfaction of performance obligations; refer note 2.1.1
- determining transaction price and amounts allocated to performance obligations; refer note 2.1.1
- for leases, determining whether the arrangement is in substance short-term arrangement; refer note 6.2.1
- estimating discount rate when not implicit in the lease, refer note 6.2

**COVID-19 pandemic**

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

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

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

As a result of the Corporation's consideration of the impacts of the COVID-19 pandemic on the Corporation's operations, there are no changes to the assessment of accounting estimates for the financial year ended 30 June 2022.

For the year ended 30 June 2022, the Corporation recognised a net loss of \$12.44m (2019: \$7.30m). The Corporation's net current assets/liabilities as at 30 June 2022 were \$10.62m (2021: \$15.69m). The Corporation has \$19.87m (2021: \$22.01m) of resources comprising cash and cash equivalents, other highly liquid assets and unused credit lines available at the date of authorisation of these financial statements.

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

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

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

**Compliance information**

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



2021-2022  
\$'000

2020-2021  
\$'000

2. Funding delivery of our services

Introduction

This section provides additional information about how the Corporation is funded and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The Corporation harvests, stores and manages water in reservoirs. This water is then supplied to irrigators, urban water corporations and power generators, or retained for the government. The Corporation also implements government regulations and policy for groundwater and surfacewater management in accordance with delegated powers from the *Water Act 1989*. The Corporation derives the majority of its revenue from charges for water entitlements. The majority of these charges are a fixed amount per entitlement, however variable usage charges are applied in some areas.

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

2.1 Revenue from contracts with customers

	Notes	2021-2022	2020-2021
Revenue from service and usage charges	2.1.1	31,131	31,925
<b>Total revenue from contracts with customers</b>		<u>31,131</u>	<u>31,925</u>

2.1.1 Revenue from service and usage charges

Service charges

Fixed charges

Water service charges			
Irrigation, diversion and groundwater		23,716	23,701
Recycled water		1,118	1,411
Storage operator charges		4,764	4,481
Other charges			
Bore construction, application fees, transfer fees and information statements		847	888
		<u>30,445</u>	<u>30,481</u>

Water usage charges

Variable usage charges

Irrigation, diversion and groundwater		677	1,397
Recycled water		9	47
		<u>686</u>	<u>1,444</u>
<b>Total revenue from service and usage charges</b>		<u>31,131</u>	<u>31,925</u>

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

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

2.2 Chargeable works

Chargeable works	324	395
<b>Total chargeable works</b>	<u>324</u>	<u>395</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.

2.3 Government grants and contributions	Funds received	2021-2022	2020-2021
		2021-2022 \$'000	2020-2021 \$'000
Operating			
State Government			
<u>AASB 15 revenue recognition</u>			
Emergency water supply points program +	0	395	682
Southern Victoria irrigation development feasibility study phase 3 +	0	5	495
Dam safety flood mitigation modelling +	0	0	40
Working for Victoria +	0	68	47
Water market transparency in Southern Victoria +	0	46	0
MID2030 Phase 2 building works governance +	160	6	0
SVID Phase 2 Avon irrigation district +	0	15	0
SVID Phase 2 Latrobe irrigation district +	0	4	0
Flood gauge and national flood warning infrastructure standard gap analysis+	25	2	0
Mitchell river management arrangements+	120	0	0
Water knowledge and information for the southwest +	25	0	0
Emergency water supply points project-2022 improvements+	730	0	0
Macalister fresh business case and project development+	600	0	0
Review of water resource risks peri-urban catchments+	300	0	0
Traditional owner licence application support+	150	0	0
Latrobe reserve review implementation+	80	0	0
Place of take implementation+	95	0	0
2021 Storm Damage+	669	517	0
<b>Total operating government grants and contributions</b>	<b>2,954</b>	<b>1,058</b>	<b>1,264</b>
Non-operating			
State Government			
<u>AASB 1058 revenue recognition</u>			
Blue Rock all-abilities playground *	0	0	325
MID2030 Phase 2 *	0	0	1,167
2021 Storm Damage*	81	81	0
<b>Total non-operating government grants and contributions</b>	<b>81</b>	<b>81</b>	<b>1,492</b>

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

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

The Corporation has determined that all grant income is recognised as income of not-for-profit entities in accordance with AASB 1058, except for grants that are enforceable and with sufficiently specific performance obligations and accounted for as revenue from contracts with customers in accordance with AASB 15. A termination for convenience clause is considered by the corporation to indicate that the grant income is a contract with customers in accordance with AASB 15, resulting in a deferral of income by the recording of AASB 15 contract liabilities at 30 June 2022 of \$3.599m (30 June 2021: \$1.607m).

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

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

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

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

**2.4 Sale of water and entitlements**

Sale of surface and groundwater licences (iii)

0	1,465
<u>0</u>	<u>1,465</u>

**Total sale of water and entitlements**

During 2021-22, the Corporation didn't conduct any auctions of unregulated surfacewater licences.

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

**2.5 Fair value of assets received free of charge recognised as income**

Infrastructure at fair value

0	2,271
<u>0</u>	<u>2,271</u>

**Total fair value of assets received free of charge recognised as income**

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

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

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

**3.1 Expenses incurred in delivery of services**

	<b>Notes</b>		
Employee benefits in the Comprehensive Operating Statement	3.1.1	17,814	17,591
Repairs and maintenance	3.2	1,499	1,332
Bulk water	3.3	954	1,141
Supplies and services	3.4	8,256	8,413
<b>Total expenses incurred in delivery of services</b>		<u>28,523</u>	<u>28,477</u>

**3.1.1 Employee benefits in the Comprehensive Operating Statement**

Employee benefits			
- salaries and wages		12,923	12,767
- annual leave		1,158	1,287
- long service leave		265	333
- employer superannuation contribution		1,599	1,517
- payroll tax		884	865
- termination benefit		0	57
- other		985	765
<b>Total employee benefit costs</b>		<u>17,814</u>	<u>17,591</u>

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

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

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

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

### 3.1.2 Employee benefits - Balance Sheet

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

#### Current provisions:

<i>Annual leave</i>		
Unconditional and expected to settle within 12 months	968	1,016
Unconditional and expected to settle after 12 months	773	820
<i>Long service leave</i>		
Unconditional and expected to settle within 12 months	1,864	1,867
Unconditional and expected to settle after 12 months	454	539
<i>Provisions for on-costs</i>		
Unconditional and expected to settle within 12 months	523	523
Unconditional and expected to settle after 12 months	226	246
<b>Total current provisions for employer benefits</b>	<b>4,808</b>	<b>5,011</b>
<b>Non-current provisions</b>		
Long service leave	418	414
On-costs	77	75
<b>Total non-current provisions for employee benefits</b>	<b>495</b>	<b>489</b>
<b>Total provisions for employee benefits</b>	<b>5,303</b>	<b>5,500</b>
<b>Reconciliation of movement in on-cost provision</b>		
Opening balance	844	839
Additional provisions recognised	(18)	5
Closing balance	<b>826</b>	<b>844</b>
Current	749	769
Non-current	77	75
	<b>826</b>	<b>844</b>

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

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

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

#### *On-costs*

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

#### *Long service leave*

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

Unconditional LSL (representing seven or more years of continuous service) is disclosed as a current liability, even where the Corporation does not expect to settle the liability within 12 months. The Corporation does not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

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

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

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

### 3.1.3 Superannuation

The Corporation makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (Vision Super). This 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 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 2022 are detailed below:

	2021-2022 \$'000	Contribution rate	2020-2021 \$'000	Contribution rate	
Accumulation schemes:					
(a) Vision Super	Employer contribution	860	10.00%	839	9.50%
(b) Other superannuation schemes	Employer contribution	1,066	10.00%	957	9.50%
Defined benefit schemes:					
(c) Government Superannuation Office - New Scheme	Employer contribution	26	9.5% - 20.2%	39	7.5% - 11.4%
	Total employer contribution	<u>1,952</u>		<u>1,835</u>	

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2022.

#### Accumulation (items a - b)

The Fund's accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2022, this was 10.0% as required under Superannuation Guarantee (SG) legislation (2021: 9.5%)).

#### Defined benefit (item c)

The Corporation does not use defined benefit accounting for its defined benefit obligations under the fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of the Corporation in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

#### Funding arrangements

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

As at 30 June 2021, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category.

The vested benefit index (VBI) of the Defined Benefit category of which the Corporation is a contributing employer was 109.8%. The financial assumptions used to calculate the VBI were:

- Net investment returns [4.75% pa]
- Salary information [2.75% pa]
- Price inflation (CPI) [2.25% pa.]

As at 30 June 2022, an interim actuarial investigation is underway as the Fund provides lifetime pensions in the Defined Benefit category. It is expected to be completed by 31 October 2022.

Vision Super has advised that the VBI at 30 June 2022 was 102.2%.

- Net investment returns [5.50% pa]
- Salary information [2.50% pa] to 30 June 2023, and [3.50% pa] thereafter
- Price inflation (CPI) [3.00% pa.]

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2021 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

#### Employer contributions

##### Regular contributions

On the basis of the results of the 2021 interim actuarial investigation conducted by the Fund Actuary, the Corporation makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2022, this rate was 10.0% of members' salaries (9.5% in 2020-21). This rate is expected to increase in line with any increases in the SG contribution rate and was reviewed as part of the 30 June 2020 triennial valuation. In addition, the Corporation reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

##### Funding calls

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

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

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

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

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

#### The 2022 triennial actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which the Corporation is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2021 and the last full investigation was conducted as at 30 June 2020.

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

	2020(Triennial)\$m	2021(Interim)\$m
• A VBI surplus	\$214.7	\$100.0
• A total service liability surplus	\$270.3	\$200.0
• A discounted accrued benefits surplus	\$285.2	\$217.8

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 2021.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2021.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2021.

#### The 2022 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2022 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2022.

	2021-2022 \$'000	2020-2021 \$'000
<b>3.2 Repairs and maintenance</b>		
Repairs and maintenance	1,499	1,332
<b>Total repairs and maintenance</b>	<u>1,499</u>	<u>1,332</u>

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

### 3.3 Bulk water

Recycled water	954	1,141
<b>Total bulk water</b>	<u>954</u>	<u>1,141</u>

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

### 3.4 Supplies and services

#### *Supplies and services*

- Insurance	662	500
- Motor vehicle operating costs	683	568
- Professional services	2,032	2,280
- Telecommunications	322	431
- Computer software maintenance	709	569
- Utilities	251	281
- Regulatory fees	58	216
- Training	201	109
- Project works not capitalised	857	1,393
- Other services	2,481	2,066
<b>Total supplies and services</b>	<u>8,256</u>	<u>8,413</u>

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

4. Key assets available to support output delivery

**Introduction**

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

**4.1 Infrastructure, property, plant and equipment**

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

**Year ended 30 June 2022**

	Land \$'000	Water infrastructure \$'000	Machinery, fittings and equipment \$'000	Plant \$'000	Motor vehicles \$'000	Buildings \$'000	Capital works in progress \$'000	Total \$'000
At 1 July 2021	28,032	1,384,316	1,384	670	2,013	5,556	12,817	1,434,788
Additions - new assets	0	0	0	84	327	0	7,963	8,374
Additions - asset renewal	0	0	0	0	0	0	0	0
Transfers	0	11,306	347	0	0	121	(11,774)	0
Revaluation	5,103	0	0	0	0	0	0	5,103
Disposals	0	0	(8)	(13)	(191)	0	0	(212)
Depreciation of regulatory asset base	0	(3,347)	(406)	(77)	(433)	(255)	0	(4,518)
Depreciation of other assets	0	(11,683)	0	0	0	0	0	(11,683)
<b>At 30 June 2022</b>	<b>33,135</b>	<b>1,380,592</b>	<b>1,317</b>	<b>664</b>	<b>1,716</b>	<b>5,422</b>	<b>9,006</b>	<b>1,431,852</b>
Gross carrying amount	33,135	1,395,622	6,186	1,759	3,660	5,677	9,006	1,455,045
Accumulated depreciation	0	(15,030)	(4,869)	(1,095)	(1,944)	(255)	0	(23,193)
Net carrying amount at 30 June 2022	33,135	1,380,592	1,317	664	1,716	5,422	9,006	1,431,852

**Year ended 30 June 2021**

	Land \$'000	Water infrastructure \$'000	Machinery, fittings and equipment \$'000	Plant \$'000	Motor vehicles \$'000	Buildings \$'000	Capital works in progress \$'000	Total \$'000
At 1 July 2020	33,946	1,391,218	1,624	495	2,540	5,348	10,077	1,445,248
Prior period error - impairment/write-off	0	(19,326)	0	0	0	0	0	(19,326)
At 1 July 2020 adjusted	33,946	1,371,892	1,624	495	2,540	5,348	10,077	1,425,922
Additions - new assets	131	0	0	0	192	0	14,553	14,876
Additions - asset renewal	0	0	0	0	0	0	0	0
Transfers	0	11,423	140	250	0	0	(11,813)	0
Revaluation	(6,045)	46,309	0	0	0	534	0	40,798
Impairment/write-off	0	(30,479)	0	0	0	0	0	(30,479)
Disposals	0	0	0	0	(204)	0	0	(204)
Depreciation of regulatory asset base	0	(2,856)	(380)	(75)	(515)	(326)	0	(4,152)
Depreciation of other assets	0	(11,973)	0	0	0	0	0	(11,973)
<b>At 30 June 2021</b>	<b>28,032</b>	<b>1,384,316</b>	<b>1,384</b>	<b>670</b>	<b>2,013</b>	<b>5,555</b>	<b>12,817</b>	<b>1,434,788</b>
<b>At 1 July 2020</b>								
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
<b>At 30 June 2021</b>								
Gross carrying amount	28,032	1,384,316	5,874	1,853	3,927	5,556	12,817	1,442,375
Accumulated depreciation	0	0	(4,490)	(1,183)	(1,914)	0	0	(7,587)
Net carrying amount	28,032	1,384,316	1,384	670	2,013	5,556	12,817	1,434,788

The 30 June 2021 comparative for Water Infrastructure and Buildings has been updated in accordance with Financial Reporting Direction 103 I which directs the Corporation to account for accumulated depreciation at the date of the revaluation by eliminating the accumulated depreciation and accumulated impairment balances against the gross carrying amount of the asset



#### 4.1.2 Initial recognition and subsequent measurement

##### *Infrastructure, property, plant and equipment*

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

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

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water and drainage infrastructure, plant, equipment and motor vehicles, used by the Corporation in its operations. Items with a cost or value in excess of \$10,000 (2021: \$10,000) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed, with the exception of those assets under the threshold that are considered as attractive assets.

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

##### *Leasehold improvements*

The cost of leasehold improvements is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful lives. At balance date, leasehold improvements are amortised over a 10 year period.

##### *Subsequent measurement*

Infrastructure, property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset). Refer to Note 4.1.2 for fair value disclosures.

##### *Revaluation of infrastructure, property, plant and equipment*

Non-financial physical assets are revalued at fair value every five years in accordance with the Government purpose classifications defined in Financial Reporting Direction 1031 Non-Financial Physical Assets (FRD 1031).

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

Revaluations may occur more frequently if fair value assessments indicate material changes in values. In such instances, interim managerial revaluations are undertaken in accordance with the requirements of FRD 1031. The Corporation in conjunction with VGV, monitors changes in the fair value of each asset class through relevant data sources, in order to determine whether a revaluation is required.

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

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

#### 4.1.3 Accounting for revaluation movements

##### *Infrastructure, property, plant and equipment*

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

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

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

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

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

#### 4.1.4 Depreciation and impairment

Depreciation is distinguished by:

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

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

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

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

Land is not depreciated.

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

Depreciation of other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their remaining estimated useful lives, commencing from the time the asset is held ready for use.

The assets residual values and useful lives are reviewed and adjusted if appropriate, at each balance date.

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

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

Class of Asset	Periods
Buildings	10 to 50 years
Water Infrastructure	
Storage embankments	350 years
Storage spillways	100 years
Storage discharge control structures	80 years
Storage civil works	50 years
Storage mechanical and electrical	25 years
Irrigation pipes	50 to 90 years
Irrigation structures, meters and pumps	25 to 75 years
Irrigation channels	100 years
Irrigation channel excavation and base material	Indefinite
Earthen storage embankments	Indefinite
Tunnel and other excavations	Indefinite
Drain excavations	Indefinite
Plant, equipment and other	
Machinery and tools	2 to 33 years
Computer equipment	4 to 10 years
Furniture and fittings	2 to 25 years
Motor vehicles	2 to 4 years
Plant	5 to 20 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate. . The impacts of COVID-19 and climate-related emerging risks were taken into account when estimating the useful life of these assets.

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

#### Impairment

Non-financial assets, including items of infrastructure, property, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

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

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

The recoverable amount for most assets is measured at the higher of current replacement cost-and fair value less costs to sell. The impact of climate risk is not a key assumption in the current replacement cost and fair value less costs to sell. The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business.

The recoverable amount of specialised non-cash-generating assets which are held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 *Fair Value Measurement*.

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

**4.1.5 Net gain on disposal of non-current assets**

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

Proceeds from sale of infrastructure, property, plant and equipment	498	4,808
Written down value of disposed infrastructure, property, plant and equipment	<u>(212)</u>	<u>(3,826)</u>
<b>Net gain on disposal of assets</b>	<u>286</u>	<u>982</u>

**4.2 Intangible assets**

	Software \$'000	Water allocation \$'000	Implementation in progress \$'000	Total \$'000
<b>Year ended 30 June 2022</b>				
At 1 July 2021	930	208	488	1,626
Additions	0	0	525	525
Transfer	14	0	(14)	0
Amortisation	(186)	(24)	0	(210)
At 30 June 2022	<u>758</u>	<u>184</u>	<u>999</u>	<u>1,941</u>
<b>At 1 July 2021</b>				
Cost (gross carrying amount)	9,158	208	488	9,854
Accumulated amortisation	(8,228)	0	0	(8,228)
Net carrying amount	<u>930</u>	<u>208</u>	<u>488</u>	<u>1,626</u>
<b>At 30 June 2022</b>				
Cost (gross carrying amount)	9,172	184	999	10,355
Accumulated amortisation	(8,414)	0	0	(8,414)
Net carrying amount	<u>758</u>	<u>184</u>	<u>999</u>	<u>1,941</u>
	Software \$'000	Water allocation \$'000	Implementation in progress \$'000	Total \$'000
<b>Year ended 30 June 2021</b>				
At 1 July 2020	826	218	506	1,550
Additions	0	0	383	383
Transfer	401	0	(401)	0
Assets written off	0	(10)	0	(10)
Amortisation	(297)	0	0	(297)
At 30 June 2021	<u>930</u>	<u>208</u>	<u>488</u>	<u>1,626</u>
<b>At 1 July 2020</b>				
Cost (gross carrying amount)	8,757	218	506	9,481
Accumulated amortisation	(7,931)	0	0	(7,931)
Net carrying amount	<u>826</u>	<u>218</u>	<u>506</u>	<u>1,550</u>
<b>At 30 June 2021</b>				
Cost (gross carrying amount)	9,158	208	488	9,854
Accumulated amortisation	(8,228)	0	0	(8,228)
Net carrying amount	<u>930</u>	<u>208</u>	<u>488</u>	<u>1,626</u>

*Recognition and measurement*

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

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

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

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

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

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

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

*Water allocation*

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

*Amortisation**Charge for the period*

- Software

186

297

**Total amortisation**186297

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 4.1.4.

**4.2.1 Intangible asset write-offs**

Written down value of intangible assets written off

24

10

The Corporation holds a water allocation within the Thomson Reservoir. This water allocation was assigned to City West Water and Western Water in June 2016.

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

**Total intangible asset write-offs**2410

2021-2022  
\$'000

2020-2021  
\$'000

5. Other assets and liabilities

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

5.1 Receivables

Contractual

Service and usage charges

Allowance for expected credit losses

Statutory

GST Input tax credit receivables

Total current receivables

Total receivables

	7,292	4,467
	(95)	(95)
	208	379
	<u>7,405</u>	<u>4,751</u>
	<u>7,405</u>	<u>4,751</u>

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.

5.1.1 Impairment of contractual receivables

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

On that basis, the loss allowance as at 30 June 2022 was determined as follows for trade receivables:

30 June 2022	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%	2%	1%
Gross carrying amount-service and usage charges (\$'000)	998	716	166	5,412	7,292
Loss allowance (\$'000)	0	0	0	95	95
1 July 2021	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0%	0%	0%	3%	2%
Gross carrying amount-service and usage charges (\$'000)	370	758	71	3,268	4,467
Loss allowance (\$'000)	0	0	0	95	95

Receivables from service and usage charges are written off when there is no reasonable expectation of recovery. As the Corporation considers recoverability of service and usage charges to be virtually certain given property security covenants established by the Water Act 1989, no credit losses were written off in the 2020-21 and 2021-22 financial years. The Corporation did not identify any indicators for an increase to the existing loss allowance of \$95k. Usual debt collection practices have been limited by National Cabinet COVID-19 directions, and will resume in the early part of the 2022-23 financial year.

Any 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.

5.2 Contract assets

Current contract asset relating to:

Accrued revenue

Loss allowance

Total contract assets

	1,299	5,666
	0	0
	<u>1,299</u>	<u>5,666</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 assets reconciliation

Opening balance 1 July

Less: Amounts billed during the year

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

Additional provisions (raised)/reversed

Carrying amount as at 30 June

	5,666	1,904
	(5,666)	(1,904)
	1,299	5,666
	0	0
	<u>1,299</u>	<u>5,666</u>

Significant changes in contract assets

Contract assets have decreased as the Corporation received payment for a significant sale of land in early 2021-22.

2021-2022  
\$'000

2020-2021  
\$'000

### 5.3 Payables

#### Contractual

Trade creditors	2,915	3,687
Advances for capital and other works	165	140

#### Statutory

Fringe Benefits Tax payable	45	48
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#### Total current payables

	3,125	3,875
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#### Total payables

	3,125	3,875
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Payables consist of:

- contractual payables, classified as financial instruments and measured at amortised cost. Trade creditors represent liabilities for goods and services provided to the Corporation prior to the end of the financial year that are unpaid; and

- statutory payables, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because payables for supplies and services have an average credit period of 30 days. No interest is charged on the 'other payables' for the first 30 days from the date of the invoice. Thereafter, interest is charged dependent upon the terms and conditions of the supplier's contract.

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

#### 5.3.1 Ageing analysis of contractual payables

	Carrying amount \$'000	Nominal amount \$'000	Maturity dates				
			Less than 1 month \$'000	1-3 months \$'000	3 months - 1 year \$'000	1 - 5 years \$'000	5+ years \$'000
<b>30 June 2022</b>							
Supplies and services	3,080	3,080	2,939	141	0	0	0
<b>Total</b>	<b>3,080</b>	<b>3,080</b>	<b>2,939</b>	<b>141</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>30 June 2021</b>							
Supplies and services	3,827	3,827	3,819	2	6	0	0
<b>Total</b>	<b>3,827</b>	<b>3,827</b>	<b>3,819</b>	<b>2</b>	<b>6</b>	<b>0</b>	<b>0</b>

### 5.4 Contract liabilities

Contract Liabilities - Customers paid in advance	942	358
Unearned income - AASB 1058	0	0
Unearned grant income - AASB 15	3,599	1,687
<b>Total contract liabilities</b>	<b>4,541</b>	<b>2,045</b>

#### Contract liabilities relating to service usage charges:

##### Customers paid in advance

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

##### Contract liabilities reconciliation

##### Customers paid in advance

Opening balance 1 July	2,045	3,546
Add: Payments received for performance obligations yet to be completed during the period	969	278
Less: Revenue recognised in the reporting period for the completion of a performance obligation	(385)	(38)
<b>Unearned income - AASB 1058</b>		
Add: Grant revenue received during the year	81	0
Less: Grant revenue recognised during the year	(81)	(1,492)
<b>Unearned income - AASB 15</b>		
Opening balance transition adjustment	0	0
Add: Grant revenue received during the year	3,007	854
Less: Grant revenue recognised for performance obligations met during the year	(1,095)	(1,103)
Closing balance 30 June	4,541	2,045

##### Significant changes in contract liabilities

Contract liabilities have increased as the Corporation entered into a large number of grant based performance obligations in 2021-22.

## 5.5 Investment in ZEW Ltd

The Corporation is one of 12 water corporation members of Zero Emissions Water (ZEW) Limited, a public company limited by guarantee. ZEW's substantial objective is to acquire electricity, contracts for difference and other derivative products in relation to electricity, and/or green products from 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 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.

The Members' Agreement specifies that ZEW may call on the Corporation to make a loan available to ZEW amounting to \$8.6k. The loan, if requested by ZEW, would meet the definition of a financial asset as it gives rise to a contractual right for us to receive cash from ZEW at the end of the loan term. At 30 June 2022, ZEW had requested and received a loan payment of \$5k. As this loan is concessional, it has been treated as an investment in ZEW and measured at amortised cost.

On 30 October 2018, ZEW entered into an 11-year Power Purchasing Agreement (PPA) with a solar farm energy generator. In relation to the PPA, ZEW acts 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.

On 22 January 2021, the conditions precedent in the PPA was completed and the Corporation now has an obligation to purchase its percentage of energy allocation under the Members' Agreement.

While the financial impact of the Members' Agreement with ZEW has resulted in increased revenue and expenses, as the Corporation has a minor share within the PPA of 0.61% the Corporation has not recognised the CfD derivative as a financial asset or liability.

The fair value of the PPA derivative is regularly valued by the Department of Treasury and Finance for ZEW, as follows:

	2021-2022	2020-2021
	\$'000	\$'000
Fair value of PPA derivative: Financial liability	5,755	8,937
Corporation share at 0.61%	35	55

2021-2022  
\$'000

2020-2021  
\$'000

6. How we financed our operations

Introduction

This section provides information on the sources of finance utilised by the Corporation during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the Corporation. This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note 7.1 provide additional, specific financial instrument disclosures.

6.1 Interest bearing liabilities

Current interest bearing liabilities

Treasury Corporation of Victoria (TCV) - Unsecured  
Lease liabilities

	5,900	6,100
	194	193
	<u>6,094</u>	<u>6,293</u>

Total current interest bearing liabilities

Non-current

Treasury Corporation of Victoria (TCV) - Unsecured  
Lease liabilities

	52,600	55,900
	846	1,125
	<u>53,446</u>	<u>57,025</u>
	<u>59,540</u>	<u>63,318</u>

Total interest bearing liabilities

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

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

Any difference between the initial amount recognised (net of transaction costs) and the redemption amount is recognised in the Comprehensive Operating Statement over the period of the interest bearing liabilities, using the effective interest method. Interest bearing liabilities are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

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

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

- An '11am' at call debt facility which has no fixed term to maturity
- Fixed - Semi Annual Credit Foncier facilities with repayments of interest and principal twice annually
- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$75k) twice annually and a final \$2.5m 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

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

- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$25k) twice annually and a final \$0.83m maturity in June 2024
- Fixed - Rate facility with repayments of interest twice annually and a final \$3.75m maturity in June 2024
- Fixed - Rate facility with repayments of interest twice annually and a final \$1.00m maturity in June 2024
- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$50k) twice annually and a final \$0.44m maturity in June 2025
- Fixed - Rate facility with repayments of interest twice annually and a final \$1.50m maturity in June 2025
- Fixed - Rate facility with repayments of interest twice annually and a final \$2.50m maturity in June 2025
- Fixed - Rate facility with repayments of interest twice annually and a final \$2.50m maturity in June 2025
- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$50k) twice annually and a final \$2.20m maturity in June 2026
- Fixed - Rate facility with repayments of interest twice annually and a final \$3.25m maturity in June 2026
- Fixed - Rate facility with repayments of interest twice annually and a final \$0.77m maturity in June 2026
- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$75k) twice annually and a final \$1.50m maturity in June 2027
- Fixed - Rate facility with repayments of interest twice annually and a final \$2.75m maturity in June 2027
- Fixed - Rate facility with repayments of interest twice annually and a final \$2.50m maturity in June 2027
- Fixed - Rate facility with repayments of interest twice annually and a final \$5.00m maturity in June 2028
- Fixed - Semi Annual Credit Foncier facility with repayments of interest and principal (\$50k) twice annually and a final \$2.00m maturity in June 2028
- Fixed - Rate facility with repayments of interest twice annually and a final \$6.00m maturity in June 2029
- Fixed - Rate facility with repayments of interest twice annually and a final \$6.00m maturity in June 2030
- Fixed - Rate facility with repayments of interest twice annually and a final \$3.86m maturity in June 2031
- Fixed - Rate facility with repayments of interest twice annually and a final \$2.6m maturity in June 2032

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

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

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



## 6.1.1 Maturity analysis of interest bearing liabilities

	Carrying amount \$'000	Nominal amount \$'000	Maturity dates			
			1-3 months \$'000	3 months - 1 year \$'000	1 - 5 years \$'000	5+ years \$'000
<b>30 June 2022</b>						
Treasury Corporation of Victoria (TCV)	58,500	53,517	325	5,575	27,040	25,560
Lease liabilities	1,040	1,132	57	170	891	14
	59,540	54,649	382	5,745	27,931	25,574
<b>30 June 2021</b>						
Treasury Corporation of Victoria (TCV)	62,000	63,655	375	5,725	25,940	29,960
Lease liabilities	1,318	1,463	59	178	1,105	121
	63,318	65,118	434	5,903	27,045	30,081

## 6.1.2 Interest expense

Interest on loans from Treasury Corporation of Victoria (TCV)	1,179	1,240
Interest on leases under AASB 16	44	52
Financial accommodation levy	526	554
<b>Total interest expense</b>	<u>1,749</u>	<u>1,846</u>

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

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

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

## 6.2 Leases

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

*The Corporation's leasing activities*

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

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

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

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

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

*Extension and termination options*

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

*Residual value guarantee*

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

*Critical judgements in determining the lease term*

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

*Definition of a lease*

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

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

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

*Separation of lease and non-lease components*

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

**Lease liabilities**

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

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

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

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

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

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

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

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

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

**Short-term leases and leases of low-value assets**

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

**6.2.1 Right-of-use-assets**

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

The Balance Sheet shows the following amounts relating to leases:

**Right-of-use assets****Buildings**

Carrying amount at beginning of year	1,240	1,479
Derecognition of right-of-use assets	(88)	(24)
Depreciation expense	(209)	(215)
<b>Carrying amount at end of year</b>	<b>943</b>	<b>1,240</b>
Cost	1,542	1,663
Less: Accumulated depreciation	(599)	(423)
<b>Carrying amount at end of year</b>	<b>943</b>	<b>1,240</b>

Additions to the right-of-use assets during the 2022 financial year were \$Nil (2021 \$Nil).

**6.2.2 Amounts recognised in the Comprehensive Operating Statement**

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

Depreciation charge of right-of-use assets (buildings)	209	215
Interest expense (included in finance cost)	44	52
<b>Total</b>	<b>253</b>	<b>267</b>

**6.2.2 Amounts recognised in the Statement of Cash Flows**

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

Principal payments of lease liabilities	103	183
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2021-2022  
\$'000

2020-2021  
\$'000

### 6.3 Cash flow information and balances

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

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

Cash on hand	2	2
Cash at bank	370	893
Deposits at call	19,493	21,117
<b>Balance as per cash flow statement</b>	<b>19,865</b>	<b>22,012</b>

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

<b>Net result after tax for the period</b>	(11,781)	(7,299)
<b>Non-cash movements:</b>		
Depreciation and amortisation	16,596	16,632
Gain on sale of fixed assets	(287)	(982)
Written down value of destroyed, lost or de-commissioned assets	24	942
Income tax revenue	(2,537)	(822)
<b>Movements included in investing activities</b>		
Decrease in contract assets - proceeds from sale of infrastructure, property, plant and equipment	(4,050)	-
Increase/(Decrease) in payables - payments for infrastructure, property, plant and equipment	1,232	(137)
<b>Movements in assets and liabilities:</b>		
Decrease/(Increase) in current receivables	(2,654)	3,316
Decrease/(Increase) in contract assets	4,367	(3,761)
Decrease in other current assets	(133)	(56)
Increase/(Decrease) in provision for employee benefits	(197)	229
Decrease/(Increase) in contract liabilities	2,496	(4,185)
Increase/(Decrease) in payables	(751)	291
<b>Net cash flows from operating activities</b>	<b>2,325</b>	<b>4,168</b>

#### 6.3.2 Financing facilities

##### Unsecured loan facilities with various maturity dates through to 2021-22 and which may be extended by mutual agreement

Amount used	59,540	62,000
Amount unused	15,060	40
<b>Total</b>	<b>74,600</b>	<b>62,040</b>

#### 6.4 Commitments for expenditure

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

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

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

##### 6.4.1 Total commitments payable

Nominal Amounts: 2022

	Less than 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Operating and lease commitments payable	2,624	6,451	5,668	14,743
Capital expenditure commitments payable	2,611	0	0	2,611
Environmental contribution levy commitments	530	530	0	1,060
<b>Total commitments (inclusive of GST)</b>	<b>5,765</b>	<b>6,981</b>	<b>5,668</b>	<b>18,414</b>
Less GST recoverable	476	586	515	1,577
<b>Total commitments (exclusive of GST)</b>	<b>5,289</b>	<b>6,395</b>	<b>5,153</b>	<b>16,837</b>

Nominal Amounts: 2021

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

## 7. Risks, contingencies and valuation judgements

### Introduction

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

### 7.1 Interest bearing liabilities

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

These financial instruments include:

Financial assets	Financial liabilities
Cash and deposits	Payables:
Receivables:	For supplies and services
Sale of goods and services	Amounts payable to government and agencies
Other receivables	Other payables
Term deposits	Interest bearing liabilities:
Investment in Zero Emissions Water (ZEW)	Bank overdraft

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

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

### Classification of financial instruments

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. Financial assets are initially measured at fair value plus or minus any direct transaction costs.

Subsequent to initial measurement, loans and receivables are measured at amortised cost only if both of the following criteria are met:

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

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

- cash and deposits
- receivables (excluding statutory receivables); and
- term deposits.

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

The Corporation recognises the following liabilities:

- payables (excluding statutory payables); and
- borrowings (including finance lease liabilities).

### Offsetting financial instruments

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

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

### Derecognition of financial assets and liabilities

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

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

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

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

### Impairment of financial assets

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

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

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

### 7.1.1 Financial instruments: Categorisation

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

### 7.1.2 Financial risk management objectives and policies

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. This note presents information about the Corporation's exposure to each of these risks, and the objectives, policies and processes for measuring and managing risk.

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

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

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

Department of Treasury and Finance requirements dictate that all new borrowings must be approved by the Treasurer of Victoria. Annually, a Financial Accommodation approval is provided by the Treasurer which is consistent with the Corporation's budget planning, and cash requirements. At 1 July 2020, the Corporation held a Financial Accommodation approval for the 2021-22 financial year for \$74.60m of borrowings (1 July 2020 \$62.04m 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 2021-22 financial year surplus funds were invested with the National Australia Bank, and Westpac only.

#### Credit risk

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

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

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

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

The Corporation is continuously monitoring and assessing its credit risk profile due to the current economic impacts affecting customers. As a result, the Corporation has adjusted the credit risk profile in assessing the expected loss allowance in 2021-22 (refer to Note 1).

At 30 June 2022, the Corporation has no other significant credit risk. There has been no material change to the Corporation's credit risk profile in 2021-22.

#### Climate related risk

Climate change is a risk to the Corporation. Climate change risk includes the physical risk which can cause direct damage to assets or property as a result of rising global temperatures as well as transition risks which arise from the transition to a low-carbon economy. The corporation is primarily exposed to climate change risk by a deterioration to water availability for our customers from lower rainfall and warmer temperatures, and the associated impact on their medium to long term viability. The corporation also faces physical risks associated with an increase in extreme short-term weather events impacting assets and operations. The Corporation will further enhance the understanding of exposure of climate change risk in the process of executing the Corporation's climate change adaptation plan over the next 3 years. As at 30 June 2022, the Corporation considered climate-related risk in the preparation of the financial statements.

#### Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's policy is to settle financial obligations within 30 days and in the event of dispute make payments within 30 days from the date of resolution.

The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities and by continuously monitoring forecasts and actual cash flows, and matching the maturity profiles of financial assets and financial liabilities. Annually, the Corporation completes a Corporate Plan which includes financial estimates for a five year period. This plan incorporates a cashflow forecast that then facilitates application to DTF for any necessary Financial Accommodation. Financial Accommodation establishes the Corporation's approval to establish borrowing facilities. At 30 June 2022, the Corporation had not accessed \$16.10m (2021: \$0.04m) of this Financial Accommodation.

Management of the Corporation's medium to longer term liquidity risk is influenced by the scale of the Corporation's upcoming capital expenditure program, and the associated ongoing need for debt funding to support this program.

To effectively manage these longer-term impacts upon liquidity and more broadly, the organisation's financial sustainability risk:

- the Corporation conducts long-term capital expenditure planning (at least 25-years) and translates this information into a financial sustainability model. The board considers the resulting financial measures from this long-term financial model to ensure that short-term decisions are consistent with appropriate management of long-term liquidity and financial sustainability risks
- the Corporation's ability to meet liabilities as they fall due is reliant upon the ongoing issue of suitable Annual Borrowing Approval by the Treasurer. The Corporation's financial liability maturities are disclosed in Note 6.1.

#### Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Corporation's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. The Corporation's exposure to market risk is primarily through interest rate risk. There is no exposure to foreign exchange risk and insignificant level of exposure to other price risks.

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

##### a. Interest rate risk

The Corporation's exposure to market interest rates relates primarily to the Corporation's funds invested, and borrowed, with the Treasury Corporation of Victoria. Both investment of funds and short-term borrowings are held at variable market rates. The Corporation's non-current borrowings are at fixed interest rates.

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

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

##### b. Foreign exchange risk

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

##### c. Other price risk

The Corporation has no significant exposure to other price risk.

### Market risk sensitivity analysis

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

### Interest rate exposure on financial instruments

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

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

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

The Corporation's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five-year period, with all variables other than the primary risk variable held constant. The Corporation cannot be expected to predict movements in market rates and prices. Sensitivity analyses shown are for illustrative purposes only. A movement of 100 basis points up and down in market interest rates (AUD) is 'reasonably possible'.

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

30 June 2022	Carrying amount	Interest rate exposure				Interest rate risk sensitivity					
		Weighted average interest rate %	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Plus 1 %		Minus 1 %		\$'000	Equity \$'000
						Result \$'000	Equity \$'000	Result \$'000	Equity \$'000		
<b>Contractual Financial Assets</b>											
Cash assets and deposits at call	19,865	0.31%	19,863	0	2	199	199	(199)	(199)		
Receivables	7,197		0	0	7,197	0	0	0	0		
	27,062		19,863	0	7,199	199	199	(199)	(199)		
<b>Contractual Financial Liabilities</b>											
Payables and accruals	2,915	2.99%	0	0	2,915	0	0	0	0		
Interest bearing liabilities	58,500		0	58,500	0	0	0	0	0		
Advances for capital and other works	165		0	0	165	0	0	0	0		
	61,580		0	58,500	3,080	0	0	0	0		
Total	(34,518)		19,863	(58,500)	4,119	199	199	(199)	(199)		

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

### 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 2022 (2021: 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 2022 (2021: Nil)

### 7.3 Fair value determination

This section sets out information on how the Corporation determined fair value for financial reporting purposes.

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

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through operating result or OCI;
- land, buildings, infrastructure, plant and equipment;

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

The Corporation determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

#### **Fair value hierarchy**

In determining fair values, a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

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

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

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

#### **How this section is structured**

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

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

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

#### **7.3.1 Fair value of financial instruments measured at amortised cost**

	Carrying amount 30 June 2022	Fair value 30 June 2022	Carrying amount 30 June 2021	Fair value 30 June 2021
	\$'000	\$'000	\$'000	\$'000
<b>Financial Liabilities</b>				
Lease liabilities	1,040	1,040	1,318	1,318
Loans from TCV	58,500	53,517	62,000	63,655
Total of financial liabilities at fair value	59,540	54,557	63,318	64,973

**7.3.2 Fair value determination - Non-financial physical assets**
**Fair value measurement hierarchy for assets as at 30 June 2022**

	Carrying amount 30 June 2022	Fair value measurement at end of reporting period using:		
		Level 1 (i)	Level 2 (i)	Level 3 (i)
	\$'000	\$'000	\$'000	\$'000
Land at fair value				
Non-specialised land	3,251	0	3,251	0
Specialised land	29,884	0	0	29,884
<b>Total of land at fair value</b>	<b>33,135</b>	<b>0</b>	<b>3,251</b>	<b>29,884</b>
Buildings at fair value				
Non-specialised buildings	5,422	0	0	5,422
<b>Total of buildings at fair value</b>	<b>5,422</b>	<b>0</b>	<b>0</b>	<b>5,422</b>
Water infrastructure at fair value				
Reservoirs and weirs	768,036	0	0	768,036
Tunnels	49,901	0	0	49,901
Irrigation channels and pipes	250,607	0	0	250,607
Irrigation drains	50,926	0	0	50,926
Irrigation structures, meters and pumps	261,122	0	0	261,122
<b>Total of water infrastructure at fair value</b>	<b>1,380,592</b>	<b>0</b>	<b>0</b>	<b>1,380,592</b>
Machinery, fittings and equipment at fair value				
Machinery and tools	325	0	0	325
Computer equipment	648	0	0	648
Furniture and fittings	344	0	0	344
<b>Total of machinery, fittings and equipment at fair value</b>	<b>1,317</b>	<b>0</b>	<b>0</b>	<b>1,317</b>
Motor vehicles and plant at fair value				
Motor vehicles	1,716	0	0	1,716
Plant	664	0	0	664
<b>Total of motor vehicles and plant at fair value</b>	<b>2,380</b>	<b>0</b>	<b>0</b>	<b>2,380</b>

**Fair value measurement hierarchy for assets as at 30 June 2021**

	Carrying amount as at 30 June 2021	Fair value measurement at end of reporting period using:		
		Level 1 (i)	Level 2 (i)	Level 3 (i)
	\$'000	\$'000	\$'000	\$'000
Land at fair value				
Non-specialised land	3,160	0	3,160	0
Specialised land	24,872	0	0	24,872
<b>Total of land at fair value</b>	<b>28,032</b>	<b>0</b>	<b>3,160</b>	<b>24,872</b>
Buildings at fair value				
Non-specialised buildings	5,556	0	0	5,556
<b>Total of buildings at fair value</b>	<b>5,556</b>	<b>0</b>	<b>0</b>	<b>5,556</b>
Water infrastructure at fair value				
Reservoirs and weirs	766,857	0	0	766,857
Tunnels	49,988	0	0	49,988
Irrigation channels and pipes	253,843	0	0	253,843
Irrigation drains	51,213	0	0	51,213
Irrigation structures, meters and pumps	262,414	0	0	262,414
<b>Total of water infrastructure at fair value</b>	<b>1,384,316</b>	<b>0</b>	<b>0</b>	<b>1,384,316</b>
Machinery, fittings and equipment at fair value				
Machinery and tools	276	0	0	276
Computer equipment	692	0	0	692
Furniture and fittings	416	0	0	416
<b>Total of machinery, fittings and equipment at fair value</b>	<b>1,384</b>	<b>0</b>	<b>0</b>	<b>1,384</b>
Motor vehicles and plant at fair value				
Motor vehicles	2,013	0	0	2,013
Plant	670	0	0	670
<b>Total of motor vehicles and plant at fair value</b>	<b>2,683</b>	<b>0</b>	<b>0</b>	<b>2,683</b>



**Notes:**

(i) Classified in accordance with the fair value hierarchy, see Note 7.3

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2022.

The Valuer General Victoria (VGV) is the Corporation's independent valuation agency in relation to valuation of property, plant and equipment and infrastructure. The Corporation, in conjunction with VGV, monitors changes in the fair value of property, plant and equipment and infrastructure through relevant data sources to determine whether revaluation is required.

**Non-specialised land**

For non specialised land, an independent valuation was performed by the Valuer-General Victoria (VGV) to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From the sales analysed, an appropriate rate per square metre or per hectare has been applied to the subject asset. The effective date of the valuation is 30 June 2021.

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

**Non-specialised buildings**

An independent valuation of non-specialised buildings was performed by VGV and used depreciated replacement cost to estimate fair value. The effective date of the valuation is 30 June 2021.

As depreciation adjustments are considered as significant, unobservable inputs in nature, the buildings are classified as Level 3 fair value measurements.

**Specialised land**

The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

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

CSO adjustments to land values have taken into account the planning restrictions applying to their use, as well as the restrictions and impacts of the existence of water infrastructure assets (drains, channels and reservoirs), but not the value of those assets (which are separately recorded as infrastructure assets). In the case of land used for reservoirs, the valuation performed by VGV recognises an associated CSO by valuing land above the full supply level at 80% of surrounding land values, and below the full supply level at 8% of adjacent land value.

An independent valuation of the Corporation's specialised land was performed by VGV. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2021.

**Water infrastructure**

Water infrastructure is valued using the depreciated replacement cost method. This cost represents the replacement cost of the asset/component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction includes structure services and finishes as applicable.

An independent valuation of the Corporation's water infrastructure was performed by VGV. Water Infrastructure assets are valued by VGV at fair value. As the Corporation is categorised as not-for-profit, fair value is assessed as depreciated replacement cost. The effective date of the valuation is 30 June 2021. Important aspects to this valuation approach were:

- Replacement cost is determined on an 'Optimum Modern Equivalent' basis. This assessment calculates replacement cost by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained. In this way, value is not attributed to excess capacity, over design or redundancy.
- Depreciation is calculated using a straight line methodology, and in order to determine the depreciated value, condition assessments are used to calculate the remaining useful life

As depreciation adjustments are considered as significant, unobservable inputs in nature, water infrastructure is classified as Level 3 fair value measurements.

**Machinery, fittings and equipment**

Machinery, fittings and equipment is held at fair value. When machinery, fittings and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

As depreciation adjustments are considered as significant, unobservable inputs in nature, machinery, fittings and equipment are classified as Level 3 fair value measurements.

**Motor vehicles and plant**

Vehicles are valued using the depreciated replacement cost method. The Corporation acquires new vehicles and usually disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in the Corporation who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Plant is held at fair value. When plant is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

As depreciation adjustments are considered as significant, unobservable inputs in nature, motor vehicles and plant are classified as Level 3 fair value measurements.

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

**Service concession assets**

Service concession assets are valued using the current replacement cost method adjusted for the associated depreciations. Service concession assets are classified as level 3 fair value measurements as they contain significant unobservable inputs and adjustments.

**Fair value assessments**

The Corporation conducted fair value assessments at 30 June 2022 of all asset classes, with a material movement to the value of land held by the Corporation since the last Valuer-General Victoria revaluation conducted at 30 June 2021.

Consistent with FRD103I, the \$5.1m managerial revaluation was calculated using indices recommended by Valuer General Victoria. No other material movements to the fair value assessment of an asset class was identified.

### 7.3.3 Reconciliation of Level 3 fair value movements

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

#### Reconciliation of Level 3 fair value (\$'000) at 30 June 2022

Asset type	Opening balance	Additions	Transfers	Disposals	Depreciation	Impairment/write-off	Revaluation	Closing balance
Specialised land	24,872	0	0	0	0	0	5,012	29,884
Non-specialised buildings	5,556	0	121	0	(255)	0	0	5,422
Reservoirs and weirs	766,857	0	4,870	0	(3,691)	0	0	768,036
Tunnels	49,988	0	0	0	(87)	0	0	49,901
Irrigation channels and pipes	253,843	0	779	0	(4,016)	0	0	250,606
Irrigation drains	51,213	0	3	0	(290)	0	0	50,926
Irrigation structures, meters and pumps	262,414	0	5,655	0	(6,947)	0	0	261,122
Machinery and tools	276	0	165	(8)	(108)	0	0	325
Computer equipment	693	0	180	0	(225)	0	0	648
Furniture and fittings	416	0	0	0	(72)	0	0	344
Motor vehicles	2,013	327	0	(191)	(433)	0	0	1,716
Plant	670	84	0	(13)	(77)	0	0	664

#### Reconciliation of Level 3 fair value (\$'000) at 30 June 2021

Asset type	Opening balance	Additions	Transfers	Disposals	Depreciation	Impairment/write-off	Revaluation	Closing balance
Specialised land	31,105	0	0	0	0	0	(6,233)	24,872
Non-specialised buildings	5,348	0	0	0	(326)	0	534	5,556
Reservoirs and weirs	793,922	0	322	0	(4,294)	(14)	(23,079)	766,857
Tunnels	62,043	0	0	0	(94)	0	(11,961)	49,988
Irrigation channels and pipes	255,972	0	10,002	0	(4,197)	(26,569)	18,635	253,843
Irrigation drains	52,262	0	0	0	(237)	0	(812)	51,213
Irrigation structures, meters and pumps	227,018	0	1,099	0	(6,007)	(23,222)	63,526	262,414
Machinery and tools	365	0	0	0	(89)	0	0	276
Computer equipment	791	0	116	0	(214)	0	0	693
Furniture and fittings	468	0	24	0	(76)	0	0	416
Motor vehicles	2,540	0	192	(204)	(515)	0	0	2,013
Plant	495	0	250	0	(75)	0	0	670

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

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

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

The Corporation is subject to the National Tax Equivalent Regime (NTER), pursuant to section 88(1) of the *State Owned Enterprises Act 1992*, which is administered by the Australian Taxation Office.

The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 25% (2021: 26%), 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 2021-22 financial report, the Corporation has applied the change in the tax rate from 26% to 25% 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 (\$8.41m), a decrease to income tax revenue (\$1.16m) and an increase to the asset revaluation reserve (\$9.57m).

**Income statement**

Current tax	0	0
Movement in deferred tax	(2,537)	(822)
	<u>(2,537)</u>	<u>(822)</u>

**Tax reconciliation**

Net result before income tax	<u>(14,318)</u>	<u>(8,121)</u>
Tax at the Australian tax rate of 25% (2021: 26%)	(3,580)	(2,111)
Tax effect of amounts which are not assessable/deductible (taxable) in calculating taxable income		
Adjustment in respect of income tax of previous year	(49)	89
Non-reciprocal capital grant	0	(304)
Reduction in opening deferred taxes resulting from reduction in tax rate	1,092	1,504
Income tax revenue	<u>(2,537)</u>	<u>(822)</u>
<b>Income tax recognised in Other Comprehensive Income</b>		
Reduction in opening deferred taxes resulting from:		
Reduction in tax rate	(9,251)	(14,086)
Land assets not taxable	(6,521)	0
Net gain on revaluation of infrastructure, property, plant and equipment	0	10,608
Impairment/write-off of infrastructure, property, plant and equipment	0	(7,766)
Income tax revenue (expense) recognised in Other Comprehensive Income at the Australian tax rate of 25% (2021: 26%)	<u>(15,772)</u>	<u>(11,244)</u>

2021-2022  
\$'000

2020-2021  
\$'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	1,318	1,429
Deferred revenue	247	0
Leases	42	0
Benefit of carry forward tax losses	95,798	89,045
	97,405	90,474
Offset against deferred tax liabilities	(97,405)	(90,474)
	0	0

#### Deferred tax liabilities

The balance comprises temporary differences attributable to:

Cumulative depreciation and amortisation	66,466	74,942
Net gain on revaluation of infrastructure, property, plant and equipment	240,482	247,005
Reduction in opening deferred taxes resulting from reduction in tax rate	(9,251)	(12,872)
Offset from deferred tax assets	(97,405)	(90,474)
	200,292	218,601

#### Movement in deferred tax liabilities

Carrying amount 1 July	218,601	235,982
Prior period error	0	(5,315)
Debited to other comprehensive income	(15,772)	(11,244)
Debited to the net result	(2,537)	(822)
	200,292	218,601

### 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.

### 8.3 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 2021-22 financial year.

2021-2022  
\$'0002020-2021  
\$'000**9. Other disclosures**

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

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

Balance at 1 July	476,260	455,641
Capital transactions with the State Government in its capacity as owner arising from:		
Contribution - Macalister Irrigation System (MID2030 Phase 2 project)	4,800	18,630
Contribution - Macalister Irrigation System (MID2030 Phase 1B project)	0	1,000
Contribution - Bacchus Marsh Irrigation System (Modernisation project)	0	989
Increase in opening contributed capital resulting from land assets not taxable	0	0
Balance 30 June	481,060	476,260

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**

	2021-2022			
	Land \$'000	Buildings \$'000	Water Infrastructure \$'000	Total \$'000
Asset revaluation reserve	16,849	2,422	682,121	701,392
Increase in opening asset revaluation reserve resulting from:				
Reduction in tax rate	0	33	9,218	9,251
Land assets not taxable	6,521	0	0	6,521
Revaluation increment on non-current assets	5,103	0	0	5,103
Closing balance	28,473	2,455	691,339	722,267

	2020-2021			
	Land \$'000	Buildings \$'000	Water Infrastructure \$'000	Total \$'000
Asset revaluation reserve	20,889	1,986	670,352	693,227
Increase in opening asset revaluation reserve resulting from reduction in tax rate	433	41	13,612	14,086
Prior year error	0	0	(19,326)	(19,326)
Prior year error - tax (26%)	0	0	5,315	5,315
Revaluation increment on non-current assets	(6,045)	534	46,309	40,798
Revaluation increment - tax (at 26%)	1,572	(139)	(12,040)	(10,607)
Impairment/write-off of non-current assets	0	0	(29,868)	(29,868)
Impairment/write-off of non-currents assets - tax (at 26%)	0	0	7,767	7,767
Closing balance	16,849	2,422	682,121	701,392

**9.1.3 Accumulated surplus**

Accumulated surplus at beginning of reporting period	(429)	6,870
Adjustment to opening balance on adoption of new accounting standards	0	0
Net result for the period	(11,781)	(7,299)
Accumulated surplus at end of reporting period	(12,210)	(429)

**9.2 Events occurring after the balance date**

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation in future financial years.

**9.3 Responsible persons**

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period, as required by *AASB 124 Related Party Disclosures*. The responsible Minister for the period from 1 July 2021 to 26 June 2022 was the Hon. Lisa Neville MP, Minister for Water. The Hon. Harriet Shing MP was sworn in as the Minister for Water on 27 June 2022. The Hon. Richard Wynne acted as the Minister for Water from 1 July 2021 to 22 August 2022. Remuneration paid to the responsible Ministers is shown in the financial statements of the Department of Parliamentary Services.

The names of persons who were directors of Gippsland and Southern Rural Water Corporation at any time during the financial year are as follows:

Name	Title	Period of appointment during the 2021-22 reporting period
Members of Corporation Board:		
Ms D James AM	Chairman	1 July 2021 to 30 September 2021
Ms J Butterworth-Gray	Chairman	1 October 2021 to 30 June 2022
Mr M Malouf AM	Deputy Chairman	1 July 2021 to 30 June 2022
Ms N Cleary	Director	1 July 2021 to 30 June 2022
Ms P Maddy	Director	1 July 2021 to 30 September 2021
Ms M McCrum	Director	1 July 2021 to 30 June 2022
Ms K Steel	Director	1 July 2021 to 30 June 2022
Mr C Edwards	Director	1 July 2021 to 30 June 2022
Mr M Darras	Director	1 October 2021 to 30 June 2022
Ms J Doolan	Director	1 October 2021 to 30 June 2022
Mr C FitzGerald	Managing Director and Accountable Officer	1 July 2021 to 30 June 2022

Ms J Giannini (General Manager People, Safety and Culture) acted in the position of Managing Director and Accountable Officer from 27 December 2021 - 7 January 2022.

Mr S Wigglesworth (Chief Financial Officer) acted in the position of Managing Director and Accountable Officer from 4 - 7 March 2022.

**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: \$610,000– \$619,999 (\$590,000 – \$599,999 in 2020-21).

2021-2022  
\$'000

2020-2021  
\$'000

#### 9.4 Remuneration of executives

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

Remuneration comprises employee benefits (as defined in AASB 119 *Employee Benefits*) in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered. Accordingly, remuneration is determined on an accrual basis, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long-service benefit or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

	Total remuneration	
Remuneration		
Short-term employee benefits	1,033	925
Post-employment benefits	99	89
Other long-term benefits	24	24
<b>Total remuneration</b>	<u>1,156</u>	<u>1,038</u>
<b>Total number of executives</b>	<u>6</u>	<u>5</u>
<b>Total annualised employee equivalents</b>	<u>5.8</u>	<u>4.0</u>

#### Notes:

(i) The total number of executive officers includes the Managing Director, who meets the definition of Key Management Personnel (KMP) of the entity under AASB 124 *Related Party Disclosures* and is also reported within the related parties note disclosure (Note 9.4)

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

#### 9.5 Related parties

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

Related parties of the Corporation include:

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

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

#### Key management personnel (KMP)

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Corporation, directly or indirectly, this comprises Independent Directors and the Managing Director.

Key management personnel (as defined in AASB 124 *Related Party Disclosures*) includes the Portfolio Minister and all Directors listed under responsible persons in Note 9.3 who have the authority and responsibility for planning, directing and controlling the activities of the Corporation directly or indirectly, during the financial year. The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within The State of Victoria's Financial Report.

#### Compensation of KMPs

Short-term employee benefits	562	544
Post-employment benefits	52	49
Other long-term benefits	8	7
<b>Total</b>	<u>622</u>	<u>600</u>

Notes: Note that KMPs are also reported in the disclosure of remuneration of executive officers (Note 9.4).

#### Significant transactions with government-related entities

During the year, the Corporation received funding of \$10.44 million (2021: \$25.34 million) and made payments of \$8.35 million (2021: \$6.89 million) with the following government-related entities:

#### Government-related entity receipts

Entity name	Brief description of main activity		
Department of Environment, Land, Water and Planning	Contributed capital funding in relation to modernisation of irrigation districts (refer Notes 9.1.1 and 2.3)	4,800	20,619
Department of Environment, Land, Water and Planning	Grant funding in relation to various projects (refer Note 2.3)	81	854
Treasury Corporation of Victoria	Loan accommodation funding in relation to the Corporation's capital expenditure requirements (refer Note 6.1)	2,600	3,860
Zero Emissions Water	Promote energy and emissions reduction initiatives to reduce carbon emissions	4	6
<b>Total</b>		<u>7,485</u>	<u>25,339</u>

#### Government-related entity receivables

Entity name	Brief description of main activity		
Victorian Environmental Water Holder	Water Share Fees - Werribee	121	0
Department of Environment, Land, Water and Planning	Bore Construction Licence revenue	102	0
<b>Total</b>		<u>223</u>	<u>0</u>

		2021-2022 \$'000	2020-2021 \$'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	6,100	4,560
Treasury Corporation of Victoria	Payments of interest on loan accommodation funding (refer Note 6.1.2)	1,179	1,240
Department of Environment, Land, Water and Planning	Payments of environmental contribution (refer Note 8.2)	530	530
Department of Treasury and Finance	Payments of financial accommodation levy (refer Note 6.1.2)	526	554
Zero Emissions Water	Promote energy and emissions reduction initiatives to reduce carbon emissions	10	5
<b>Total</b>		<u>8,345</u>	<u>6,889</u>
<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)	101	123
Department of Treasury and Finance	Accrued payments of financial accommodation levy (refer Note 6.1.2)	125	135
Department of Environment, Land, Water and Planning	Accrued payments of groundwater monitoring activities	0	0
<b>Total</b>		<u>226</u>	<u>258</u>

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

Given the breadth and depth of Corporation activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements. Outside of normal citizen type transactions with the Corporation, there were no related party transactions that involved key management personnel and their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

**Other related parties - Zero Emissions Water**

The Corporation Secretary of Southern Rural Water is a director and Company Secretary of Zero Emissions Water. Transactions by the Corporation with Zero Emissions Water are entered in common with other members of the scheme and occur on an arm's length basis.

**9.6 Remuneration of auditors**

**Victorian Auditor-General's Office**

Audit of the financial statements

56	48
<u>56</u>	<u>48</u>

**Total remuneration of auditors**

**9.7 Ex-gratia expense**

Compensation

0	0
<u>0</u>	<u>0</u>

**Total ex gratia expense**

Ex gratia expenses are the voluntary payments of money or other non-monetary benefit (e.g. a write off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability of or claim against the Corporation.

**9.8 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 2022 reporting period. DTF assesses the impact of all these new standards and advises the Corporation of their applicability and early adoption where applicable.

Topic	Key requirements	Effective date	Estimated Impact
AASB 17 <i>Insurance Contracts</i>	The new Australian standard seeks to eliminate inconsistencies and weaknesses in existing practices by providing a single principle based framework to account for all types of insurance contracts, including reinsurance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities. AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts was issued in July 2020 with the intention to reduce the costs application and easing transition by deferring its effective date to annual periods beginning on or after 1 January 2023 instead of 1 January 2021. This standard currently does not apply to the not-for-profit public sector entities.	1 January 2023	The assessment has indicated that there will be no significant impact for the Corporation.
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	Amends AASB 101 to require a liability to be classified as current when companies do not have a substantive right to defer settlement at the end of the reporting period.	1 January 2023	The standard is not expected to have a significant impact on the Corporation.

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 2021-22 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
AASB 2020-3 <i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments.</i> AASB 2021-2 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definitions of Accounting Estimates.</i> AASB 2021-5 <i>Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.</i> AASB 2021-6 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards.</i> AASB 2021-7 <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections.</i>



**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 2022 and the financial position of the Corporation as at 30 June 2022.

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 12 October 2022.



Ms Joanne Butterworth-Gray  
Chairman  
Gippsland and Southern Rural Water Corporation  
Dated on 12 October 2022



Mr Stuart Wrigglesworth  
Chief Financial Officer  
Gippsland and Southern Rural Water Corporation  
Dated on 12 October 2022



Mr Cameron FitzGerald  
Managing Director  
Gippsland and Southern Rural Water Corporation  
Dated on 12 October 2022

# Independent Auditor's Report

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

**Opinion** I have audited the financial report of the Gippsland and Southern Rural Water Corporation (the corporation) which comprises the:

- balance sheet as at 30 June 2022
- comprehensive operating statement for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including significant accounting policies
- statutory certification.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2022 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

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

**Board's responsibilities for the financial report** 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 *Financial Management Act 1994*, 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.

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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  
18 October 2022



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

**PERFORMANCE REPORT**

KPI Number	Key Performance Indicator	2020-21 Result	2021-22 Result	2021-22 Target	% Variance to prior year	Notes	% Variance to target	Notes	
F1	<b>Cash Interest Cover</b> <i>Net operating cash flows before net interest and tax</i>	times	3.4	2.5	3.6	-26.5%	1	-30.6%	6
F2	<b>Gearing Ratio</b> <i>Total Debt (including Finance Leases)</i>	x 100	4.22%	4.00%	4.90%	-5.2%		-18.4%	7
F3	<b>Internal Financing Ratio</b> <i>Net operating cash flow</i>	x 100	31.54%	41.67%	14.60%	32.1%	2	185.4%	8
F4	<b>Current Ratio</b> <i>Current assets</i>	times	2.41	2.32	0.89	-3.7%		161.3%	9
F5	<b>Return on Assets</b> <i>Earnings before net interest and tax</i>	x 100	-0.47%	-0.90%	-0.60%	-91.4%	3	-49.9%	10
F6	<b>Return on Equity</b> <i>Net profit after tax</i>	x 100	-0.63%	-0.99%	-1.00%	-57.9%	4	1.0%	
F7	<b>EBITDA Margin</b> <i>Earnings Before Interest, Tax, Depreciation and Amortisation</i>	x 100	24.09%	10.16%	11.70%	-57.8%	5	-13.2%	11

**Notes:**

**Significant variances to prior year**

1. Cash Interest Cover

A deterioration of 26.5% has resulted from lower 2021-22 net operating cashflows before net interest and tax of \$1.8m from:

- lower receipts from service and usage charges of \$2.0m due to lower collections from customers, offset by:
- lower interest charges of \$0.1m due to capital expenditure program timing and lower interest rates.

Remedial action for the deterioration to Cash Interest Cover:

The factors influencing the change to the Cash Interest Cover largely relates to less stringent customer debt collection activity as associated with the COVID-19 pandemic. The Corporation will resume usual debt collection activities in 2022-23 to remediate this debt collection deterioration experienced in 2021-22.

2. Internal Financing Ratio

An improvement of 32.1% since 30 June 2021 has resulted from lower net capital expenditure of \$3.6m due to less expenditure on the delivery of irrigation modernisation projects in 2021-22.

3. Return on Assets

A deterioration of 91.4% since 2020-21 has resulted from a \$6.2m increase to Net loss:

- service and usage charges \$0.8m less due to decreased water usage
- less income from the recognition of assets received free of charge of \$2.2m due to no assets received in 2021-22
- lower capital grant income of \$1.4m in accordance with specific project delivery milestones.
- sale of water and entitlements decreased by \$1.5m due to no auctions conducted during 2021-22.
- less net profit from the sale of assets in 2021-22, noting that the Corporation disposed of \$4.5m of surplus land in 2020-21 for a \$0.9m net profit.
- offset by: asset write-off expenses decreased by \$0.6m as no project infrastructure assets were written-off during 2021-22.

Remedial action for the deterioration to Return on Assets:

Noting that many of the factors which led to a decrease in Return on Assets in 2021-22 were due to one-off transactions in 2020-21, the Corporation has put in place actions for 2022-23 to maintain the operating cost base to the level expenditure set by the 2022-23 Corporate Plan, and to ensure that water entitlement sales targets are achieved in 2022-23.

4. Return on Equity

A deterioration of 57.9% has resulted from a \$4.5m increase to Net loss after tax:

- service and usage charges \$0.8m less due to decreased water usage
- less income from the recognition of assets received free of charge of \$2.2m due to no assets received in 2021-22
- lower capital grant income of \$1.4m in accordance with specific project delivery milestones.
- sale of water and entitlements decreased by \$1.5m due to no auctions conducted during 2021-22.
- less net profit from the sale of assets in 2021-22, noting that the Corporation disposed of \$4.5m of surplus land in 2020-21 for a \$0.9m net profit.
- offset by: asset write-off expenses decreased by \$0.6m as no project infrastructure assets were written-off during 2021-22.
- offset by: income tax revenue increased by \$1.7m due to the tax effect of the net deterioration to the Net Loss.

Remedial action for the deterioration to Return on Assets:

Noting that many of the factors which led to a decrease in Return on Assets in 2021-22 were due to one-off transactions in 2020-21, the Corporation has put in place actions for 2022-23 to maintain the operating cost base to the level expenditure set by the 2022-23 Corporate Plan, and to ensure that water entitlement sales targets are achieved in 2022-23.

5. EBITDA Margin

A deterioration of 57.8% since 2021-22 has resulted from a \$6.3m decrease to EBITDA:

- service and usage charges \$0.8m less due to decreased water usage
- less income from the recognition of assets received free of charge of \$2.2m due to no assets received in 2021-22
- lower capital grant income of \$1.4m in accordance with specific project delivery milestones.
- sale of water and entitlements decreased by \$1.5m due to no auctions conducted during 2021-22.
- less net profit from the sale of assets in 2021-22, noting that the Corporation disposed of \$4.5m of surplus land in 2020-21 for a \$0.9m net profit.
- offset by: asset write-off expenses decreased by \$0.6m as no project infrastructure assets were written-off during 2021-22.

Remedial action for the deterioration to EBITDA Margin:

Noting that many of the factors which led to a decrease in EBITDA Margin in 2021-22 were due to one-off transactions in 2020-21, the Corporation has put in place actions for 2022-23 to maintain the operating cost base to the level expenditure set by the 2022-23 Corporate Plan, and to ensure that water entitlement sales targets are achieved in 2022-23.

**Significant variances to target**

The 2021-22 target is derived from the 2021-22 Corporate Plan of the Corporation.

**6. Cash Interest Cover**

A deterioration of 30.6% has resulted from lower than budget 2021-22 net operating cashflows before net interest and tax of \$2.6m from:

- more receipts from government grants as a result of unplanned operating grants received in 2021-22 (\$3.0m), offset by:
- lower receipts from service and usage charges of \$2.0m due to lower collections from customers.
- lower sale of water and entitlements of \$2.3m due to no auctions conducted during 2021-22.
- higher payments to suppliers and employees of \$1.0m due to supporting various activities funded by revenue grants received in 2020-21 and 2021-22.

Remedial action for the deterioration to Cash Interest Cover:

The change to the Cash Interest Cover compared to target is due to fluctuations of grant income/expenditure and water sales are not related to any deterioration of SRW performance and no remedial action is proposed by the Corporation.

The Corporation will resume usual debt collection activities in 2022-23 to remedy the COVID-19 associated deterioration to debt collection experienced in 2021-22.

**7. Gearing Ratio**

An improvement of 18.4% has resulted from an decrease in debt of \$11.0m due to lower than budgeted capital expenditure in 2021-22 due to a re-set in the delivery timeframe of irrigation modernisation projects.

**8. Internal Financing Ratio**

An improvement of 185.4% has resulted from lower net capital expenditure of \$24.0m, largely as a result of re-set in the delivery timeframe of irrigation modernisation projects

**9. Current Ratio**

An improvement of 161.3% to target has resulted from an increase in Current assets by \$16.2m compared to the 2021-22 Corporate Plan:

- an increase in cash of \$18.5m due to advance government capital contributions received for the MID2030 Phase 2 project, offset by:
- a decrease in receivables of \$2.4m due to earlier payment of Werribee office sale.

**10. Return on Assets**

A deterioration of 49.9% has resulted from a \$1.1m decrease to budget Net loss before interest and tax:

- service and usage charges \$1.2m less due to decreased water usage
- sale of water and entitlements decreased by \$2.3m due to no auctions conducted during 2021-22, offset by:
- asset write-off expenses decreased by \$2.5m as no project infrastructure assets were written-off during 2021-22.

Remedial action for the deterioration to Return on Assets:

Noting that the factors which led to an decrease in Net loss before interest and tax in 2021-22 are one-off in nature, no remedial action is proposed by the Corporation.

**11. EBITDA Margin**

A deterioration of 13.2% has resulted from a \$1.0m decrease to budget EBITDA:

- service and usage charges \$1.2m less due to decreased water usage
- sale of water and entitlements decreased by \$2.3m due to no auctions conducted during 2021-22, offset by:
- asset write-off expenses decreased by \$2.5m as no infrastructure assets written-off during 2021-22.

Remedial action for the deterioration to EBITDA Margin:

Noting that many of the factors which led to an decrease in EBITDA Margin in 2021-22 are one-off in nature, no remedial action is proposed by the Corporation.

## PERFORMANCE REPORT

WATER SERVICE PERFORMANCE INDICATORS		2020-21 Result	2021-22 Result	2021-22 Target	% Variance to prior year	Notes	% Variance to target	Notes	
<b>KPI Number</b>	<b>Key Performance Indicator</b>								
<b>WSR1/C1.4</b>	<b>Rural water supply deliveries</b>								
	Number of orders delivered	x 100	90.3%	89.7%	95.0%	-0.7%	1a	-5.6%	1b
	Total number of orders								
<b>C1.5</b>	<b>Applications completed within agreed timeframes</b>								
	Number of applications completed	x 100	94.0%	87.2%	99.0%	-7.2%	2a	-11.9%	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>								
	Number of transfers processed within target period	x 100	83.9%	90.0%	90.0%	7.3%	4	0.0%	
	Total number of transfers processed								
	<b>Notes:</b>								
	1a. & 1b. The difference between orders placed and orders delivered is due to orders being cancelled by customers. This is outside of SRW's control, and will typically occur in response to rainfall. As 2021-22 has been a relatively wet year, the Corporations result has been impacted by these seasonal conditions. Importantly, all orders that were not cancelled were delivered to customers.								
	2a. We have started to see a decline in processing time and have finished the season with a 7.2% deterioration to 2020-21 and 11.9% below the target of 99%. In 2021-22 we received a relatively high number of complex applications, and have experienced some staffing shortages due to unplanned absences (particularly from illness).								
	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.								
	4 Groundwater transfers are a minor category of applications and the change in result from 2020-21 and from our target reflects a small number of additional applications processed to target.								
CUSTOMER RESPONSIVENESS PERFORMANCE INDICATORS		2020-21 Result	2021-22 Result	2021-22 Target	% Variance to prior year	Notes	% Variance to target	Notes	
<b>KPI Number</b>	<b>Key Performance Indicator</b>								
<b>CRR4</b>	<b>Billing Complaints</b>								
	Number of complaints per 1000 customers	number	0.0	0.0	0.0	0.0%	N/A	0.0%	N/A
	<b>Notes:</b>								
	1a. & 1b. We had 0 billing complaints over the last three years, and an ongoing target of less than 1 complaint per 1,000 customers.								
ENVIRONMENTAL PERFORMANCE INDICATORS		2020-21 Result	2021-22 Result	2021-22 Target	% Variance to prior year	Notes	% Variance to target	Notes	
<b>KPI Number</b>	<b>Key Performance Indicator</b>								
<b>E2</b>	<b>Total net CO2 emissions</b>								
	Net tonnes CO2 equivalent	tonnes	824.0	654.0	1,154.0	-20.6%	1a	-43.3%	1b
	<b>Notes:</b>								
	1a. & 1b. Our CO2 emissions have reduced since 2019, and our current result is well ahead of our target for the 2021-22 year. This reflects increased use of solar energy at our offices, and lower office power use and vehicle emissions with many staff working from home in response to post COVID-19 flexible working arrangements.								

**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 2021-22 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 2021-22 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 Joanne Butterworth-Gray  
Chairman  
Gippsland and Southern Rural Water Corporation  
Dated on 12 October 2022



Mr Stuart Wrigglesworth  
Chief Financial Officer  
Gippsland and Southern Rural Water Corporation  
Dated on 12 October 2022



Mr Cameron FitzGerald  
Managing Director  
Gippsland and Southern Rural Water Corporation  
Dated on 12 October 2022

# Independent Auditor's Report

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

**Opinion** I have audited the performance report of the Gippsland and Southern Rural Water Corporation (the corporation) for the year ended 30 June 2022, which comprises the:

- financial performance indicators
- water service performance indicators
- customer responsiveness performance indicators
- environmental performance indicators
- statutory certification.

In my opinion, the performance report of the Gippsland and Southern Rural Water Corporation for the year ended 30 June 2022 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  
18 October 2022



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

# Appendices

## 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

Report of operations		
Legislation	Requirement	Page No.
Charter and purpose		
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FRD 22	Application and operation of <i>Freedom of Information Act 1982</i>	81
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FRD 22	Application and operation of the <i>Public Interest Disclosures Act 2012</i>	78-79
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	<i>Building Act 1993</i>	77
	<i>Public Interest Disclosures Act 2012</i>	78-79
	<i>Local Jobs Act 2003</i>	77-78

## Appendix 2: Glossary

BMID	Bacchus Marsh Irrigation District
Capex	Capital Expenditure
CIMP	Corporate Incident Management Plan
DELWP	Department of Environment, Land, Water and Planning
EPA	Environment Protection Authority Victoria
EC	Electrical conductivity
ESC	Essential Services Commission
FoI	Freedom of information
HRWS	High reliability water shares
ITRP	Independent Technical Review Panel
LoE	Letter of Expectations
LRWS	Low reliability water shares
MCCC	Macalister Customer Consultative Committee
MIA	Macalister Irrigation Area
MID	Macalister Irrigation District
ML	Megalitre
NGERS	National Greenhouse and Energy Reporting Scheme
PINs	Penalty infringement notices
SGRF	Southern Groundwater and Rivers Forum
SEPP	State Environment Protection Policy
SRMP	Security Risk Management Plan
SRW	Southern Rural Water
VAGO	Victorian Auditor-General's Office
WBMCCC	Werribee Bacchus Marsh Customer Consultative Committee
WGCMA	West Gippsland Catchment Management Authority
WID	Werribee Irrigation District
VCAT	Victorian Civil and Administrative Tribunal

### Appendix 3: Letter of Expectations

The following table provides SRW's performance against the key performance indicators relevant to the priority areas set out in Water for Victoria.

Letter of Expectations priority	Letter of Expectations performance indicator	Reference
<b>Climate change</b> Water corporations are required to undertake activities and provide services that minimise environmental impacts, mitigate climate change, and demonstrate reasonable progress in integrating climate change adaptation into planning and decision making across the business	E1 Emissions reduction	Pages 58-61
	E3 Adaptation to climate change and variability	Pages 56-57
	C2 Customer and community engagement	Pages 45-50
<b>Customer and community outcomes</b> All aspects of the service delivery will be customer and community centred and will continue to build extensive and effective community engagement and partnerships in planning and implementation of service delivery	C3 Customer requirements	Pages 36-37
	AC1 Effective and genuine engagement and partnerships with Traditional Owners and Aboriginal Victorians for involvement in business opportunities and access to water for spiritual, customary, social and economic purposes, and other self-determined purposes	Page 48
<b>Deliver water for Aboriginal, spiritual and economic values</b> Recognise and support self-determination of Aboriginal cultural values and economic inclusion in the water sector	AC2 Effective and genuine engagement with Traditional Owners to enable input into water planning and management	Page 48
	AC3 Aboriginal Inclusion/Reconciliation Action Plan	Page 48
	Rec1 Consideration of recreational values in carrying out functions and providing services	Page 50
<b>Recognise recreational values</b> Support the wellbeing of communities by considering recreational values in water management		

<b>Resilient and liveable cities and towns</b> Contribute to health communities by supporting safe, affordable, high quality services, and resilient, liveable environments	L1 Integrated Water Management	Pages 55
	L4 Payment management and hardship	Page 75
<b>Leadership and culture</b> Reflect the needs of our diverse communities and develop strategies and goals that will increase cultural diversity in the workforce and gender equity in both executive leadership and throughout the organisation	G1 Diversity and inclusion	Pages 25
	G3 Health and safety	Pages 27-28
<b>Financial sustainability</b> Delivering safe and cost-effective water and wastewater services in a financially sustainable manner	F1-F8 Financial indicators	Pages 134-136
<b>Strengthen compliance</b> Apply a zero-tolerance approach to unauthorised water take and adopt a consistent risk-based approach to manage compliance and enforcement, with improved oversight and reporting	CE1 Apply zero-tolerance approach to unauthorised take	Pages 36
	CE2 Demonstration of reasonable progress towards implementation of the compliance and enforcement review recommendations	

