



Annual Report

2022-2023

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 2023.



Joanne Butterworth-Gray

Chair
Gippsland and Southern Rural Water
Corporate Dated on 19 October 2023

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About this report

This annual report has been prepared for the financial year 1 July 2022 to 30 June 2023. This report is prepared in Adobe PDF format and is available for download as an A4 document.

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Acknowledgments

Southern Rural Water acknowledges and recognises Aboriginal people as the Traditional Owners and Custodians of the land and waters on which we work and live, and we respect their deep and ongoing connection to Country.



Gunai Elder Aunty Sandra Patten led A Welcome to Country as part of NAIDOC Week.



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Chair and Managing Director report

Southern Rural Water is a proud steward of water across southern Victoria. We supply water that grows our food and fibre, powers our energy needs, nourishes our natural environment and provides recreational and cultural connections for our community.

This annual report highlights our key achievements this year in pricing, safety, infrastructure development, asset upgrades, regulatory compliance, community engagement, and operational resilience.

Improving our safety performance remains our number one priority.

Over the past four years we've worked tirelessly to address challenges and implement new systems and processes that have positively influenced our workplace always safe culture and aim for zero workplace incidents.

We were honoured to be recognised for our safety practices across the water industry, with a nomination as a finalist in the Australian Water Association's 2023 Safety Excellence Award category.

Flooding tested us operationally this year with Rosslyn Reservoir spilling for the first time in 26 years, and was effectively managed through our emergency management processes.

A significant focus of the year was Southern Rural Water's price submission for the 2023-28 regulatory period. We are confident that this sets a positive foundation for the achievement of long term financial sustainability for SRW.

Through extensive customer consultation we have developed a price plan that supports asset modernisation while delivering great outcomes for customers.



The price submission has been approved by the Essential Services Commission with 86 percent of customers receiving no 'real' increase in prices.

The Werribee and Macalister irrigation districts will see annual price increases of one percent and 1.5 percent plus Consumer Price Index (CPI) respectively.

Our investment in modernisation continued during the year, with the Macalister Irrigation District Newry pipeline project and the Werribee Irrigation District Stages 4 and 5 progressing in line with our expectations.

These projects enhance water supply reliability and efficiency, and help our customers to be more productive and resilient to climate change.

We are investing in critical asset upgrades across our irrigation networks. Siphon upgrades on the Main Northern and Main Southern Channels in the Macalister Irrigation District will be completed before the start of the next irrigation season, ensuring the integrity of the system and uninterrupted water supply through major carrier channels.

In the Bacchus Marsh Irrigation District, we have replaced a critical supply pipeline at Fiskan Street, improving service reliability for 80 percent of farmers in the district.

Additionally, we will start upgrading Spur 12 in the Bacchus Marsh Irrigation District in July, as part of Stage 5 of the modernisation program. This will generate 100 ML in annual water savings, improve water efficiency for 90 percent of Bacchus Marsh Irrigation District customers, and enhance overall service.

We successfully completed the Safe Drinking Water Audit, meeting the requirements set by the Department of Health.

This comprehensive audit, involving multiple stakeholders and rigorous assessment of water quality risks, delivers on our legislative obligations under the *Safe Drinking Water Act 2003* as a water storage manager.

We continue to strengthen partnerships with catchment management authorities and Traditional Owner groups to improve waterways and foster deeper connections to Country.

It's been a big year for us at Southern Rural Water and we're proud of how we continue to adapt and rise to the challenges of an ever-changing world.

We remain committed to our mission of being proud stewards of water and look forward to continuing to deliver great value for our customers, the environment, Traditional Owners, and the community.



Joanne Butterworth-Gray
Chair



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 percent 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 registrations.

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 we employ 160 people.

We have business centres located in Maffra, Mitcham, Werribee and Warrnambool, and have smaller offices scattered across our regions to ensure we remain closely connected to our customers across our whole service area.

What we do

Under the *Water Act 1989*, SRW has functions that include the delivery of water and irrigation drainage services, as well as the delegated responsibility for administering water shares and take and use licences.

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 for energy production, 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 rivers, 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.

Groundwater and rivers

We are delegated under the *Water Act 1989* by the Minister for Water to manage licensed water use from unregulated rivers and groundwater aquifers, across southern Victoria, including groundwater in urban areas. This includes assessing applications for licences to take and use water, construct new farm bores, construct or alter dams and other works relating to water. SRW is responsible for ensuring compliance with licence conditions including measuring water use through a metering program, monitoring rivers and aquifers to apply rosters and restrictions where necessary to protect environmental values and investigating potential unauthorised works such as farm dams detected through our general surveillance and in response to reports from the public.

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.

The government's release of the *Water is Life: Traditional Owner Access to Water Roadmap* in 2022 was an important step towards self-determination. It proposes a range of actions to increase Traditional Owner access to water and management of water landscapes.

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

Internally, the Reconciliation Team champions allyship, builds partnerships and is creating change. This team works toward raising Indigenous awareness across the organisation.

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. We cater for a variety of visitors from those engaging in 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.

Consistent with *Water for Victoria*, we continue to work with government stakeholders to ensure that we are providing appropriate fit for purpose access to our amenities, such as the funding for a new boat ramp at Blue Rock Lake in partnership with Better Boating Victoria.

Other functions

We also undertake a range of other 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
- statutory referrals to support the environment, our customers and community
- leading, supporting and collaborating on special projects relating to the water sector
- emergency management operations, in particular with managing the flow of flood water, along with supporting emergency service providers including police and SES.



174,109 ML

Volume of surface water take and use entitlements

4,214

Number of surface water take and use licences

386,570 ML

Volume of groundwater entitlements

4,260

Number of groundwater licences

Total high reliability water shares



7

Major storages



1,187 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 7,302 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
- excellence in everything we do by empowering our people to deliver results.

Our people

Our people are at the heart of everything we do. It is our people who build these foundations and apply them to bring our aspirations to life.

Values

Our values drive our culture and guide us to be always safe and accountable, working as one team to deliver a lasting legacy.

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. We continue 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 supply, demands and assets to safeguard the security and quality of drinking water and to meet regulatory standards. We strive to provide long-term water security and improve water availability for our customers while maintaining an agile, responsive business.

Our Vision

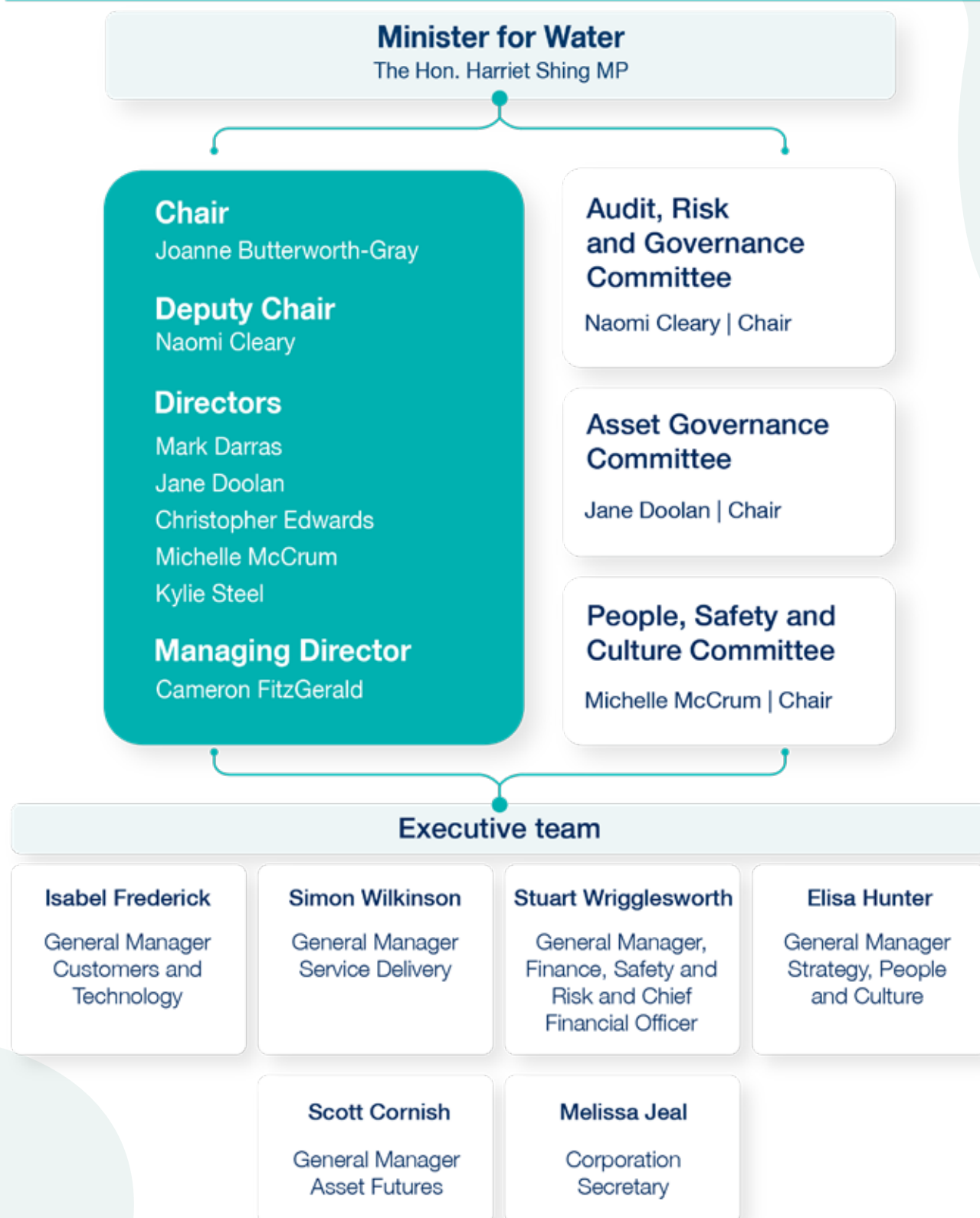
Great value for customers and community through excellence in rural water management





Governance

Organisation structure



Note: This board and executive team structure is reflective of 30 June 2023.

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.
Strategy, People and Culture	Strategic planning of water resources, pricing, business performance, environment and climate change planning. Providing communications and engagement activities for customers, stakeholders and communities. Managing the employment, engagement, and development of a diverse, knowledgeable and engaged workforce.
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, Safety and Risk	Supporting and delivering fiscal management, risk management and corporate governance. Managing our procurement, facilities, and fleet to ensure contemporary, accessible, and sustainable work environments and resources. Supporting the health, safety, and wellbeing of our people.

Responsible Minister

SRW is a statutory water corporation established under the *Water Act 1989*. The responsible Minister for the period from 1 July 2022 to 30 June 2023 was the Hon. Harriet Shing MP, Minister for Water.

Role of the board

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

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

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

Membership of the board

The Minister for Water appoints the directors of SRW (including the Chair) and sets the terms and conditions of appointment. Directors are appointed based on their qualifications and experience; they do not represent any particular constituency.

Directors are eligible for reappointment for subsequent terms. The Deputy Chair, one of the appointed directors, is appointed by the board. The Managing Director is also appointed by the board in accordance with the *Water Act 1989*.

From 1 July 2022 to 16 February 2023, the board comprised eight non-executive directors and the Managing Director. Following a director resignation on 16 February 2022, the board comprised seven non-executive directors and the Managing Director.

Director profiles

Joanne Butterworth-Gray Chair

Joanne Butterworth-Gray is a professional chair and non-executive director. She is recognised as a skilled leader in strategy and transformation, with a reputation for bringing the art of facilitation to a board table, influencing and negotiating a team effort to deliver corporate outcomes for the organisation. Her board experience includes agribusiness, land management and precinct development, utilities and logistics, asset management and construction, tourism, and regional economic development.

Joanne is the independent chair of Northern Territory Seafood Council, a Trustee for the Caulfield Racecourse Reserve Trust and was also a board member of Gippsland Ports until July 2023. Prior to this, Joanne was chair of Seafood Industry Victoria and has held public service roles in justice – leading reform across emergency management, and economic development – where she facilitated agreement to regional economic partnership across state, federal and local governments.

Naomi Cleary Deputy Chair

Naomi Cleary has extensive experience in the sport, property and water sectors. She is the former chief financial officer of the Elmstone Property Group and director of Clearview Properties, a property investment vehicle. Naomi is an executive director of the International Federation of Sport Climbing, president of the Oceania Council, and is also a director of VicWater. She holds a Bachelor of Business Studies, is a Certified Practising Accountant, and is a fellow of the Australian Institute of Company Directors

Michael Malouf AM Deputy Chair to 16 February 2023

Michael Malouf AM is a director of Malouf Management Services Pty Ltd, Chairperson of Stadiums Tasmania, and is a sessional member at Planning Panels Victoria. During his career, he has held chief executive officer positions at Melbourne, Geelong, and Wyndham city councils, was the chief executive officer of the Carlton Football Club, held executive roles for Pratt Holdings, and was the managing director at Barwon Water. More recently he was the chief executive officer 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 Institute of Public Administration Australia. 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. Michael was a director of the board from 1 October 2015 and deputy chair from October 2019 until he resigned in February 2023.

Mark Darras Director

Mark Darras is a former corporate lawyer and adviser, and an experienced company director. Mark is currently a commissioner with the Essential Services Commission of South Australia and has previously served as a director, and in leadership roles, at boards including Australia Post and Australia Post Superannuation, John Holland Engineering and John Holland Queensland, and the South Australian Forestry Corporation.

Mark was formerly the chairman of the Commonwealth Government's \$7 billion Telecommunications Universal Services Management Agency and has also served as a member of the Australian Takeovers Panel. Prior to his appointment to the board, Mark was the independent chair of the New South Wales government's advisory board for strategic release.

Jane Doolan Director

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 a term as the Environment Commissioner with the Australian Productivity Commission.

Jane 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 the 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.

Kylie Steel

Director

Kylie Steel has a professional specialisation in environmental science and climate change. Kylie has over 20 years' experience in natural resource management and environmental science roles. She is the founding director and principal consultant of SCB Consult that provides specialist consultation in the fields of climate change, bushfire science, and emergency management.

Kylie is a current member of the Expert Technical Panel of the Resilient Building Council of Australia and the Bushfire Building Council of Australia, advising on sustainable climate resilient buildings across Australia. Kylie provides specialised bushfire knowledge to the Victorian Civil and Administrative Tribunal and Planning Panels Victoria for a range of applications and is a guest lecturer at Victoria University and Deakin University.

Kylie is a graduate of the Australian Institute of Company Directors, has post and undergraduate scientific qualifications from The University of Melbourne and has a postgraduate certificate in business from The University of Notre Dame. Kylie is a director of the Barwon Health Foundation.

Christopher Edwards

Director

Christopher (Chris) 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

Director

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

Cameron FitzGerald

Managing Director

Cameron FitzGerald has more than two decades of professional experience, with 18 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 communities. He has worked at the Environmental Protection Authority Victoria, KPMG, City West Water and Melbourne Water.

He holds a Bachelor of Engineering (Chemical) with Honours from The University of Melbourne and is a graduate of the Australian Institute of Company Directors.

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>Audit, Risk and Governance Committee</p> <p>Current Members:</p> <ul style="list-style-type: none"> ● Naomi Cleary (Chair) ● Joanne Butterworth-Gray ● Christopher Edwards ● Michelle McCrum ● Kylie Steel <p>All members of the committee are independent.</p>	<p>Key oversight responsibilities:</p> <ul style="list-style-type: none"> ● integrity of the annual financial statements and financial reporting ● exposure to legal and business risk and associated risk management ● effectiveness of the external and internal audit functions ● adequacy and effectiveness of financial management, financial control systems and other internal controls ● monitoring compliance with laws and regulations ● fostering excellence in corporate governance.
<p>Asset Governance Committee</p> <p>Current members:</p> <ul style="list-style-type: none"> ● Jane Doolan (Chair from 16 February 2023) ● Mark Darras ● Kylie Steel <p>Prior Members:</p> <ul style="list-style-type: none"> ● Michael Malouf AM (Chair to 16 February 2023) 	<p>Key oversight responsibilities:</p> <ul style="list-style-type: none"> ● adequacy and integrity of capital works planning ● performance and governance of capital program delivery ● strategic asset management improvement program ● dam safety performance including dam portfolio risk assessments and dam design review ● environmental management system ● climate change mitigation and adaptation.

<p>People, Safety and Culture Committee</p> <p>Current Members:</p> <ul style="list-style-type: none"> ● Michelle McCrum (Chair) ● Naomi Cleary ● Christopher Edwards <p>Prior Members:</p> <ul style="list-style-type: none"> ● Michael Malouf AM (to 16 February 2023) 	<p>Key oversight responsibilities:</p> <ul style="list-style-type: none"> ● 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 corporate values ● implementation and effectiveness of health, safety, and wellbeing framework, plans, and initiatives relating to all employees.
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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.

Committee	Director
Macalister Customer Consultative Committee	Joanne Butterworth-Gray
Southern Groundwater and Rivers Forum	Jane Doolan
Werribee Bacchus Marsh Customer Consultative Committee	Mark Darras

Board stakeholder engagement

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

Board meetings are held at strategic locations across southern Victoria, providing the opportunity for inspection tours and meetings with customers and stakeholders to further extend relationships and to gain exposure to customer priorities and industry trends in development.



Board and committee meeting attendance

Director	Board	Audit, Risk Governance Committee	Asset Governance Committee*	People, Safety and Culture Committee*	Customer committees
Current					
Joanne Butterworth-Gray	11/11	4/4	4/4	3/4	2/5
Naomi Cleary	10/11	4/4		4/4	
Mark Darras	10/11		4/4		3/3
Jane Doolan	11/11		4/4		4/4
Christopher Edwards	10/11	3/4		3/4	
Michelle McCrum	11/11	4/4		4/4	
Kylie Steel	10/11	4/4	4/4		
Cameron FitzGerald	11/11	4/4	4/4	4/4	12/12
Prior					
Michael Malouf AM	5/7		3/3	1/2	

All board members are able to attend all committee meetings. The managing director has a standing invite and attends all committee meetings.

*The board chair is an ex-officio member.



Our people

People and culture

SRW has actively delivered on our People Plan 2025, which is a critical enabler for delivering on the organisation's vision. Our strategic people plan aspires to enhance employee capability and professional development and is focussed on customer service delivery excellence. Success is delivered through a clear link to our vision and strategy by understanding what we stand for, what defines us, and what sets us apart from the others.

SRW launched its new values in April 2023, including strengthening links to performance planning, leadership development and ongoing capability building.

We have continued to implement our 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 continue to support diversity and inclusion activities at SRW with parental leave, flexible working conditions to suit employee needs, flexible leave, and the option to substitute the Australia Day public holiday with an alternate date.

We celebrated International Women's Day, NAIDOC Week, Reconciliation Week and RUOK? Day and continue our involvement in the water industry's WaterAble and Pride in Water networks.

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

Key initiatives

Enterprise bargaining agreement

SRW and bargaining representatives elected to pursue a secondary pathway in 2022 and the SRW Enterprise Agreement 2022 was approved by the Fair Work Commission in November 2022.

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

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, corporate policies, and training reinforce many elements of the code of conduct, including SRW's values and workplace legislation.

Gender Equality Action Plan

SRW's Gender Equality Action Plan outlines key initiatives, including enhancing recruitment and promotion practices and attracting a diverse workforce, focussing on flexibility, culture, inclusivity and equal remuneration.

In support of our plan, we have reviewed our committee membership to ensure equal representation, updated our position descriptions and job advertisements to ensure gender neutrality, promoted flexibility, gender neutral leave options, celebrated the success of women at SRW, developed targeted recruitment campaigns, and established a streamlined and confidential reporting tool for employee complaints.

In 2023, we conducted a female-only recruitment campaign for a field officer position which received a high number of applications and resulted in two placements.

Our 2023 People Matter Survey found that 82 percent of our employees are supported with their flexibility needs, 73 percent feel culturally safe, and 77 percent feel that they can be themselves at work.

In addition, our employees feel safe to speak up at work (73%), feel managers treat them with dignity and respect (85%) and feel they are making a worthwhile contribution (89%). Employees feel supported, safe and indicate that gender is not a barrier to success at SRW.

Our gender diversity targets	Previous	Current	Target
	June 2022	June 2023	June 2026
Overall women	32%	32%	>40%
Women holding executive positions	43%	43%	50%
Women in the leadership group	41%	38%	50%
Women holding degree-required positions (other than engineering)	48%	43%	50%
Women with STEM positions	20%	28%	>40%
Women in field positions ¹	12%	10%	>30%

¹ 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 an inclusive workplace where everyone can be their best self.

We aim to 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 one percent 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	Current	Target
		June 2022	June 2023	June 2026
Disability	Percentage of the workforce with an identified disability ¹	6%	6%	>10%
Age	Under 25 years	3%	3%	>5%
Aboriginal and Torres Strait Islander people	Maintain or increase proportion of staff who identify as being of Aboriginal or Torres Strait Islander descent	1%	1%	>2%

¹ This data is from the Victorian Public Sectors People Matter Survey results.

Upskilling our people

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

- an engaging and structured online onboarding and induction experience for new starters that accelerates the integration of new employees
- training matrices to capture current and future development needs
- leadership development for current and emerging leaders at SRW
- the development of a culture program for all employees based around our values
- engaging eLearning courses in collaboration with subject matter experts
- an internal course library in our online learning and development system, ensuring that employees are provided with contemporary, best practice training
- work experience and vocational placement opportunities for young people in partnership with schools and educational bodies in regional Victoria
- 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 staff equivalent (FTE) of all employees in the last full pay period in June 2022-23, and the last equivalent period 2021-22.

	June 2022							June 2023						
	All employees		Ongoing			Fixed term and casual		All employees		Ongoing			All employees	
	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	55	51.83	39	10	46.23	6	5.6
Men	110	108.55	90	10	98.55	10	10.0	120	118.94	106	5	109.94	9	9.0
Self-described ¹	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prefer not to say ¹	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	5	4.60	4	1	4.60	0	0.0
25-34	31	29.56	23	6	27.56	2	2.0	30	29.08	23	3	25.08	4	4.0
35-44	47	44.96	33	9	39.96	5	5.0	50	49.23	44	4	47.23	2	2.0
45-54	47	45.79	36	4	38.99	7	6.8	52	51.04	44	3	45.44	6	5.6
55-64	31	29.50	24	7	29.50	0	0.0	36	34.82	29	5	32.82	2	2.0
65+	4	3.36	1	2	2.36	1	1.0	2	2.00	1	0	1.00	1	1.0
Band A-F														
A	18	16.23	13	5	16.23	0	0.0	16	14.62	12	4	14.62	0	0.0
B	60	58.56	51	7	56.56	2	2.0	63	62.38	57	3	59.38	3	3.0
C	30	27.70	21	8	26.70	1	1.0	35	33.74	29	4	31.94	2	1.8
D	22	21.26	13	6	18.26	3	3.0	22	22.00	21	0	21.00	1	1.0
E	20	19.44	15	3	17.44	2	2.0	26	25.23	20	4	23.23	2	2.0
F	4	4.00	4	0	4.00	0	0.0	6	6.00	6	0	6.00	0	0.0
Executive	8	7.80	0	0	0.00	8	7.8	7	6.80	0	0	0.00	7	6.8
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
Total employees	162	154.99	117	29	139.19	16	15.8	175	170.77	145	15	156.17	15	14.6

¹ SRW has not collected this data during the past two years.

Health, safety and wellbeing

Our trademark behaviour always safe reflects our continued commitment to the health, safety, and wellbeing of our people. We strengthened and clarified our safety framework, reinforced our risk management practices, and focused on psychological wellbeing in 2023 to support this goal and ensure a safe and healthy work environment.

Key initiatives

Risk management

A part of our always safe approach is the health, safety, and wellbeing risk management procedure, giving clear and confident guidance for handling our risks. Our awareness and knowledge throughout the organisation continue to build with our use of health, safety, and wellbeing workgroup risk assessments.

Contractor safety

Our commitment to contractor safety remains paramount, with further reviews into our processes underway. Our continuous use of our MyOSH occupational health and safety management system enables us to remain compliant with the relevant regulations and standards, as well as to improve our performance and productivity in a safe and efficient manner.

Mental health and wellbeing

We continue to promote the health and wellbeing of our people. A renewed focus on mental health awareness has been introduced to ensure that the impacts to staff mental health are being appropriately managed and, in doing so, to ensure that our systems of work reduce the risk of psychological injury to as low as reasonably practical.

Safety culture survey

The Global Safety Index is a tool to measure safety culture in organisations. Our latest survey, completed in June 2023, assessed our safety culture in the 'maturing' range.

As we continue to focus on being always safe, we have a notable renewed focus on risk management, contractor management, mental health, and baseline safety. These are the pillars that support our values and vision. We are committed to providing a safe and healthy work environment for all our employees, contractors, and stakeholders.

Safety performance

There was one lost time injury for 2022-23. The lost time injury frequency rate for employees is 3.9 (per million hours worked). We are continuously strengthening our approach to managing health, safety, and wellbeing risks by raising accountability as we ensure the safety of our staff, contractors and others who may be impacted by our operations. We have further implemented stop work directions, including the issuing of a stop work card, which authorises every staff member, regardless of position, to stop work if there is any concern that a task could be unsafe.

Safety performance indicators

Indicator	2022-23	2021-22	2020-21
Number of lost time injuries for the year	1	1	1
Lost time injury frequency rate (per million hours worked)	3.9	4.1	3.8
Number of days lost due to injuries incurred during the year	215	12	21
Number of medical treatment injuries for the year	4	0	5
Medical treatment frequency rate (per million hours worked)	8.3	0	19.2
Total number of incidents (excl. near-misses)	38	8	9
Total number of incidents (excl. near-misses) per 100 FTE	4.4	5.2	6.2
Total number of near misses reported	7	11	6
Frequency rate of near misses reported	33.3	44.7	15.4
Number of first aid incidents	1	7	3
First aid treatment frequency rate	4.2	28.4	11.5
Standard lost claims exceeding employer liability (>10 days)	1	1	1
Standard lost claims exceeding employer liability (>10 days) per 100 FTE	1.7	0.65	0.68
Average cost per compensation claim	\$6,712	\$2,714	\$45,752.25
Number of reported hazards closed out	58	52	154
Number of reported hazards for the year per 100 FTE	58	52	154
Number of workplace inspections completed	102	77	57



Our performance

Our year

The 2022-23 year was a challenging year with the on-going management of water supply to customers.

For the first half of the year, our Gippsland customers experienced ongoing wet conditions, which provided large available allocations for customers during summer and autumn.

Our largest water storage, Lake Glenmaggie, spilled through to 15 December.

In the west, similar to previous years, we saw steady conditions with 100 percent high and low reliability water shares issued early in the season.

Our unregulated customers across our groundwater and rivers business experienced a third successive wet season across southern Victoria. This resulted in generally reduced water demands and higher than average resource availability.

Customers with licences in the Deulgam Water Supply Protection Area received a 100 percent groundwater allocation for the first time in several years. This allocation was made in accordance with management plan rules considering trends in water level and water quality within monitoring bores.

The South West Limestone Aquifer is the largest unregulated water system, with usage from the aquifer around 25 percent of total entitlement volume reflecting low demand for irrigation due to wet conditions.

Irrigation districts

Date	MID High Reliability Water Shares	MID Low Reliability Water Shares	WID/BMID High Reliability Water Shares	WID/BMID Low Reliability Water Shares
1/07/2022	100%	0%	70%	0%
12/07/2022	100%	0%	75%	0%
26/07/2022	100%	0%	75%	0%
9/08/2022	100%	0%	100%	0%
23/08/2022	100%	0%	100%	0%
6/09/2022	100%	0%	100%	30%
20/09/2022	100%	0%	100%	50%
4/10/2022	100%	0%	100%	60%
18/10/2022	100%	0%	100%	60%
1/11/2022	100%	0%	100%	60%
15/11/2022	100%	0%	100%	70%
29/11/2022	100%	0%	100%	80%
15/12/2022	100%	5%	100%	90%
27/12/2022	100%	5%	100%	100%
10/01/2023	100%	10%	100%	100%
24/01/2023	100%	10%	100%	100%
7/02/2023	100%	15%	100%	100%
21/02/2023	100%	20%	100%	100%
7/03/2023	100%	20%	100%	100%
14/03/2023	100%	20%	100%	100%
21/03/2023	100%	20%	100%	100%
28/3/2023	100%	20%	100%	100%
4/04/2023	100%	50%	100%	100%
11/04/2023	100%	50%	100%	100%
18/04/2023	100%	100%	100%	100%

Note: this table refers to high-reliability water shares and low-reliability water shares allocated in the Macalister Irrigation District and the Werribee and Bacchus Marsh irrigation districts.

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 1,000 customers.

The irrigation season for the Macalister Irrigation District (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 three seasons, we experienced a very wet start to the 2022-23 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 gaining access to 13,400 ML worth of spill water. Due to high inflows into the storage leading into the start of the season, we opened with 100 percent allocation against high-reliability water shares (HRWS) on 1 July.

Lake Glenmaggie started the year at 71 percent capacity. With continued and forecasted large rains, the storage level was managed, and spill was declared from 1 July at an operational full supply level.

Our share of the Thomson Dam Reserve had started with a volume of 45,000 ML. As there was little to no demand on the Thomson storage, we remained at the internal spill point until mid-January where, with some emergency works required on the Main Southern Channel, drawdown was increased to supply Nambrok/Denison. Customer deliveries in the MIA this season totalled 123,212 ML for the year. With continued rainfall for the first half of the season, we encountered large delivery volume from January to April.

As we started with a wet start to the year and usage was well down, we hit a peak of 100 percent HRWS and 50 percent low-reliability water shares (LRWS) up until 18 April. At this point LRWS were increased to 100 percent due to the inability to deliver all water in storage by 15 May.

Overall, it was a good season for customers with plenty of on-farm rain, supported with a large volume of water available through the storages. At the end of the 2022-23 season Lake Glenmaggie had 138,867 ML in storage and the Thomson Dam Drought Reserve had 38,839 ML in storage.

Macalister Irrigation District performance against target 2022-23		
	Target %	Actual %
Channel performance (pool height consistency) ¹	85%	70%
Delivery reliability	99%	100%
Delivery efficiency ²	85%	83%
Customers with access to demand management ³	75%	75%
Release of water savings ⁴	800 ML	0 ML

¹ Channel pool performance continues to be below target due to the stop-start irrigation season. This did not translate into a negative impact on customers, with customers receiving their required orders.

² With four months (December to March) of continuous supply, we have seen a lot of the season with inconsistent delivery. With inconsistent deliveries to customers the losses do not reduce other than the outfalls, of which the outfalls were below our maximum targeted volume.

³ This is worked out on outlets and not customers. It means 75 percent of outlets in the MID have a demand management ordering system available.

⁴ The sale of water shares will be deferred until environmental watering plans are completed and approved by the Minister for Water.



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 2021-22 season ended with the allocation reaching 100 percent HRWS and 100 percent LRWS, which resulted in an excellent start to the 2022-23 season. The starting allocation of the 2022-23 season was 70 percent HRWS with the carryover volume of 10,400 ML.

The relatively wet start to the season meant that the catchment received good rainfall – resulting in good inflows to the reservoirs – and saw the allocation reach 100 percent HRWS and 100 percent LRWS by the end of December.

This is the fourth consecutive season that we have had allocations of 100 percent HRWS and 100 percent LRWS. The districts experienced above-average rainfall and unusually cool summers keeping demand lower than historical averages, with overall deliveries for last season being 11,213 ML.

Given the wet start to the season and high allocation of river water for the WID, the demand for recycled water was low.

The season ended with Pykes Creek at 96.4 percent and Melton reservoirs at 76.7 percent. With the reservoirs being close to capacity, we expect to have a good 2023-24 season.

Bacchus Marsh Irrigation District performance against target 2022-23

	Target %	Actual %
Accuracy of delivery volume	98%	99.6%
Delivery reliability	99%	100%
Delivery efficiency	80%	87%

Werribee Irrigation District performance against target 2022-23

	Target %	Actual %
Accuracy of delivery volume	98%	99.8%
Delivery reliability	99%	100%
Delivery efficiency ¹	80%	76%
Recycled water	<1800ec	<1800ec

¹ Contributing factors that impacted efficiency include leaks in the district's old channel section, increased manual operation of the system during Stage 4 modernisation works, and inaccurate district monitoring sites were recalibrated mid-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 8,000 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.

We have been working to support the implementation of the Water is Life: Traditional Owner Access to Water Roadmap by facilitating the assessment of cultural water applications.

We are working collaboratively to progress the allocation of both groundwater and surfacewater entitlements to the relevant Registered Aboriginal Parties (RAP's) across our service area.

Unallocated water in the Tambo system has been allocated during 2022-23 through a fixed-fee allocation process following an expression of interest process identifying demand below the volume of resource available.

Plans to auction the remaining 2,000 ML from a total of 6,000 ML Mitchell River winterfill entitlement has been progressed with an expectation that a sales process will be launched in July 2023. Previous processes involved the allocation of water for cultural and irrigation purposes. Additional interest in water available across other river systems points to the need for significant work through 2023-24, including water sale processes and further decisions around cultural water.

Interest has increased in groundwater available from the Dilwyn Aquifer in western Victoria. A previous auction process failed to reach reserve and 5,000 ML is available for a fixed price and subject to licence application assessment outcomes.

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.

The SRW Water Resources Compliance and Enforcement Plan is consistent with state frameworks with a focus on supporting compliance through information and education while breaches of the *Water Act 1989* are considered in light of an escalation process based on the nature and scale of a breach, prior non-compliant conduct, and legislative powers.

SRW has completed the process for being able to issue penalty infringement notices (PINs) through Fines Victoria. This provides powers for authorised water officers to issue PINs for a range of common offences and provides an additional tool as part of an enforcement escalation pathway.

Our rapid 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 prior to a breach occurring. Data generated through automated meter reads is reviewed each week for quality and to support timely investigation of potential breaches.

SRW continues to respond to community notifications of potential offences under the *Water Act 1989* and each reported breach is investigated. SRW continues to partner with other relevant regulators to investigate matters that may present as breaches under multiple acts or where water agencies have similar powers. Joint investigations ensure that matters are considered and the most appropriate enforcement pathway is adopted. Joint investigations have been completed with the Glenelg Hopkins Catchment Management Authority, Melbourne Water, and the West Gippsland Catchment Management Authority throughout the year.

During 2022-23, SRW undertook preliminary work to understand the role that unmanned aerial vehicles (drones) can play by gathering evidence to support investigations. This work has found that drones can support the collection of high-quality data, including aerial imagery, photogrammetry to support development of digital terrain models, and the measurement of a range of dimensions such as dam wall height and surface area. The further implementation of remotely sensed data is also being explored with industry partners.

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 2022-23

Total number of reported breaches	249 ¹
Total number of investigations commenced	265 ²
Total number of investigations finalised ³	158 ⁴

¹ Includes 223 reports of unlicensed dams within the flow stressed Moorabool catchment.

² Includes 15 carried forward from 2021-22.

³ See enforcement actions taken 2022-23.

⁴ Includes 140 sites within the Moorabool catchment.

Enforcement actions taken 2022-23

No <i>Water Act 1989</i> breach found, no action required by SRW	147
Verbal warnings	3
Advisory letters	0
Warning letters - first letter	6
Warning letters - second letter	1
Notices of contraventions	0
Power to enter land (section 133)	0
Lockdown (section 141)	0
Referred to other agencies	1
Recommended for prosecution	0
Others	0
Penalty infringement notices ¹	0

¹ Breaches of the act are subject to enforcement action guided by Victoria's Water Compliance Regulatory Framework. The framework seeks to provide a consistent statewide approach reflecting on a range of factors such a magnitude of the breach, history of offences, whether an offence was knowingly or recklessly committed, the timeliness of completing an action and associated costs. The spectrum of enforcement actions range from verbal and written warnings through to court based prosecutions. During 2022-23, SRW completed the onboarding process granting SRW Authorised Water Officers the ability to issue PINs for a limited range of common breaches identified in the *Water (Infringements) Regulations 2020*.

	Usage volume (ML)	Negative balance (ML)	KPI volume ¹	Total ABAs	Negative ABAs	KPI ABAs ²
2022-23	-737,380	-1,367	0.19%	13,304	46	0.35%
2021-22	-180,505	-490	0.27%	13,323	44	0.33%
2020-21	-281,182	-46	0.03%	13,302	2	0.01%
2019-20	-324,235	-308	0.10%	13,298	35	0.26%

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

² KPI target number of negative Allocation Bank Accounts (ABAs) <3.0% of total accounts.

Bulk entitlement compliance

SRW complied with the provisions of the bulk entitlements during 2022-23 except for one breach on the Werribee River.

Environmental flow compliance

There was a breach of the passing flow on the Werribee River downstream of Melton Reservoir. The passing flow requirement was for 15 ML/d and the release from Melton Reservoir ceased on 1 July 2022 for a period of 12 days. The flow recommenced as soon as the error was identified and an incident report was sent to relevant stakeholders notifying them of the breach. Conditions were wet at the time and the river did not cease to flow, minimising any environmental impact.

The loss of environmental flow was made up at a later date that was determined by the Victorian Environmental Water Holder (VEWH) and Melbourne Water and a review of SRW's processes has been undertaken to prevent a reoccurrence of the breach.

SRW has met all other passing flow requirements set out in the bulk entitlements and has also worked with the catchment management authorities and the VEWH to ensure their flow requirements were met during 2022-23.

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 from the Barwon Downs borefield. Barwon Water has met all obligations under the REPP, and the data indicates the subsurface (groundwater) and surface (streamflows, water quality and vegetation) recovery experienced last year continues.

Over the past 12 months Barwon Water has continued revising the REPP in line with updated data, knowledge, and community expectation, as well as undertaking the surrounding environment investigations.

Reservoir operations

The performance targets for all reservoir operations were met in 2022-23.

Storage operations performance against target 2022-23			
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 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 federal, state and customer funding sources. This has launched a four-year program of further modernisation across the MID.

Phase 2 commenced in 2020 and the program of works included channel upgrades at Stratford and Boisdale. Pipe was included in the vicinity of Boisdale-Newry Road and Back Valencia Creek Road, and old manual wheels were replaced with new modernised outlets at four locations. Three regulators were also upgraded in the Main Northern Channel at Football Lane, Three Chain Road, and Upper Maffra Road.



\$63 M

invested into MID2030
Phase 2



21,600 ML

Phase 1A & 1B estimated
annual water savings



7,200 ML

Phase 2 estimated
annual water savings

The Phase 2 program aims to deliver over 7,200 ML in water savings as well as drive vital investment in on-farm efficiencies, improve farm productivity and make businesses more climate resilient.

Phase 2 work is continuing with construction of the Newry pipeline project. The project started in January 2023 and is expected to be finished by August 2023, in time for the 2023 irrigation season. Work is being undertaken by our construction partner, Jaydo Construction, under a \$39.8 million contract.

The project will support the upgrade of Newry's delivery system, replacing 100 year old channels that require frequent maintenance with pipeline. Construction will include the replacement of open channel systems with 17.25 kilometres of new pipelines and five kilometres of customer connection pipelines, as well as automated outlets, reconnection works and decommissioning. The new pipeline will have a capacity of 130 ML/day drawn from the Main Northern Channel in Upper Maffra West, with a diameter varying from 1.2m down to 375mm at its termination.

The project will rationalise 105 of 158 outlets, or approximately two-thirds of existing outlets. By transitioning to a reliable piped supply, less water is lost to leakage and evaporation and there is reduction in farm runoff.

Other benefits include:

- efficiencies in the delivery of irrigation water and on-farm improvements
- reduced nutrients entering local streams and the Gippsland Lakes
- water savings which include 17 percent for the environment and the balance for agricultural production

- opportunities to implement best-practice water use, invest in on-farm efficiencies, improve farm productivity, and enable businesses to be more climate resilient.

Cowwarr Weir refurbishment

A \$1.14 million project to upgrade the 60-year-old mechanical components at Cowwarr Weir continues to be delivered with the fully refurbished gear box revamps progressing during the year. Two gear boxes have been completed and the third is due to be reinstalled at the end of August 2023.

Werribee Irrigation District modernisation

The WID modernisation is being delivered in five stages and involves the installation of over 39 kilometres of new pipeline, generating an estimated 5,000 ML of water savings, significantly improving the reliability of supply and supporting productivity in drier times, and supporting Werribee River health.

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. Stages 1 to 3 started in 2016 and finished in December 2019. The works installed 21.8 kilometres of pipeline and upgraded 138 customer outlets, estimating annual water savings of 3,650 ML with the Victorian Government's share supporting Werribee River health through environmental flows.

In May 2021, a further \$11 million contribution from the National Water Grid Authority was announced for the final two stages of work. Together with irrigator funding, the WID channels will be completely replaced and water savings will increase to 5,000 ML.

Work on stages 4 and 5 started in April 2023 and involves replacing existing open channels with 16 kilometres of new pipelines, installing 69 new automated customer outlets and flow meters, and upgrading channel regulators at Werribee Weir and Conquest Drive. The new pipelines will mainly be constructed inside SRW's channel reserves and under some roads.

The breakdown of Stage 4 works includes the construction of 7.9 kilometres of pipeline and 22 automated outlets in the vicinity of Hoppers Lane south to Aviation Road. Works are expected to finish in August 2023.

Stage 5 works are expected to start in autumn 2024 and includes the construction of 8.3 kilometres of new pipeline, 47 automated outlets and two new regulators east of Duncans Road and south of Aviation Road.



21.8 KM
of new pipeline



3,650 ML
estimated annual
water savings



73%
increased delivery
efficiency from 53%

Bacchus Marsh Irrigation District modernisation

The BMID modernisation project involves the reconfiguration of the irrigation network that supplies Bacchus Marsh growers to remove an ageing and inefficient main channel. This provides an opportunity to reconfigure the safe and sustainable movement of people across Bacchus Marsh.

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, including a new river pump station, a 0.5 ML tank and 8.5 kilometres of new pipelines and customer outlet upgrades delivering planned annual water savings of up to 1,000 ML.

The works increase irrigation supply reliability and farmer viability in the face of an increasingly drier climate. In addition, SRW and Moorabool Shire Council agreed to repurpose the Main Channel land through the Bacchus Marsh township, allowing Moorabool Shire Council to build a strategic cycling path to provide further liveability benefits to the community.

Stages 1 to 4 and the Fiskens Street Bridge pipeline works are complete, with Stage 5 to be constructed later in 2023.

The National Water Grid Authority funded 50 percent of modernisation works on the Spur 12 channel (stage 5) and the refurbishment of the Fiskens Street Bridge pipeline.

These works continue to improve reliability of supply and reduce evaporation and will generate an additional 100 ML in annual water savings.

Yallourn Weir right abutment

The Yallourn Weir enables a pool to be maintained so that the power generators in the Latrobe Valley can pump water to their power plants for cooling. Without cooling water, power generation is not possible. The Yallourn Weir Right Abutment Stabilisation project is being undertaken to address the current risk of failure.

Construction contract delivery commenced in January 2023, but stalled on 15 February 2023 after the contractor encountered an unexpected concrete structure during excavation for the proposed filtration and drainage system. After a redesign, works recommenced and are due to be completed in August 2023.

Main Northern and Main Southern Channel Siphon No 2 replacements

The Main Northern Channel and Main Southern No 2 siphons are 100-year-old critical infrastructure assets at the end of their life. Replacing the siphons with a concrete flume and earthen channel will significantly reduce the risk of supply interruption to customers within the MID.

The \$5 million works are 50 percent funded under the National Water Grid Connections funding pathway. Works commenced in May 2023 and will be completed by mid-August 2023.

Asset management plans

Significant work has been completed on producing asset management plans for our various asset systems as well as continued development of our 25-year capital plans.

This year we reformed the Asset Management Steering Group (AMSG) and began a comprehensive review of our Strategic Asset Management Plan (SAMP), as well as the preparation of asset management plans for our various Operational Systems.

The SAMP was endorsed by the AMSG in March 2023. The Terms of Reference for the steering group was also developed and endorsed.

The Asset Management Plan and the Asset Management Improvement Plan for the eastern irrigation district has been drafted and is set to be endorsed by the AMSG in the 2023-24 year. The remaining asset management plans for the BMID, WID, Supervisory Control and Data Acquisition system (SCADA) and electrical, groundwater and rivers, and headworks are scheduled for drafting and endorsement throughout the 2023-24 year.

The 25-year capital plan, which was one of the main tools used to develop our capital plan for the price submission, continues to be developed and helps to form our long-term capital requirements forecast, underpinning our financial sustainability.

In 2022-23, the dam safety team updated operation and maintenance manuals for all SRW dams and weirs. These manuals will be reviewed yearly and updated every five years.

Annual and comprehensive dam safety inspection reports were finalised, and no high priority issues were identified.



Dam safety, security, and emergency management

Between August and November, there were nine incidents that required activation of the Incident Management Team (IMT). The Corporate Incident Management Plan that governs the activation of the IMT was in place for a total of 33 days. During the October 2022 Victorian flood event, the IMT responded to flooding across all SRW catchments. This event resulted in Rosslynne Reservoir spilling for the first time in 26 years.

An after-action review was conducted post event and fatigue management was highlighted as an area to improve resulting in an adjustment being made to the relevant internal corporate instruction, ensuring the safety and welfare of our people when responding to prolonged emergency events.

SRW undertook all legislative requirements as required by Part 7A of the *Emergency Management Act 2013* and the Ministerial Statement of Obligations (Water) section 5-2, submitting all required paperwork to the Minister in line with the resilience improvement cycle reporting timeframe.

The annual emergency management exercise took place on 28 July 2022, during which several incident-specific response plans, along with the Business Continuity Plan were tested. The exercise and Emergency Risk Management Plan were subject to an independent review and separate audit forming the basis for the Statement of Assurance and Attestation to the Minister.

Outside of emergency management, upgrades and maintenance took place across our sites.

Gauging station upgrades were completed for the Glencairn and Licola sites on the Macalister River and the Pollocksford site on the Barwon River, replacing landline stations with mobile transmission to improve asset resilience and the accuracy, reliability and frequency of data being transmitted.

Dam Safety Emergency Plans were updated in 2022-23 for all dams with significant or higher consequence category.





**Our customers,
stakeholders & community**

Engagement objectives

SRW commits to engaging with our customers, stakeholders, and community.

Our engagement is guided by the International Association for Public Participation's (IAP2) Public Participation Spectrum, a global model for how community members, groups and stakeholders can be engaged on a project, along with the level and type of engagement.

Using IAP2, we aim to engage early to help build confidence, trust, and goodwill. The objective of engagement is to:

- improve transparency in decision-making processes
- promote a shared understanding
- build a stronger evidence base to inform decisions
- meet regulatory requirements.

Our target engagement groups are defined as follows:

- Customers: Macalister, Werribee and Bacchus Marsh irrigators, and licenced river and groundwater diverters.
- Stakeholders: water industry, regulatory and compliance stakeholders that intersect with the operations of SRW, particularly in the supply of recycled water, integrated water management planning, and cultural and environmental heritage.

- Community: those community groups, organisations and local councils that have a shared interest in the work – and consequences – of SRW's operations in their local area. Community stakeholders can provide advice on environmental issues, cultural heritage, catchment planning, and supporting the agricultural economy.

These groups are engaged in multiple ways:

- Customers via customer consultative committees and customer reference groups
- Stakeholders via customer reference groups, third party committees and partnership opportunities.
- Community via customer reference groups, third-party committees, and sponsorship and events.

SRW also produces and promotes content on its website and social media channels and distributes e-newsletters to its customers.

Stakeholders

SRW's service region comprises 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 DEECA in its delegated licensing functions, and Agriculture Victoria, as well as the Environment Protection Authority, Department of Health, 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. Other stakeholders we engage with include:

- Department of Treasury and Finance
- Regional Development Victoria
- Primary industry groups (Victorian Farmers Federation), commodity groups (Dairy Australia, United Dairy Farmers of Victoria) and peak horticultural industry bodies (AusVeg)
- Energy and Water Ombudsman of Victoria
- Victorian Environmental Water Holder
- Commonwealth Government agencies, such as the Bureau of Meteorology
- Environmental and sustainability groups
- Food and Fibre Great South Coast Inc. and Food and Fibre Gippsland
- Gippsland Regional Water Alliance
- Gippsland Environmental Agencies – managing directors forum, Women’s Leadership Team, and the Gunaikurnai Land and Waters Aboriginal Corporation working group
- Traditional Owner groups in our service region – Wurundjeri, Wadawurrung, Bunurong, Gunaikurnai, Eastern Maar, and Gunditj Mirring
- Integrated Water Management groups.

Engagement in 2022–23 has included the following:

- Participating and providing expert advice to council committees like the Wyndham Green Wedge Steering Committee and Melton Weir Development Advisory Committee.

- Working with Agriculture Victoria, catchment management authorities and other water corporations to deliver major projects such as the Newry Pipeline Project (MID2030 Phase 2) and the Werribee Irrigation District Modernisation Project.
- Pre-construction meetings and Deed of Variation discussions with customers for the Newry Pipeline Project in Gippsland (MID2030 Phase 2).
- Pre-construction meetings with growers and neighbouring property owners for Stage 4 of the Werribee Irrigation District Modernisation Project.
- Pre-construction discussions with growers for the Bacchus Marsh Irrigation District Modernisation Spur 12 Project (Stage 5 of the modernisation project).
- Working with DEECA, Melbourne Water and Greater Western Water on early planning for the Werribee System Reconfiguration Project.
- Coordinating the Macalister Avon Irrigation Development Project Stakeholder and Customer Reference Group. This group was formed to advise on the potential of irrigated agriculture in the area east of the Avon River, adjacent to the Macalister Irrigation District.
- Ongoing meetings with the Boundary Creek, Big Swamp and surrounding environment Remediation and Environment Protection Plan Community Leaders Group. The community has played a significant role in the success of remediation actions, and their ongoing contribution is important to ensuring positive outcomes.
- Ongoing meetings with the Concerned Waterways Alliance to understand our communities perspective on surface water and groundwater and how it relates to our regulatory responsibilities.

- Individual meetings with customers across southern Victoria.
- Engaging with customer, community, and stakeholder groups for our price submission.
- Managing director and senior leadership team being involved in a range of partnerships and alliances with shared objectives.

Consultative committees

We met 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).

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

Supporting Traditional Owner self-determination

We continued our compulsory First Nations Cultural Awareness Training for all staff and strengthened our Traditional Owner policy, which commits to building trust and meaningful working relationships with Traditional Owner groups and Aboriginal groups across our service region.

The Reconciliation Team led a proposal to change the status of January 26 from a mandatory public holiday to an optional day off recognising the complexities surrounding the day for many Australians. This initiative has been approved and will be in place for 26 January 2024.

Following the release of Water is Life: Traditional Owner Access to Water Roadmap we have undertaken focussed engagement with the relevant Registered Aboriginal Parties (RAP) partners to ensure the successful return of water allocations. This effort bolsters the work we are doing to continue to develop partnerships with all RAPs in line with our internal Reconciliation Team Action Plan. We currently have one formal partnership plan.

We continue to improve our processes and strengthen relationships with Traditional Owners through key projects such as Werribee reconfiguration, modernisation works and Macalister Avon Irrigation Development Project.

Projects of this scale provide the opportunity for us to identify and support positive outcomes for Traditional Owners by working constructively with customers and community.

Food and Fibre Great South Coast Inc.

In 2021, SRW signed a Memorandum of Understanding with Food and Fibre Great South Coast to assist them in the development of a plan to develop shared policy objectives and priorities to improve the management of groundwater and surface water resources and increase the water literacy within the region, with an initial focus on groundwater.

In December 2022, Food and Fibre Great South Coast invited DEECA and SRW to report on objectives of the group's 18-point plan.

Food and Fibre Great South Coast has played a role for reducing barriers to water trade. This has enabled SRW to secure DEECA funding to investigate options for a water trading platform.

Feasibility work will be carried out in 2023–24 focusing on the Southwest Limestone Aquifer, which is our largest unregulated water trading system.

SRW Managing Director Cameron FitzGerald spoke at the 2023 Food and Fibre Great South Coast Sustainable Water Forum in Warrnambool this financial year.

The forum is a major industry event, featuring roundtable panels, presentations and speeches from businesses and groups, and attended by organisations such as the Victorian Farmers Federation, Wannon Water, Glenelg Hopkins Catchment Management Authority and Corangamite Catchment Management Authority.

Sponsorship

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

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

SRW provides sponsorship to community groups and organisations, industry events or activities, and to employees involved in charitable events. Our sponsorship in 2022–23 included the following:

- Food and Fibre Gippsland
- Food and Fibre Great South Coast
- Co-sponsoring National Water Week activities in conjunction with Greater Western Water and East Gippsland Water
- Farm World at Lardner Park
- small community groups, including the Coongulla Reserves Committee of Management and local schools.

Newry Farm Planning Project

The Newry Farm Planning Project is a collaboration between the Victorian Government's Sustainable Irrigation Program, implemented in Gippsland by the West Gippsland Catchment Management Authority and Agriculture Victoria, and SRW's MID2030 modernisation program.

The Newry Farm Planning Project provides irrigators connecting to the Newry Creek pipeline with the information and support needed to make informed decisions about changes to their farm. Professional irrigation design experts were contracted to work, free of charge, with Newry customers.

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 again busy throughout the summer continuing a trend of high patronage since the ending of COVID-19 restrictions.

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

SRW is working with Better Boating Victoria to improve boating facilities at the reservoirs. This is including an all-abilities lift at the boat ramp at Blue Rock Lake to improve access to the water, improved boat ramps at Lake Glenmaggie, and an investigation into new boat launching facilities at the Melton Reservoir.

Work continued at the Cowwarr Weir recreation park to repair the extensive damage caused by the June 2021 flood, with the installation of new barbecues and picnic tables.





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 following table details our focus areas and key outcomes for the year.

Focus area	Outcomes
Climate and energy	Continued to move towards our target of net zero carbon emissions by 2025, recording a total of 471 tCO ₂ -e for the year.
Waste	Waste to landfill totalled 47.8 tonnes for the financial year. Waste programs including separate waste streams for recycling at offices and depots has improved waste practices, along with the reduction in paper use in offices due to the digitalisation of most systems.
Water use	Recorded 3,780 kilolitres of water usage throughout offices and depots.
Waterway health	SRW has a research partnership with DEECA, West Gippsland Catchment Management Authority (WGCMA) and Monash University to investigate nutrient transport and dynamics in the Lake Wellington catchment area, including the MID. SRW has 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. SRW has also partnered with Federation University to investigate chemical-free methods for weed control in irrigation channels.

Environmental Statutory Obligations

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 strategic 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
- 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:

- facilitate the movement of water to its highest value use
- provide and manage water for the environment
- 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 VEWB
- 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 Sustainable Irrigation Group, including assisting with the implementation of the regional Land and Water Management Plan
- working with catchment partners such as Melbourne Water to achieve improvements in waterway condition near SRW assets (i.e. 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 management 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
- Glenelg Hopkins Waterway Strategy 2014-22.

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

State Environmental Protection Policy (Waters) clauses saved in the Environment Protection Transitional Regulations 2021

The State Environment Protection Policy (Waters) (SEPP) set the framework for monitoring Victoria's waterways and assessing their relative health. It also provided regulation and compliance in matters affecting water quality throughout the state. Within the SEPP, SRW had a specific requirement to monitor and reduce total phosphorous (TP) loads exiting the MID into the Gippsland Lakes.

The *Environment Protection Act 2017* came into effect on 1 July 2021 and at this time the SEPP ceased its function as a subordinate instrument under the Act. Most content of SEPP is captured by the new Act, its regulations, and the Environment Reference Standard (ERS). A limited selection of SEPP clauses will remain in place under the Environment Protection Transitional Regulations until 2023. Clauses applicable to SRW include a TP load target for the MID which has been captured in the ERS, whilst obligations for the management of saline discharges and consideration of applications for subdivisions and onsite domestic wastewater management systems have been saved under the Environment Protection Transitional Regulations until 2023.

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 considers 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.

Safe drinking water

As a water storage manager, SRW has obligations under the Safe Drinking Water Act 2003. Primarily, SRW must prepare and implement a Safe Drinking Water Risk Management Plan (RMP) for each of its water storages that supplies raw water to urban water authorities. SRW supplies raw water from our Rosslynne, Merrimu, Pykes Creek, Lake Glenmaggie and Blue Rock Lake reservoirs. Each RMP must contain a detailed description of the system of supply, identify and assess the risks to the quality of the water, and describe the steps that are currently taken or could be taken to manage those risks.

The RMPs must be as comprehensive as possible and SRW must document the ongoing implementation and review. The Act provides for regular independent audits of the RMPs at the request of the Department of Health, with the most recent audit being conducted in April 2023. SRW successfully completed the audit and was found compliant for all obligations under the Act.

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.

DEECA 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 Owner groups. SRW participates in nine forums with a focus on relevant surface water and groundwater 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 transition of river water to urban, environmental, 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.

SRW is also exploring, in collaboration with South East Water, 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.

Please refer to the About Us section of this annual report for the recycled water ML usage.

Native vegetation offset sites

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 DEECA 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, monitoring of erosion, and maintenance of fencing.

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.

SRW submits an annual report to DEECA under the agreement to ensure compliance. Currently the Glenmaggie site is in the seventh year of reporting and Merrimu is in the fourth year.

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 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 networks and groups to deliver revegetation projects throughout catchment areas and along waterways.

Climate change adaptation

The SRW region is already experiencing the impacts of climate change, including more frequent and intense extreme weather events such as flooding, drought, and extreme heat. SRW has continued to progress actions contained within our Climate Change Adaptation Plan and integrate climate adaptation principles into its operations to ensure that our assets and water resources are resilient to climate change impacts. SRW undertook two key projects to adapt to climate change in the water resources space.

Source demand values

This project improved the understanding of water resources managed by SRW in terms of current and future reliability, the values that depend on them, the stressors placed upon them, and the nature of the existing and potential future customer base. This assessment was completed as a desktop analysis by interpreting publicly available information and using the Guidelines for Assessing the Impact of Climate Change on Water Availability in Victoria.

Adaptation pathways framework

SRW has begun work to develop an adaptation pathways framework that will identify and prioritise intervention options, understand tipping and turning points, decision trigger points, and barriers and limits to adaptation for future supply availability. The framework will enable SRW to make informed decisions about the management of source water in its service areas over the coming decades.

The overarching objectives of SRW's Climate Adaptation Plan are to:

- 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 and customers 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 area of operation.

Greenhouse gas emissions and net energy consumption

SRW's Climate Change Mitigation Plan provides a framework and actions to meet our net-zero emissions target by 2025 and beyond. 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 percent of their electricity needs from renewable sources by 2025. In addition, the Victorian water sector has pledged to reach net zero emissions by 2035.

SRW has:

- Along with other water corporations, procured cheaper long-term renewable energy through the innovative zero emissions water limited collaboration.
- Investigated the opportunity to partner with other Victorian water authorities to establish a joint carbon offset partnership.
- Conducted a Reforestation Feasibility Assessment of our land holdings to understand potential carbon offset yield.
- 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 framework. SRW is on track to achieve its goal of net zero emissions by 2025.



Service delivery category	Greenhouse gas emissions in tonnes of CO ₂ -e				
	2022-23 projected	2022-23 Result			Variance (%)
		Scope 1 emissions	Scope 2 emissions	Total emissions	
Water supply ¹	0.00	0.00	14.29	14.29	14%
	<p>SRW will retire 239 large-scale generation certificates (LGCs) received through zero emissions water (ZEW) for the 2022-23 financial year to offset total scope 2 emissions. This has been factored into the reported scope 2 emissions in this section.</p> <p>Variance is due to delivery of LGCs from Kiamal Solar Farm (ZEW partnership) being lower than expected in 2022-23. The project was originally expected to deliver 100% of the LGCs to water corporations in zero emissions water.</p>				
Vehicle fleet ²	1,154.00	457.00	0.00	457.00	-40%
	<p>Variance may be attributed to an increase in remote working and video conferencing, and previously outlined measures for reducing vehicle travel.</p>				
Other ³	0.00	0.00	0.00	0.00	0%
	<p>SRW no longer has any offices or depots that are connected to mains gas services.</p>				
Total	1,154.00	471.00	0.00	471.00	-40%
	<p>The overachievement on SRW's projected targets is due to actively reducing fleet emissions and addressing scope 2 emissions through LGCs produced by ZEW.</p> <p>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.</p>				

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

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

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

Electricity consumption by service delivery

Service delivery category ¹	2021-22 result (MWh)	2022-23 result (MWh)	Commentary
Water supply	320	454	Within normal range of consumption.
Other (office, workshops, depots etc.)	226	227	Within normal range of consumption.
Total	546	681	Within normal range of consumption.

¹ Unlike in pro forma emissions reporting tables A1 and A2 of this MRD, there is no service delivery category for transport. This is due to the site dependent nature of renewable electricity consumption for electric vehicles. For example, electricity consumption from electric vehicles charged at an SRW office site may be captured in the service delivery category 'other'.

Electricity consumption by source

Electricity source	2022-23 result (MWh)	Commentary
Purchased directly through an electricity retailer ¹	681	Includes electricity purchased through Red Energy (which is largely offset using LGCs), and Powershop (which is offset using GreenPower).
Not directly purchased but sourced from outside the organisation ²	0	SRW occupies an office at Yarra Valley Water's Mitcham office. This site is not independently metered, however is 100% renewable, so it is assumed that 0 MWh was consumed.
Corporation led/self-sourced activities and initiatives	163	Electricity generated from behind-the-meter solar installations across SRW's sites.
Total	843	

¹ Including State Purchasing Contracts, or other retail contracts.

² Example: Premises SRW leases within a larger commercial building that are not individually metered but sourced from outside the organisation (if applicable).

Renewable energy consumption

SRW recently commissioned a study into the viability of hydro installations at Lake Narracan and Yallourn Weir to increase renewable energy generation capacity and support transitional power infrastructure in the Latrobe Valley. This feasibility study gives important insight into the turbine types available for each site and their potential generation capacity. SRW has also engaged with other providers about various sites across our service area to investigate opportunities for the installation of solar and hydroelectricity projects across our service area.

Total electricity consumption reporting

Renewable electricity consumption categories	2021-22 Renewable electricity consumption (MWh)	2022-23 Renewable electricity consumption (MWh)	2022-23 Renewable electricity consumption (% of total consumption) ²	Variance between 2022-23 and 2021-22 (%)	Commentary ³
Total grid-sourced (LRET estimation) ¹	313.78	255.81	48.09	-18	Note this figure is only inclusive of power not covered by SRW purchasing green power.
Biogas	0	0	0	0	
Hydroelectric	0	0	0	0	
Solar	289	402	48	39	Includes retirement of 256 LGCs sourced through ZEW, and behind-the-meter generation.
Wind	0	0	0	0	
Other (green power from grid)	231	425	50	83	
Total corporation led/self-sourced ⁴	520	827	98	59	
Total ⁵	520	827	98	59	

¹ Calculation methodology = $\left(\frac{(\text{previous calendar year renewable power percentage (RPP)} + \text{current calendar year RPP})}{2} \right) \times \text{SRW's total grid sourced electricity consumption for the reporting year.}$

² This column reflects the percentage of a particular category against the total electricity consumption as calculated in pro forma tables B1 (electricity consumption by service) and B2 (electricity consumption by source).

3 To improve transparency of reporting, SRW must report the number of Renewable Energy Certificates (RECs) voluntarily retired which increase renewable electricity consumption in the commentary section of the different renewable electricity consumption categories. Note: There will be no RECs reported voluntarily retired under category 1. Total grid sourced: mandatory.

4 Sum of SRW’s renewable electricity consumption from SRW’s led/sourced activities and initiatives.

5 Sum of all renewable electricity consumption from all categories.

Total electricity generation capacity and generation reporting (renewable)

Renewable electricity source	2022-23 Total renewable electricity generation capacity (MWh)	2022-23 Renewable (small scale) electricity generated (MWh)			22-23 Total by source ²
		Consumed on site	Exported	Other ¹	
Biogas	0	0	0	0	0
Hydroelectric	0	0	0	0	0
Solar	0.19	163	67.29	0	230
Wind	0	0	0	0	0
Other renewable ²	0	0	0	0	0
Total renewable	0.19				230

¹ This may include renewable electricity generated for use outside the facility other than for supply to the grid (this will likely only be relevant if electricity is generated for use by an organisation different to the entity, but on the same site, such as from a cogeneration plant, or for supply through a microgrid, etc).

² The sum total of all renewable electricity generated for consumption on site, export, or otherwise, for each renewable electricity source.

Total REC retirement

REC retirement method ¹	RECs retired: 22-23 (1 REC = 1 MWh renewable electricity)	Commentary
Voluntarily retired (by SRW) ^{2,3}	239	
Greenpower ^{2,4}	425	
Certified carbon neutral electricity purchased ^{2,5}		
Voluntarily retired on SRW's behalf ^{2,6}		
Total voluntarily retired (a)		
Mandatory retired ⁷ (b)		
Total RECs retired (a+b)	664	

¹ SRW must maintain a defensible audit trail which demonstrates the number of RECs retired, the logic of how the REC retirement volume was determined, and that the voluntary retirement of RECs was ultimately accepted by the Clean Energy Regulator (CER).

² Each category is unique, and the reporting intent is to capture all REC retirement arrangements. This means RECs retired on SRW's behalf through a certified carbon neutral electricity purchase, for example, should not be double counted in both the certified carbon neutral electricity purchased category and the voluntarily retired on SRW's behalf category.

³ For example: this may include the voluntary retirement of RECs from self generated on site (behind the meter) renewable electricity or from RECs obtained through a Power Purchase Agreement (PPA).

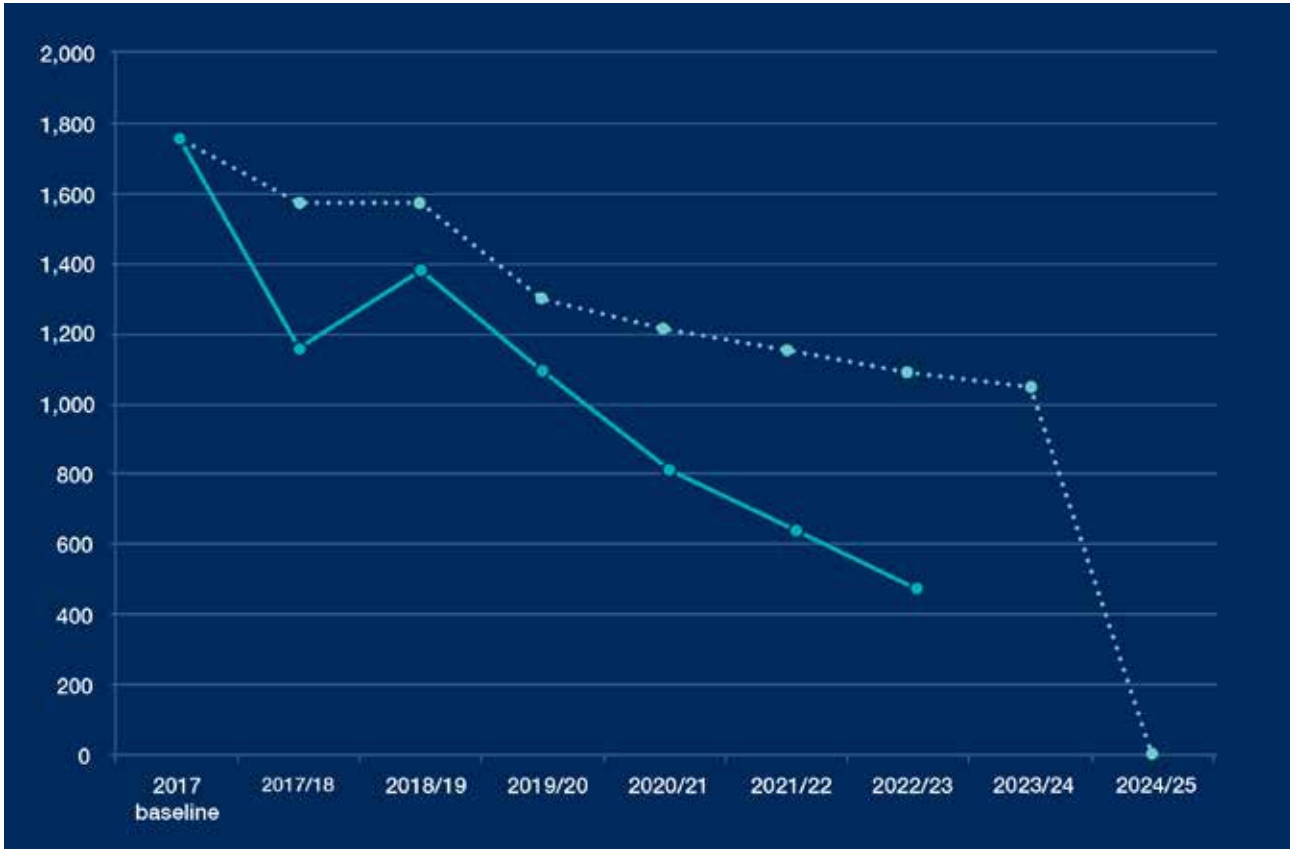
⁴ This refers to the Commonwealth GreenPower program. Please note that it may not be possible to maintain a specific audit trail for GreenPower as you can't match a MWh of consumption to specific RECs.

⁵ For example: this may include green electricity retail contracts other than GreenPower backed ones.

⁶ For example: this may include RECs from a PPA or PPA like arrangement where RECs are not transferred to SRW but are instead retired on SRW's behalf.

⁷ This includes RECs mandatorily retired and conveyed to an entity's retailer for mandatory retirement. This is for Commonwealth Renewable Energy Target (RET) liable entities only and as such it can be deleted where it is not applicable.

Progress towards 1 July 2025 emissions target



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

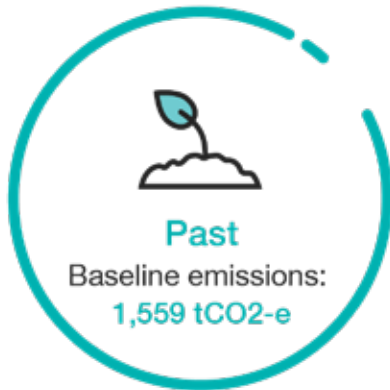
...●... Projected net greenhouse gas emissions (tonnes of CO2 equivalent)

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:

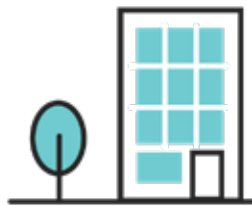
Power for water supply sites

14.9 tCO₂-e / year



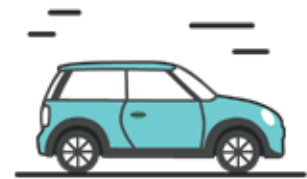
Power for other operations

0 tCO₂-e / year



Vehicle fleet

457 tCO₂-e / year



2015

Paris Climate Agreement signed

2016/17

Zero-2025 pledge developed

2017/18

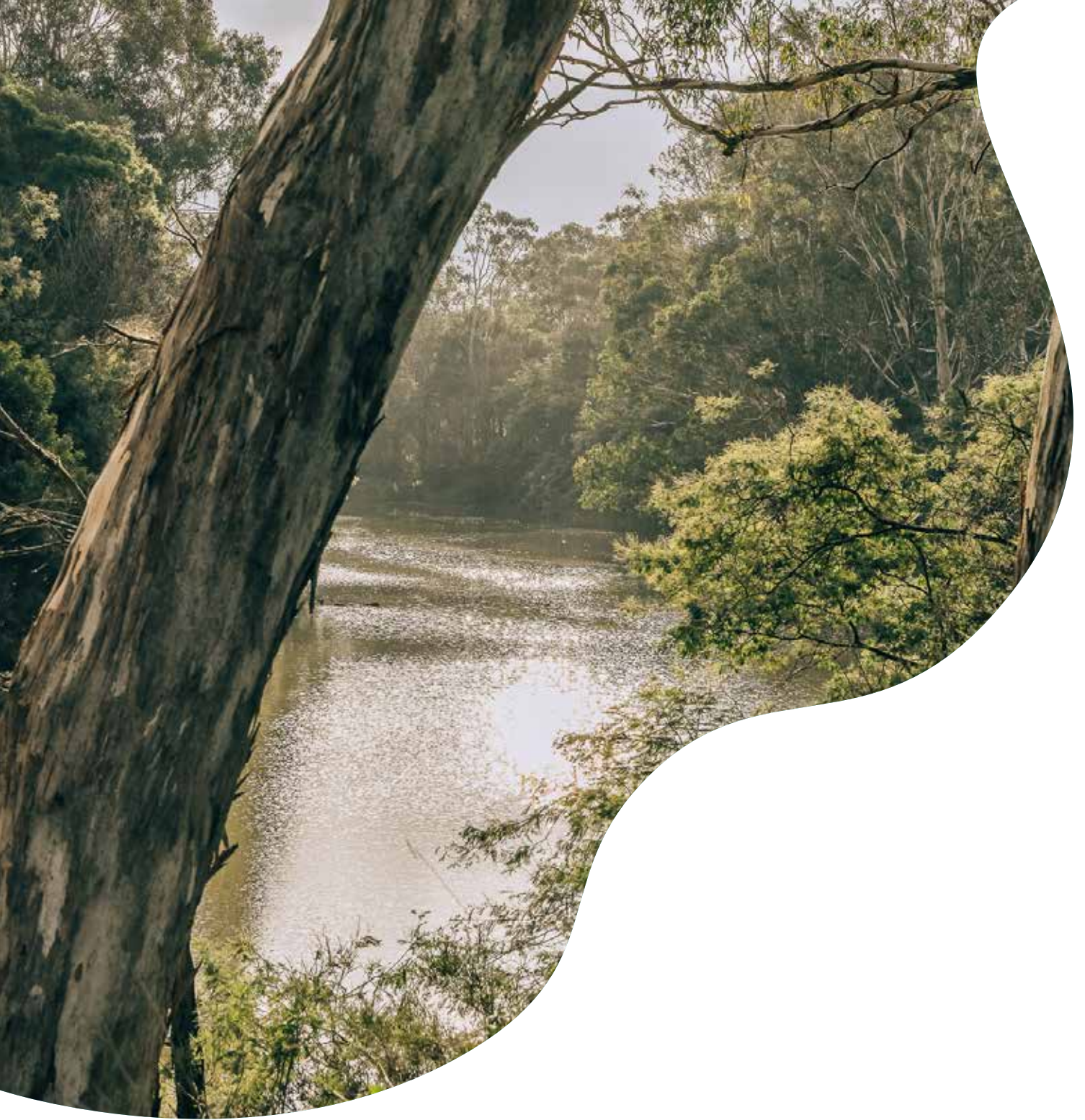
Zero-2025 pledge implemented

2018

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

2025

Goal of achieving net-zero emissions



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
- Werribee
- 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
- 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).

2022-23		Volume (ML)
1 July 2022	Volume of water held at Lake Glenmaggie	126,095
	Share of Thomson Reservoir storage capacity (under Clause 9)	45,000
Annual 2022-23		
a (i)	Releases from the Thomson Reservoir to supply primary entitlements	10,272
a (ii)	Share of Thomson Reservoir storage capacity (under clause 9)	38,839
a (iii)	Inflows attributed (under clause 10.1 and 10.2)	22,603
At 30 June 2023		
Annual 2022-23	Taken from waterway	
e (i)	Northern Channel ¹	32,304
e (ii)	Southern Channel ¹	65,238
e (iii)	Eastern Channel ¹	19,290
e (iv)	Cowwarr Channel ¹	14,022
e (v)	Southern Channel to Thomson Channel	84
(i)	Water taken by the primary entitlement holders	123,212
2022-23	Water pumped to supply primary entitlement holders	
g (i)	Lake Glenmaggie	0
g (ii)	Macalister River	3,166
g (iii)	Thomson Reservoir	0
g (iv)	Thomson River	8,511
g (v)	Rainbow Creek	3,586
(h)	Volume of water held at Lake Glenmaggie	138,889

	Environmental allocation (2022-23 season)	18,691
	Environmental carryover (2022-23 season)	18,301
	Total available to environment (2022-23 season)	36,992
	Environmental release (including carryover)	13,121
	Write off unused carryover (due to storage spilling)	18,301
(i)	Environmental carryover available (2023-24 season)	5,570
(j)	Credits granted (under clause 17)	Nil
(k)	Temporary or permanent transfers of a bulk entitlement or any other entitlement to SRW	Nil
(l)	Alteration made to Schedules 1 or 2 under sub-clause 8.1	Nil
(m)	Number, amount and places of origin and destination of transfers of primary entitlement	Nil
(n)	Amendments	Nil
(o)	New bulk entitlements granted	Nil
(p)	Programs approved to date under sub-clause 18.2	Programs being implemented
(q)	Programs approved to date under sub-clause 19.3	Programs being implemented
(r)	Any failure by SRW to comply with any provision of this Bulk Entitlement	Nil
(s)	Any difficulty experienced or anticipated by SRW in complying with this bulk entitlement and any remedial action taken or proposed	Nil

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

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).

2022-23		Volume (ML)
	The amount of water in Blue Rock Reservoir:	
(e)	1 July 2022	199,681
	30 June 2023	189,468
	The amount of water in Lake Narracan:	
	1 July 2022	4,777
	30 June 2023	5,495
(f)	The amount of water in the entitlement holder's share of Blue Rock Reservoir - 2.10% as at 30 June 2023	2,650
	The annual amount of water taken by the entitlement holder	
(g)	Upstream of Yallourn Weir	208.5
	Downstream of Yallourn Weir	6,787
(h)	The amount of annual losses debited to the entitlement holder's share of Blue Rock Reservoir (due to evaporation)	873.5mm
(i)	The annual amount of any internal spill of water to the entitlement holder's share of storage in Blue Rock Reservoir	808.4
(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. ¹	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 all or part of a 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 bulk entitlement holders specified by the Minister:

	Drought Reserve	21,450
	Gippsland Water	3,193
	Loy Yang A	578
(p)	Loy Yang B	15,476
	SECV	0
	SRW	21,450
	TRUenergy	929
	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

¹ 16.1 (l) Approval by DEECA of an Environmental Management Plan SRW had previously submitted. Approval by DEECA 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: Latrobe Reserve

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

2022-23		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 2022	37,417
	30 June 2023	30,050
(d)	The amount of annual losses debited to the reserve holder's share of Blue Rock	1,085
(e)	The annual amount of any internal spill of water from or to the reserve holder's share of storage in Blue Rock	4,020 to reserve Nil from reserve
(f)	The implementation of a metering program ¹	Program being implemented
(g)	Any assignment of all or part of a water allocation available under this entitlement	21,450
(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

¹ (f) The metering program used for the reserve holder is that used by SRW for its bulk entitlement metering requirements.

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).

2022-23		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) SRW has complied with the provisions of the bulk entitlement.

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

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).

2022-23		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	18.36
	Werribee Diversion Weir	8,966.30
	Maddingley pumps	2,029.64
	Water taken by SRW from the system waterway at each of the diversion weirs:	
	Lerderderg Weir to Goodmans Creek SRW share	10,099 1,009
	Goodmans Creek to Merrimu Reservoir SRW share	13,454 1,345
	Werribee Upper Diversion Weir to Pykes Creek	5,856
	Volume of water taken by primary entitlement holders:	
(i)	<ul style="list-style-type: none"> ● High and low reliability water shares ● Myrniong 	9,891.37 HRWS 45.08
	Volume of water taken by primary entitlement holders including outfalls:	
	Bacchus Marsh	1,920.27 + (Outfall 11.49)
	River diverters	1,138.2
	Myrniong	45.08
	Werribee	6,583.11 + (Outfall 238.3)
(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 ¹	100% HRWS 100% LRWS
(p)	Trades of primary entitlement ²	908.8ML
(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	Passing flow breach on the lower Werribee River
(v)	Compliance: difficulty in complying with the bulk entitlement and any remedial action taken	See above. Procedures have been introduced to prevent future breaches

¹ 18.1 (n) Detailed allocation history is available in the Our performance chapter of this annual report.

² 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 (t) SRW has previously submitted an Environmental Management Plan to DEECA.

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

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).

2022-23		Volume (ML)
(c)	Water taken by SRW at its pumping station	15,476
(d)	Works undertaken as part of the metering program ¹	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

¹ 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).

2022-23		Volume (ML)
a (i)	Water released to supply licence entitlements	0
	SRW's share of Rosslynne Reservoir:	
a (ii)	30 June 2022	818
	30 June 2023	1,101
a (iii)	Inflows, taking into account evaporation and measurement discrepancies	656
a (iv)	Allowances for transfer and operating losses	0
a (v)	Water deducted for passing flow requirements	63.9
(b)	SRW had difficulty in achieving full compliance with the passing flows	No
(c)	Water taken by SRW's licences from the waterway to satisfy entitlements under licences.	Nil
(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)	The bulk entitlement was amended in September 2022 to make minor variations arising from the practical operations relating to the transfer by Greater Western Water of water taken under the Greater Yarra System - Thomson River poll bulk entitlement into Rosslynne and to reflect the integration of City West Water and Western Water and subsequent name change to Greater Western Water.	Nil

Notes:

19.1 (j) SRW has previously submitted an Environmental Management Plan to DEECA, 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 has complied with all provision of this bulk entitlement and experienced no difficulties in complying.



Our business

Financial Management Compliance Attestation Statement

I, Joanne Butterworth-Gray, on behalf of the Responsible Body, certify that the Gippsland and Southern Rural Water Corporation has no Material Compliance Deficiency 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 19 October 2023

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	2022-23	2021-22
Pensioner concessions	\$12,462.22	\$12,494.57

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	26	\$96,820.32

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
- 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 a 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 Macalister Irrigation District (Newry upgrade) and the Werribee Irrigation District 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, including focusing on Indigenous employment and procurement opportunities for the Macalister Irrigation District (Newry upgrade) and the Werribee Irrigation District 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 all applicable projects, contributing to the table below.

Social procurement activities and commitments	
Reporting period	2022-23
Reporting entity	Southern Rural Water
Total number of contracts engaged during the reporting period that include social procurement commitments	7
Total contract values (\$GST exclusive) where contracts commenced during the reporting period and included social procurement commitments	\$54,826,118

Case study: Indigenous business helping deliver Werribee Irrigation District modernisation

Southern Rural Water's Werribee Irrigation Modernisation Project is more than just securing the farming futures of the district's vegetable growers. The project is also providing employment opportunities to local businesses and residents.

A key part of any construction project is traffic management to control the flow of traffic in the local area.

Traffic controller Reece White plays an important role, working closely with construction crews to minimise impacts to road users and residents.

Reece is employed by First Nations Traffic Management, an Indigenous Melbourne-based business that provides traffic management services throughout the state.

Reece is Indigenous and lives in nearby Laverton.

"Werribee is close, so it's nice to work on a local job," he said.

"I'm really enjoying the work. I get to work on different sites and with nice people, which I really appreciate."

Six Indigenous staff in total have been employed by First Nations on the modernisation project.

First Nations Traffic Management co-founder Mistaya Masters said the company was like any other traffic management provider – but with a difference.

"We are busy most days of the year, supplying traffic management staff to construction sites," Ms Masters said.

"We aim to provide opportunities to people from challenging backgrounds, especially at-risk young people. A key goal of ours is to employ Indigenous people that otherwise might struggle to find meaningful employment."

Managing Director Cameron FitzGerald said he was proud Southern Rural Water's projects could directly support organisations like First Nations Traffic Management that provides real opportunities for community members.

"We're proud to see First Nations on our modernisation project," he said.

"The legacy we want to provide to our communities stretches further than modernised equipment – we want to leave a legacy that shows we value our communities, our irrigators and our environment."



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, one owned operational depot at Maffra and three further owned operational facilities at Lake Glenmaggie, Blue Rock and Merrimu storage locations.

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.

2022-23	
Number of major works projects undertaken (>\$50,000)	1
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 Strategic or Standard

During 2022-23, SRW commenced three standard projects with a total value of \$4.675 million of both Local Jobs First Strategic and Local Jobs First during the reporting period in which a VIPP Plan or Local Industry Development Plan (LIDP), Local Content, Employment (AEE), and Major Project Skills Guarantee (MPSG) was required and submitted.

The reported outcomes of implementation of the policy are in the following table.

Total number of projects which 'local content' was committed that commenced and/or was completed during reporting period	3
Metropolitan	0
Regional	3
Statewide	0
Average local content commitment made	96%
Total job hours (AEE) commitment, inclusive of both new and retained jobs	16,521
MPSG applicable projects commitment total hours for apprentices, trainees, and cadets	9.5
Number of small to medium enterprises engaged via contract inclusive of Local Industry Development Plan (LIDP)	3

Projects completed: Local Jobs First Strategic or Standard

During 2022-23, SRW did not complete any projects in which Local Industry Development Plan (LIDP) Local Content, Employment (AEE), and Major Project Skills Guarantee (MPSG) were required.

Reporting requirements: Prior projects

SRW commenced two Strategic Projects prior to 2022-23 reporting period, valued at \$55.634 million. Both projects included Local Jobs First Strategic and Local Jobs First, where a VIPP Plan or Local Industry Development Plan (LIDP), Local Content, Employment (AEE), and Major Project Skills Guarantee (MPSG) had been required and submitted.

The reported outcomes of implementation of the policy are in the following table.

Total number of projects which 'local content' was committed that commenced and/or was completed during reporting period	2
Metropolitan	1
Regional	1
Statewide	0
Average local content commitment made	82%
Total job hours (AEE) commitment, inclusive of both new and retained jobs	120,638
MPSG applicable projects commitment total hours for apprentices, trainees, and cadets	8,220
Number of small to medium enterprises engaged via contract inclusive of Local Industry Development Plan (LIDP)	2

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

Internet: 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.

Government advertisement expenditure

SRW's expenditure in the 2022-23 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 2022-23 was 3,779.5 kilolitres. Total consumption for the year per full-time equivalent employee was 24.4 kilolitres. SRW uses water for amenities, lawns, gardens, vehicle washing and miscellaneous uses, as well as for capital projects and construction.

Additional information available on request

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

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

- a statement of completion of declarations of pecuniary interests by relevant officers.

Information not applicable

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

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

Freedom of information

The *Freedom of Information Act 1982* (the Act) allows the public a right of access to documents held by the department. 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 a department. This comprises documents both created by the department or supplied to the department 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 the department is available on the department's website under its Part II Information Statement.

The Act allows a department 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 a department in-confidence and information that is confidential under another Act.

Under the Act, the Freedom of Information processing time for requests received is 30 days. However, when external consultation is required under Section 29, 29A, 31, 31A, 33, 34 or 35, the processing time is 45 days. Processing time may also be extended by periods of 30 days in consultation with the applicant. With the applicant's agreement, this may occur any number of times. However, obtaining an applicant's agreement for an extension cannot occur after the expiry of the timeframe for deciding a request.

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

Making a request

Freedom of Information requests can be lodged online at ovic.vic.gov.au. An application fee of \$31.80 applies from 1 July 2023. 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 Section 17 of the Act.

When making a Freedom of Information 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

srw@srw.com.au

Statistics

During 2022-2023, SRW received four applications. Two were from members of the public, one was from a law firm, and one was from the media. All applications related to non-personal requests.

Requests	No
Access in full	1
Other – invalid	1
Not finalised	2
Total	4

SRW made one decision during the 2022-23 period within the extended statutory 30-to-45-day time period.

During 2022-23, no requests were subject to VCAT appeal.

Further information regarding the operation and scope of Freedom of Information can be obtained from the Act, regulations made under the Act, and www.ovic.vic.gov.au.

Disclosure of emergency procurement

In the reporting period 2022-23, SRW activated emergency procurement on 11 occasions in accordance with the requirements of Victorian government policy and accompanying guidelines. This resulted in no contracts awarded of a value of \$100,000 or more (GST inclusive) in connection to the emergency. This is reflected in the table below.

Nature of emergency	Date of activation	Summary of goods and/or services procured via a new contract	Value of contracts exceeding \$100,000 in response to an emergency	Number of new contracts awarded valued at \$100,000 (incl. GST) or more
Flood – Latrobe Catchment	15 August 2022	Not applicable	\$0.00	Nil
Flood – Latrobe Catchment	23 August 2022	Not applicable	\$0.00	Nil
Flood – Werribee River Catchment	28 September 2022	Not applicable	\$0.00	Nil
Flood – Werribee River Catchment	7 October 2022	Not applicable	\$0.00	Nil
Flood – All Catchments (Victorian floods)	13 October 2022	Not applicable	\$0.00	Nil
Flood – Latrobe Catchment	27 October 2022	Not applicable	\$0.00	Nil
Flood – Thomson Catchment	11 November 2022	Not applicable	\$0.00	Nil
Flood – Werribee River Catchment	14 November 2022	Not applicable	\$0.00	Nil
Flood – Werribee River Catchment	21 November 2022	Not applicable	\$0.00	Nil
Flood – Latrobe Catchment	21 November 2022	Not applicable	\$0.00	Nil
Flood – Macalister Catchment	23 November 2022	Not applicable	\$0.00	Nil



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 2017*). 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 Governments' 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
- 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.

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
- 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 2022-23

Our operating loss before tax was \$14.6 million, compared to a budgeted loss of \$18.7 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 2022-23 financial year SRW recorded \$10.8 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 \$1.8 million deficit for the 2022-23 financial year, compared to a corporate plan budget of \$1.3 million surplus.

The deterioration in our 2022-23 operating result before statutory adjustments compared to the corporate plan by \$43.1 million is largely attributed to:

- sale of water and entitlements decrease by \$2.5 million due to no auctions conducted during 2022-23
- \$600,000 of cost increases caused by activities to complete the 2023 price submission, flood costs in 2022 and inflationary factors such as insurance premium increases and energy costs.

As the factors which led to the difference to the budgeted net result were known at the time of setting the 2023-24 Corporate Plan, SRW has incorporated remediation measures within our future financial plans.

Significant changes in financial position

Increase to debt by \$12.3 million

Expenditure on capital projects was \$39 million for the financial year (2021-22 \$8.4 million). A large proportion of this increase in capital expenditure is associated with ongoing irrigation modernisation works.

As planned within the 2022-23 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 2022-23, funding of the gap between operating cashflows and capital expenditure was provided from the receipt of government capital contributions for MID2030 modernisation projects (\$11.4 million) and by an increase to SRW debts of \$12.3 million.

Increase in asset value by \$207 million

SRW records the carrying value of property, plant and equipment at fair value, and fair value is determined by an estimate of depreciated replacement cost.

A revaluation of SRW water infrastructure, land and buildings is undertaken by the Valuer-General Victoria (VGV) every five years. The most recent VGV valuation occurred in June 2021.

Since this time, inflationary factors have increased the cost of infrastructure and buildings in Australia. At June 2023, a \$184.6 million managerial revaluation of water infrastructure and building assets was conducted by SRW to increase the value of property, plant and equipment held by SRW. Together with new capital expenditure (\$39 million) and offset by depreciation costs (\$16.4 million), the value of property, plant and equipment increased to \$1.6 billion.

Major changes or factors affecting performance

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

Subsequent events that 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.

Information and communication technology expenditure

For the 2022-23 reporting period, SRW had a total information and communication technology expenditure of \$4.83 million, with the details shown below.

BAU ICT expenditure	Non-BAU ICT expenditure (Total = A + B)	Operational expenditure (A)	Capital expenditure (B)
\$3.772m	\$1.059m	\$0	\$1.059m

Rural bills

Rural bills – medium customer	Area	2021-22	2022-23
Total rural water bill	Macalister	\$4,747	\$4,961
50 ML of High Reliability Water Share	Werribee	\$20,647	\$21,359
Total rural water bill	Surface water 50 ML of licenced volume	\$937	\$969
	Groundwater 150 ML of licenced volume	\$952	\$987

Social sustainability reporting

Community service obligation	2022-23	2021-22
Provision of water and sewerage concessions	\$ 12,462.22	\$12,494.57

Major contracts

Southern Rural Water has disclosed, in accordance with the requirements of government policy, that two contracts greater than \$10 million in value were entered into during the 2022-23 financial year.

Details of the contracts have been disclosed in the Victorian Government Contracts Publishing System and can be viewed at www.tenders.vic.gov.au.

Contract details disclosed:

- Jaydo Construction Pty Ltd engaged in construction works supporting MID2030 Phase 2 Newry Pipeline Project for the upgrade of irrigation infrastructure in the Newry area.
- Jaydo Construction Pty Ltd engaged in pipeline installation supporting Werribee Irrigation District modernisation for Stages 4 and 5 upgrade of irrigation infrastructure in the Werribee South and Bacchus Marsh areas.

Consultancies

Each year SRW engages 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 2022-23, SRW engaged with 33 consulting firms for operating and capital procurement greater than \$10,000 to provide advice, skills, and services. The total cost of these consultancies was \$1,556,209. For comparison, during 2021-22 SRW engaged with 24 consulting firms at a total cost of \$993,101.

Less than \$10,000

During 2022-23, SRW engaged with two consulting firms for operating contracts less than \$10,000 to provide advice, skills, and services. The total cost of these consultancies was \$11,967. In comparison, during 2021-22 SRW engaged with 13 consulting firms at a total cost of \$77,587.

Consultant	Purpose	Expenditure 2022-23	Future expenditure
Bartley Consulting Pty Ltd	Price submission engagement	\$33,484.00	
Dr Jones Environmental Excellence	Barwon Downs independent technical review panel	\$4,069.72	\$22,030.28
ESS Earth Sciences Pty Ltd	Seismic hazard study: Lake Glenmaggie	\$32,230.00	\$1,000.00
Feehan Consulting Pty Ltd	MID water savings project: mitigation water	\$3,465.00	\$29,985.00
GHD Pty Ltd	Functional design and investigation services	\$234,451.47	\$125,701.43
Glossop Town Planning	Planning services for planning scheme amendment	\$18,914.50	\$1,085.50
Gunaikurnai Land and Waters Aboriginal Corporation	MID2030 Phase 2 Newry and West Boisdale	\$21,788.87	\$31,301.64

Hydro Tasmania (Entura)	Glenmaggie gates design review	\$20,523.00	
HydroGeoLogic Pty Ltd	Barwon Downs remediation and environment protection plan	\$10,263.00	\$31,737.00
Hydrology and Risk Consulting Pty Ltd	Review of large dams	\$24,904.00	
Hydrology and Risk Consulting Pty Ltd	Upper Narracan flood study	\$90,811.20	\$3,954.50
Hydrology and Risk Consulting Pty Ltd	Latrobe drought project	\$14,665.20	
Hydrology and Risk Consulting Pty Ltd	Latrobe sales and governance project	\$10,914.31	
Hydrology and Risk Consulting Pty Ltd	MID system performance review	\$40,709.08	\$36,219.42
Paqua Consulting	Expert advisory services for the Avon irrigation development and Latrobe irrigation development assessment projects.	\$41,974.92	\$5,099.49
Pitcher Partners Consulting Pty Ltd	WID Modernisation Stages 4 and 5 project	\$14,140.27	\$36,784.23
Pitcher Partners Consulting Pty Ltd	Main northern channel and main southern channel siphon 2 projects	\$12,257.38	\$4,209.62
Pitcher Partners Consulting Pty Ltd	Rossllynne and Merrimu towers project	\$2,712.78	\$20,205.72
RM Consulting Group (RMCG)	Assessment for Gippsland to support SVID/price submission	\$21,441.75	
RM Consulting Group (RMCG)	Water trade barriers and trade platform	\$23,068.10	
SMEC Australia Pty Ltd	Carp investigation and design	\$2,277.00	\$3,233.00
SMEC Australia Pty Ltd	Yallourn Weir right abutment stabilisation investigations	\$39,759.14	\$4,240.86
SMEC Australia Pty Ltd	Boisdale pipeline options	\$90,749.82	\$14,144.18
SMEC Australia Pty Ltd	Macalister Avon Irrigation Development Project	\$80,744.95	\$60,456.98
SMEC Australia Pty Ltd	Yallourn and Narracan Hydro Proposals		\$23,622.50
Water Technology Pty Ltd	BMID Spur 12	\$6,457.00	
Total		\$896,775.46	\$ 329,309.92

Five-year financial summary

Revenue	2022-23	2021-22	2020-21	2019-20	2018-19
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
Fees and charges	27,471	25,520	26,556	26,231	27,285
Storage operator charges	4,967	4,764	4,481	4,536	3,882
Government grants	1,060	1,139	2,756	370	7,525
Other	3,530	2,004	6,587	5,432	3,111
Total revenue	37,028	33,427	40,380	36,569	41,803
Expenditure					
Operations and maintenance	21,420	19,487	19,100	20,278	20,316
Other	11,489	9,890	10,312	9,208	8,904
<i>Earnings before interest, taxation, impairment, and depreciation</i>	4,119	4,026	10,968	7,083	12,583
Depreciation and amortisation	16,931	16,595	16,632	16,622	14,927
Asset write-off and impairment	56	24	611	0	0
Finance cost	1,739	1,749	1,846	1,806	1,489
Total expenditure	51,635	47,745	48,501	47,914	45,636
Equity					
Net operating statutory loss before tax	(14,607)	(14,318)	(8,121)	(11,345)	(3,833)
Movement in retained earnings	(10,955)	(12,244)	(7,299)	(10,449)	(828)
Balance sheet					
Current assets	25,000	28,502	32,650	21,205	24,526
Non-current assets	1,641,563	1,434,736	1,437,654	1,448,276	1,439,758
Total assets	1,666,563	1,463,238	1,470,304	1,469,481	1,464,284
Current liabilities	29,973	17,885	16,961	17,766	17,890
Non-current liabilities	306,540	262,174	278,430	295,977	240,722
Total liabilities	336,513	280,059	295,391	313,743	258,612
Net cash inflow from operations	794	2,349	4,168	8,648	12,916
Payments for infrastructure, property, plant and equipment	29,580	9,540	13,590	29,180	46,659

Financial result reconciliation					
Net operating statutory loss	(14,607)	(14,318)	(8,121)	(11,345)	(3,833)
Add back non-regulatory depreciation and impairment	10,802	11,891	12,396	12,726	12,052
Add non-regulatory asset transfers and write-offs	56	24	611	0	0
Add major projects expensed	1,926	857	1,393	3,212	2,882
Operating profit before statutory adjustments	(1,823)	(1,570)	6,279	4,593	11,101

Five-year performance summary

Performance indicator	2022-23	2021-22	2020-21	2019-20	2018-19
Internal financing ratio	2.65%	42.58%	31.54%	29.77%	27.93%
Gearing ratio	4.26%	4.00%	4.22%	4.27%	3.35%
Interest cover (cash)	1.54	2.50	3.40	6.10	11.20
Return on assets	-0.82%	-0.90%	-0.47%	-0.69%	-0.21%
Return on equity	-0.87%	-1.04%	-0.63%	-0.91%	-0.08%



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 2023. 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 2023

		2022-2023 \$'000	2021-2022 \$'000
Revenue	Notes		
<i>Revenue from operating activities</i>			
Service and usage charges	2.1	33,278	31,131
Chargeable works	2.2	1,148	324
Government grants and contributions	2.3	1,060	1,058
Interest income		305	61
Other income		1,077	486
<i>Revenue from non-operating activities</i>			
Government grants and contributions for capital purposes	2.3	0	81
Net gain on disposal of non-current assets	4.1.5	112	286
Total revenue		36,980	33,427
Expenses			
Bulk water	3.3	1,212	954
Environmental contribution	8.2	530	530
Employee benefits	3.1.1	18,741	17,814
Interest	6.1.2	1,739	1,749
Chargeable works	2.2	1,148	324
Repairs and maintenance	3.2	1,282	1,499
Supplies and services	3.4	9,949	8,256
Depreciation of regulatory asset base	4.1.4	5,767	4,518
Depreciation of other assets	4.1.4, 6.2.1	10,802	11,891
Intangible asset write-offs	4.2.1	56	24
Amortisation	4.2	361	186
Total expenses		51,587	47,745
Net result before tax		(14,607)	(14,318)
Income tax revenue	8.1.1	3,652	2,537
Net result for the period		(10,955)	(11,781)
Other comprehensive income for the period			
<i>Items that will not be reclassified to net result</i>			
Net gain on revaluation of infrastructure, property, plant and equipment	4.1.1	184,650	5,103
Impairment/write-off of infrastructure, property, plant and equipment	4.1.1	0	0
Income tax relating to these items	8.1.1	(46,163)	0
Reduction in opening deferred taxes resulting from reduction in tax rate			
Reduction in tax rate	8.1.1	0	9,251
Land assets not taxable	8.1.1	0	6,521
Other comprehensive income for the period, net of income tax		138,487	20,875
Comprehensive result		127,532	9,094

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 2023

		2022-2023 \$'000	2021-2022 \$'000
	Notes		
Assets			
Current assets			
Cash and cash equivalents	6.3	14,359	19,865
Receivables	5.1	6,592	7,405
Contract assets	5.2	3,422	1,299
Other non-financial assets		627	617
Total current assets		<u>25,000</u>	<u>29,186</u>
Non-current assets			
Infrastructure, property, plant and equipment	4.1.1	1,639,171	1,431,852
Right-of-use assets	6.2.1	478	943
Intangible assets	4.2	1,913	1,941
Total non-current assets		<u>1,641,562</u>	<u>1,434,736</u>
Total assets		<u><u>1,666,562</u></u>	<u><u>1,463,922</u></u>
Liabilities			
Current liabilities			
Payables	5.3	13,307	3,125
Contract liabilities	5.4	3,858	4,541
Interest bearing liabilities	6.1	8,080	5,900
Lease liabilities	6.2.1	139	194
Employee benefits	3.1.2	4,588	4,808
Total current liabilities		<u>29,972</u>	<u>18,568</u>
Non-current liabilities			
Payables		3	4
Interest bearing liabilities	6.1	62,870	52,600
Lease liabilities	6.2.1	403	846
Employee benefits	3.1.2	462	495
Deferred tax liabilities	8.1.2	242,803	200,292
Total non-current liabilities		<u>306,541</u>	<u>254,237</u>
Total liabilities		<u>336,513</u>	<u>272,805</u>
Net assets		<u><u>1,330,049</u></u>	<u><u>1,191,117</u></u>
Equity			
Contributed capital	9.1.1	492,460	481,060
Asset revaluation reserve	9.1.2	860,754	722,267
Accumulated deficit	9.1.3	(23,165)	(12,210)
Total equity		<u><u>1,330,049</u></u>	<u><u>1,191,117</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 2023

	Notes	Asset Revaluation			Total \$'000
		Contributed Capital \$'000	Reserve \$'000	Accumulated Deficit \$'000	
Balance as At 1 July 2021		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	0	20,875
Total comprehensive income for the period		0	20,875	(11,781)	9,094
Transactions with the State Government in its capacity as owner	9.1.1	4,800	0	0	4,800
Balance as at 30 June 2022		481,060	722,267	(12,210)	1,191,117
Net result for the period		0	0	(10,955)	(10,955)
Other comprehensive income	9.1.2, 9.1.3	0	138,487	0	138,487
Total comprehensive income for the period		0	138,487	(10,955)	127,532
Transactions with the State Government in its capacity as owner	9.1.1	11,400	0	0	11,400
Balance as at 30 June 2023		492,460	860,754	(23,165)	1,330,049

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 2023

		2022-2023 \$'000	2021-2022 \$'000
Cash flows from operating activities	Notes		
<i>Receipts</i>			
Receipts from service and usage charges		34,826	30,570
Receipts from State Government			
-Operating	2.3	830	2,954
-Capital		0	81
Interest received		305	61
Goods and Services Tax received from the ATO		2,973	1,918
<i>Payments</i>			
Payments to suppliers and employees		(36,214)	(31,059)
Interest paid		(1,765)	(1,646)
Goods and Services Tax paid to the ATO		(161)	(553)
Net cash inflow from operating activities	6.3.1	794	2,326
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(29,887)	(9,600)
Proceeds from sale of infrastructure, property, plant and equipment	4.1.5	271	4,543
Payments for intangible assets	4.2	(388)	(525)
Net cash outflow from investing activities		(30,004)	(5,582)
Cash flows from financing activities			
Proceeds from new borrowings (i)		18,350	2,600
Repayment of existing borrowings		(5,900)	(6,100)
Principal element of lease liability		(146)	(191)
Proceeds from contributions by State Government in its capacity as owner	9.1.1	11,400	4,800
Net cash inflow from financing activities		23,704	1,109
Net increase in cash and cash equivalents		(5,506)	(2,147)
Cash and cash equivalents at the beginning of the financial year		19,865	22,012
Cash and cash equivalents at the end of the financial year	6.3	14,359	19,865

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

(i) \$5.25m of the new borrowings was applied to repay maturing loans of \$5.25m at 30 June 2023

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 2023. 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 XX September 2023.

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
- estimating discount rate when not implicit in the lease, refer note 6.2

Compliance information

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

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

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

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

2.1 Revenue from contracts with customers

	Notes		
Revenue from service and usage charges	2.1.1	33,278	31,131
Total revenue from contracts with customers		<u>33,278</u>	<u>31,131</u>
2.1.1 Revenue from service and usage charges			
<u>Service charges</u>			
<i>Fixed charges</i>			
<i>Water service charges</i>			
Irrigation, diversion and groundwater		24,917	23,716
Recycled water		1,282	1,118
Storage operator charges		4,967	4,764
<i>Other charges</i>			
Bore construction, application fees, transfer fees and information statements		839	847
		<u>32,005</u>	<u>30,445</u>
<u>Water usage charges</u>			
<i>Variable usage charges</i>			
Irrigation, diversion and groundwater		1,221	677
Recycled water		52	9
		<u>1,273</u>	<u>686</u>
Total revenue from service and usage charges		<u>33,278</u>	<u>31,131</u>

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	1,148	324
Total chargeable works	<u>1,148</u>	<u>324</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.

	2022-2023 \$'000	2021-2022 \$'000
2.3 Government grants and contributions	Funds received	Income recognised
Operating	2022-2023	Income recognised
State Government	\$'000	
<u>AASB 15 revenue recognition</u>		
Emergency water supply points program +	0	226
Southern Victoria irrigation development feasibility study phase 3 +	0	0
Working for Victoria +	0	0
Water market transparency in Southern Victoria +	0	122
MID2030 Phase 2 building works governance +	0	135
SVID Phase 2 Avon irrigation district +	0	103
SVID Phase 2 Latrobe irrigation district +	0	1
Mitchell River Review +	65	1
Water Knowledge and Information for the Southwest Water +	5	30
Emergency Water Supply Point Project	0	210
Macalister Fresh Business Case and Project Development	0	20
Traditional Owner Licence Application Support	0	11
Latrobe Reserve Review Implementation Funding Agreement	0	39
Place of Take Implementation 2022 Southern Rural Water POT	10	42
South West Limestone Social Research	50	0
Roslynne Reservoir Outlet Upgrade	100	0
EWSP Improvement Project	600	0
Flood Gauge & National Flood Warning Gap Analysis	0	13
2021 Storm Damage	0	107
Total government grants and contributions	830	1,060
Non-operating		
State Government		
<u>AASB 1058 revenue recognition</u>		
Blue Rock all-abilities playground *	0	0
MID2030 Phase 2 *	0	0
2021 Storm Damage	0	81
Total government grants and contributions	0	81

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

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

The Corporation has determined that all grant income is recognised as income of not-for-profit entities in accordance with AASB 1058, except for grants that are enforceable and with sufficiently specific performance obligations and accounted for as revenue from contracts with customers in accordance with AASB 15. Income from grants that are enforceable and with sufficiently specific performance obligations are accounted for as revenue from contracts with customers. This is recognised based on the consideration specified in the funding agreement and to 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).

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

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

3.1 Expenses incurred in delivery of services

	Notes		
Employee benefits in the Comprehensive Operating Statement	3.1.1	18,742	17,814
Repairs and maintenance	3.2	1,282	1,499
Bulk water	3.3	1,212	954
Supplies and services	3.4	9,949	8,256
Total expenses incurred in delivery of services		31,185	28,523

3.1.1 Employee benefits in the Comprehensive Operating Statement

Employee benefits			
- salaries and wages		13,261	12,923
- annual leave		1,201	1,158
- long service leave		410	265
- employer superannuation contribution		1,823	1,599
- payroll tax		922	884
- termination benefit		36	0
- other		1,089	985
Total employee benefit costs		18,742	17,814

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.

2022-2023
\$'000

2021-2022
\$'000

3.1.2 Employee benefits - Balance Sheet

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

Current provisions:

Annual leave

Unconditional and expected to settle within 12 months	993	968
Unconditional and expected to settle after 12 months	614	773

Long service leave

Unconditional and expected to settle within 12 months	1,669	1,864
Unconditional and expected to settle after 12 months	566	454

Provisions for on-costs

Unconditional and expected to settle within 12 months	517	523
Unconditional and expected to settle after 12 months	229	226

Total current provisions for employer benefits

4,588	4,808
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Non-current provisions

Long service leave	387	418
On-costs	75	77

Total non-current provisions for employee benefits

462	495
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Total provisions for employee benefits

5,050	5,303
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Reconciliation of movement in on-cost provision

Opening balance	826	844
Additional provisions recognised	-5	-18
Closing balance	821	826
Current	746	749
Non-current	75	77
	821	826

Wages and salaries, annual leave

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.

The components of this 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.

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

The Corporation makes the largest of its employee superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (Vision Super). The fund has two categories of membership, accumulation and defined benefit, both are funded differently. Obligations for contributions to the fund are recognised as an expense in the Comprehensive Operating Statement when they are made or become due.

The Corporation contributes in respect of its employees to the following superannuation schemes. Contributions by the Corporation (excluding any unfunded liability payments) to the superannuation plans for the financial year ended 30 June 2023 are detailed below:

		2022-2023 \$'000	Contribution rate	2021-2022 \$'000	Contribution rate
Accumulation schemes:					
(a)	Vision Super	942	10.50%	860	10.00%
(b)	Other superannuation schemes	1,279	10.50%	1,066	10.00%
Defined benefit schemes:					
(c)	Government Superannuation Office - New Scheme	19	5.9% - 9.1%	26	9.5% - 20.2%
		<u>2,240</u>		<u>1,952</u>	

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2023.

Accumulation (items a - b)

Contributions to the accumulation plans are expensed as the contributions are paid or become payable. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2023, this was 10.5% as required under Superannuation Guarantee (SG) legislation).

Defined benefit (item c)

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

Funding arrangements

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

A triennial actuarial investigation is currently underway for the Defined Benefit category which is expected to be completed by 31 December 2023. The Corporation was notified of the 30 June 2023 VBI during August 2023 (2022: August 2022).

The financial assumptions used to calculate the June 2023 VBI were:

Net investment returns 5.7% pa
Salary information 3.5% pa
Price inflation (CPI) 2.8% pa

As at 30 June 2022, 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 102.2%. The financial assumptions used to calculate the VBI were:

Net investment returns [5.65% pa]
Salary information [2.5% pa] for two years and
[3.5% pa] thereafter
Price inflation (CPI) [3.0% pa.]

As at 30 June 2023, an interim actuarial investigation is underway as the Fund provides lifetime pensions in the Defined Benefit category. Vision Super has advised that the estimated VBI at 30 June 2023 was 104.1% (2022:102.2%).

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2022 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.

The Corporation was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021)

Vision Super has advised that the estimated VBI at June 2023 was 104.1%.

3.1.3 Superannuation (continued)

Employer contributions

Regular contributions

On the basis of the results of the 2020 triennial actuarial investigation conducted by the Fund Actuary, the Corporation makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2023, this rate was 10.5% of members' salaries (10% in 2021-22). 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 2022 interim 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% 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 Southern Rural Water) are required to make an employer contribution to cover the shortfall. Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

The 2022 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Southern Rural Water 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 2022 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:

	2022 (Interim) \$m	2021 (Interim) \$m
• A VBI surplus	\$44.6	\$214.7
• A total service liability surplus	\$105.8	\$270.3
• A discounted accrued benefits surplus	\$111.9	\$285.2

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 2022.

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 2022.

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 2022.

The 2023 triennial actuarial investigation

A triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2023. It is anticipated that this actuarial investigation will be completed by 31 December 2023. The financial assumptions for the purposes of this investigation are:

	2023 Triennial investigation	2020 Triennial investigation
• Net investment return	5.7% pa	5.6% pa
• Salary inflation	3.5% pa	2.5% pa
		for the first two years and 2.75% pa thereafter
• Price Inflation	2.8% pa	2.0% pa

	2022-2023 \$'000	2021-2022 \$'000
3.2 Repairs and maintenance		
Repairs and maintenance	1,282	1,499
Total repairs and maintenance	<u>1,282</u>	<u>1,499</u>

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

3.3 Bulk water

Recycled water	1,212	954
Total bulk water	<u>1,212</u>	<u>954</u>

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

3.4 Supplies and services

Supplies and services

- Insurance	779	662
- Motor vehicle operating costs	828	683
- Professional services	1,971	2,032
- Telecommunications	309	322
- Computer software maintenance	794	709
- Utilities	243	251
- Regulatory fees	222	58
- Training	229	201
- Project works not capitalised	2,026	857
- Other services	2,548	2,481
Total supplies and services	<u>9,949</u>	<u>8,256</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 2023

	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 2022	33,135	1,380,592	1,317	664	1,716	5,422	9,006	1,431,852
Additions - new assets	0	0	0	583	630	0	38,069	39,282
Transfers	0	1,476	469	0	0	66	(2,011)	0
Revaluation	0	184,064	0	0	0	586	0	184,650
Disposals	0	(48)	(8)	0	(138)	0	0	(194)
Depreciation of regulatory asset base	0	(4,568)	(410)	(136)	(400)	(253)	0	(5,767)
Depreciation of other assets	0	(10,652)	0	0	0	0	0	(10,652)
At 30 June 2023	33,135	1,550,864	1,368	1,111	1,808	5,821	45,064	1,639,171
Gross carrying amount	33,135	1,581,113	6,628	2,188	3,899	6,329	45,064	1,678,356
Accumulated depreciation	0	(30,249)	(5,260)	(1,077)	(2,091)	(508)	0	(39,185)
Net carrying amount at 30 June 2023	33,135	1,550,864	1,368	1,111	1,808	5,821	45,064	1,639,171

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
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)
At 30 June 2022	33,135	1,380,592	1,317	664	1,716	5,422	9,006	1,431,852
At 1 July 2021	28,032	1,384,316	5,874	1,853	3,927	5,556	12,817	1,442,375
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
At 30 June 2022	33,135	1,395,622	6,186	1,759	3,660	5,677	9,006	1,455,045
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	33,135	1,380,592	1,317	664	1,716	5,422	9,006	1,431,852

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 (2022: \$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 6.2.1.

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 7.3.2 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 103I Non-Financial Physical Assets (FRD 103).

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 103. 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 rising interest rates and increased construction costs have caused. The valuer has advised that the current market environment, 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.

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	271	498
Gain on lease termination	35	0
Written down value of disposed infrastructure, property, plant and equipment	(194)	(212)
Net gain on disposal of assets	112	286

4.2 Intangible assets

	Software \$'000	Water allocation \$'000	Implementation in progress \$'000	Total \$'000
Year ended 30 June 2023				
At 1 July 2022	758	184	999	1,941
Additions	0	0	389	389
Transfer	767	0	(767)	0
Assets written off	0	(56)	0	(56)
Amortisation	(361)	0	0	(361)
At 30 June 2023	1,164	128	621	1,913
At 1 July 2022				
Cost (gross carrying amount)	9,172	256	999	10,427
Accumulated amortisation	(8,414)	(72)	0	(8,486)
Net carrying amount	758	184	999	1,941
At 30 June 2023				
Cost (gross carrying amount)	9,811	256	621	10,688
Accumulated amortisation	(8,647)	(128)	0	(8,775)
Net carrying amount	1,164	128	621	1,913
Year ended 30 June 2022				
At 1 July 2021	930	208	488	1,626
Additions	0	0	525	525
Transfer	14	0	(14)	0
Assets written off	0	(24)	0	(24)
Amortisation	(186)	0	0	(186)
At 30 June 2022	758	184	999	1,941
At 1 July 2021				
Cost (gross carrying amount)	9,158	256	488	9,902
Accumulated amortisation	(8,228)	(48)	0	(8,276)
Net carrying amount	930	208	488	1,626
At 30 June 2022				
Cost (gross carrying amount)	9,172	256	999	10,427
Accumulated amortisation	(8,414)	(72)	0	(8,486)
Net carrying amount	758	184	999	1,941

Recognition and measurement

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

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

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

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

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

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

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

Water allocation

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

*Amortisation**Charge for the period*

- Software

361

186

Total amortisation361186

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

56

24

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-offs5624

2022-2023
\$'000

2021-2022
\$'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

5,595
(95)

7,292
(95)

Statutory

GST Input tax credit receivables

1,092

208

Total current receivables

6,592

7,405

Total receivables

6,592

7,405

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

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

5.1.1 Impairment of contractual receivables

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

On that basis, the loss allowance as at 30 June 2023 was determined as follows for trade receivables:

30 June 2023	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%	2%
Gross carrying amount-service and usage charges (\$'000)	670	398	87	4,440	5,595
Loss allowance (\$'000)	0	0	0	95	95
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

Receivables from service and usage charges are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on receivables are presented in other expenses within the Comprehensive Operating Statement.

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

No interest is charged for the first 28 days from the invoice date. Thereafter, interest is charged at 5.3 per cent on the outstanding balance. The average credit period for sales of goods / services and for other receivables is 28 days. There are no material financial assets that are individually determined to be impaired.

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

5.2 Contract assets

Current contract asset relating to:

Accrued revenue

3,422

1,299

Loss allowance

0

0

Total contract assets

3,422

1,299

Contract assets relating to service and usage charges:

Accrued revenue

Accrued revenue is recognised for water usage as well as other works and services that have been provided to customers at balance date but not yet invoiced. Usage charges are all recognised as revenue when the service has been provided.

An accrual is done to account for water services provided for but not billed at the end of the reporting period.

Contract assets reconciliation

Opening balance 1 July

1,299

5,666

Less: Amounts billed during the year

(1,299)

(5,666)

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

3,422

1,299

Additional provisions (raised)/reversed

0

0

Carrying amount as at 30 June

3,422

1,299

2022-2023
\$'000

2021-2022
\$'000

5.3 Payables

Contractual

Trade creditors	12,548	2,915
Other advances for capital and other works	761	165

Statutory

Fringe Benefits Tax payable	(2)	45
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Total current payables

13,307 3,125

Total payables

13,307 3,125

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.

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
2023							
Supplies and services	13,309	13,309	13,196	113	0	0	0
Total	13,309	13,309	13,196	113	0	0	0
2022							
Supplies and services	3,080	3,080	2,939	141	0	0	0
Total	3,080	3,080	2,939	141	0	0	0

5.4 Contract liabilities

Contract Liabilities - Customers paid in advance	530	942
Unearned income - AASB 1058	0	0
Unearned income - AASB 15	3,328	3,599
Total contract liabilities	<u>3,858</u>	<u>4,541</u>

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	4,541	2,045
Add: Payments received for performance obligations yet to be completed during the period	530	969
Less: Revenue recognised in the reporting period for the completion of a performance obligation	(983)	(385)
<u>Unearned income - AASB 1058</u>		
Add: Revenue received during the year	0	81
Less: Revenue recognised during the year	0	(81)
<u>Unearned income - AASB 15</u>		
Opening balance transition adjustment	0	0
Add: Revenue received during the year	830	3,007
Less: Revenue recognised for performance obligations met during the year	(1,060)	(1,095)
Closing balance 30 June	<u>3,858</u>	<u>4,541</u>

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. Up until 30 June 2023, ZEW had requested and received a loan payment of \$5k. As this loan is concessional, it has been treated as an investment in ZEW.

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 ZEW, as follows:

	2022-2023	2021-2022
	\$'000	\$'000
Fair value of PPA derivative: Financial liability	10,208	5,755
Corporation share at 0.61%	62	35

2022-2023
\$'000

2021-2022
\$'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

	8,080	5,900
	<u>139</u>	<u>194</u>
Total current interest bearing liabilities	<u>8,219</u>	<u>6,094</u>

Non-current

Treasury Corporation of Victoria (TCV) - Unsecured
Lease liabilities

	62,870	52,600
	<u>403</u>	<u>846</u>
Total non-current interest bearing liabilities	<u>63,273</u>	<u>53,446</u>
Total interest bearing liabilities	<u>71,492</u>	<u>59,540</u>

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.

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.

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
2023						
Treasury Corporation of Victoria (TCV)	70,950	65,751	250	7,830	28,060	34,810
Lease liabilities	542	582	39	100	403	0
	71,492	66,333	289	7,930	28,463	34,810
2022						
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

6.1.2 Interest expense

Interest on loans from Treasury Corporation of Victoria (TCV)	1,217	1,179
Interest on leases under AASB 16	24	44
Financial accommodation levy	498	526
Total interest expense	1,739	1,749

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

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

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

6.2 Leases

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

The Corporation's leasing activities

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

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

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

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

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

Extension and termination options

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

Residual value guarantee

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

Critical judgements in determining the lease term

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

Definition of a lease

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

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

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

Separation of lease and non-lease components

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

Lease liabilities

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

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

6.2.1 Right-of-use-assets and lease liabilities

This note provides information for leases where the Corporation is a lessee. The Balance Sheet shows the following amounts relating to leases:

Right-of-use assets

Buildings

Carrying amount at beginning of year	943	1,240
Derecognition of right-of-use assets	(531)	(88)
Depreciation expense	66	(209)
Carrying amount at end of year	478	943

Cost	1,010	1,542
Less: Accumulated depreciation	(532)	(599)
Carrying amount at end of year	478	943

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)	150	209
Interest expense (included in finance cost)	24	44
Total	174	253

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	146	191
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	2022-2023 \$'000	2021-2022 \$'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	0	2
Cash at bank	3,677	370
Deposits at call	10,682	19,493
Balance as per cash flow statement	<u>14,359</u>	<u>19,865</u>
6.3.1 Reconciliation of net result for the period to cash flow from operating activities		
Net loss for the period after income tax	(10,955)	(11,781)
Non-cash movements:		
Depreciation and amortisation	16,935	16,596
Impairment/write-off	-	-
Gain on sale of fixed assets	(160)	(287)
Written down value of destroyed, lost or de-commissioned assets	104	24
Income tax revenue	(3,653)	(2,537)
Movements included in investing activities		
Decrease in contract assets - proceeds from sale of infrastructure, property, plant and equipment	-	(4,050)
Movements in assets and liabilities:		
Decrease/(Increase) in current receivables	812	(2,654)
Increase/(Decrease) in contract assets	(2,123)	4,367
Increase/(Decrease) in other current assets	(13)	(133)
Decrease in provision for employee benefits	(252)	(197)
Decrease/(Increase) in contract liabilities	(683)	2,496
Increase in payables	782	481
Net cash flows from operating activities	<u>794</u>	<u>2,325</u>
6.3.2 Financing facilities		
Unsecured loan facilities with various maturity dates through to 2022-23 and which may be extended by mutual agreement		
Amount used	70,950	58,500
Amount unused	150	16,100
Total	<u>71,100</u>	<u>74,600</u>

6.4 Commitments for expenditure

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

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

6.4.1 Total commitments payable

Nominal Amounts: 2023

	Less than 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Operating and lease commitments payable	2,329	7,776	2,595	12,700
Capital expenditure commitments payable	43,922	2,945	0	46,867
Environmental contribution levy commitments	530	0	0	530
Total commitments (inclusive of GST)	46,781	10,721	2,595	60,097
Less GST recoverable	4,205	975	236	5,416
Total commitments (exclusive of GST)	42,576	9,746	2,359	54,681

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
Total commitments (inclusive of GST)	5,765	6,981	5,668	18,414
Less GST recoverable	476	586	515	1,577
Total commitments (exclusive of GST)	5,289	6,395	5,153	16,837

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 financial instruments

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)	· Lease liabilities
	· Loans from Treasury Corporation of Victoria

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 instruments: Net holding gain on financial instruments by category

30 June 2023	Total interest Income/(expense) \$'000
Contractual Financial Assets	
Cash assets and deposits at call	305
Contractual Financial Liabilities	
Interest bearing liabilities	(1,739)
Total	(1,434)

30 June 2022	Total interest Income/(expense) \$'000
Contractual Financial Assets	
Cash assets and deposits at call	61
Contractual Financial Liabilities	
Interest bearing liabilities	(1,749)
Total	(1,688)

7.1.3 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 2022, the Corporation held a Financial Accommodation approval for the 2022-23 financial year for \$71.1m of borrowings (1 July 2021 \$74.6m 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 2022-23 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 as cash and deposit assets are held with triple-A credit rating government agencies or financial institutions.

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 2023, the Corporation has no other significant credit risk. There has been no material change to the Corporation's credit risk profile in 2022-23.

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 2023, 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 2023, the Corporation had not accessed \$3.5m (2021: \$16.1m) 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 -0.5% 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 2023	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 %	
						Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
Contractual Financial Assets									
Cash assets and deposits at call	14,359	2.12%	14,359	0	0	144	144	(144)	(144)
Receivables	5,500		0	0	5,500	0	0	0	0
	19,859		14,359	0	5,500	144	144	(144)	(144)
Contractual Financial Liabilities									
Payables and accruals	12,548		0	0	12,548	0	0	0	0
Contact liabilities	3,858		0	0	3,858	0	0	0	0
Interest bearing liabilities	70,950	2.45%	0	70,950	0	0	0	0	0
Advances for capital and other works	761		0	0	761	0	0	0	0
	88,117		0	70,950	17,167	0	0	0	0
Total	(68,258)		14,359	(70,950)	(11,667)	144	144	(144)	(144)
30 June 2022	Carrying amount	Carrying amount			Interest rate risk sensitivity				
30 June 2022	Carrying amount	Weighted average interest rate %	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Plus 1 %		Minus 1 %	
						Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
Contractual Financial Assets									
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)
Contractual Financial Liabilities									
Payables and accruals	2,915		0	0	2,915	0	0	0	0
Contact liabilities	4,541		0	0	4,541	0	0	0	0
Interest bearing liabilities	58,500	2.99%	0	58,500	0	0	0	0	0
Advances for capital and other works	165		0	0	165	0	0	0	0
	66,121		0	58,500	7,621	0	0	0	0
Total	(39,059)		19,863	(58,500)	(422)	199	199	(199)	(199)

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

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 2023 (2022: 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 2023	Fair value 30 June 2023	Carrying amount 30 June 2022	Fair value 30 June 2022
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and cash equivalents	14,359	14,359	19,865	19,865
Contractual receivables	5,500	5,500	7,197	7,197
Total of financial assets at fair value	19,859	19,859	27,062	27,062
Financial Liabilities				
Lease liabilities	542	542	1,040	1,040
Loans from TCV	70,950	65,751	58,500	53,517
Total of financial liabilities at fair value	71,492	66,293	59,540	54,557

7.3.2 Fair value determination - Non-financial physical assets
Fair value measurement hierarchy for assets as at 30 June 2023

	Carrying amount 30 June 2023	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
Total of land at fair value	33,135	0	3,251	29,884
Buildings at fair value				
Non-specialised buildings	5,821	0	0	5,821
Total of buildings at fair value	5,821	0	0	5,821
Water infrastructure at fair value				
Reservoirs and weirs	867,953	0	0	867,953
Tunnels	56,581	0	0	56,581
Irrigation channels and pipes	280,182	0	0	280,182
Irrigation drains	57,511	0	0	57,511
Irrigation structures, meters and pumps	288,637	0	0	288,637
Total of water infrastructure at fair value	1,550,864	0	0	1,550,864
Machinery, fittings and equipment at fair value				
Machinery and tools	287	0	0	287
Computer equipment	802	0	0	802
Furniture and fittings	279	0	0	279
Total of machinery, fittings and equipment at fair value	1,368	0	0	1,368
Motor vehicles and plant at fair value				
Motor vehicles	1,808	0	0	1,808
Plant	1,111	0	0	1,111
Total of motor vehicles and plant at fair value	2,919	0	0	2,919

Fair value measurement hierarchy for assets as at 30 June 2022

	Carrying amount as at 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
Total of land at fair value	33,135	0	3,251	29,884
Buildings at fair value				
Non-specialised buildings	5,422	0	0	5,422
Total of buildings at fair value	5,422	0	0	5,422
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
Total of water infrastructure at fair value	1,380,592	0	0	1,380,592
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
Total of machinery, fittings and equipment at fair value	1,317	0	0	1,317
Motor vehicles and plant at fair value				
Motor vehicles	1,716	0	0	1,716
Plant	664	0	0	664
Total of motor vehicles and plant at fair value	2,380	0	0	2,380

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 2023.

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.

inputs and adjustments.

Fair value assessments

The Corporation conducted fair value assessments at 30 June 2023 of all asset classes, with material movements identified since the 2021 valuations and a managerial revaluation undertaken as 30 June 2023 for the following categories:

	Indices	Managerial Revaluation \$'m	Source	Index
Infrastructure	13.6%	184	Australian Bureau of Statistics	Producer price index
Buildings	11.6%	0.59	Valuer General Victoria	General Building Indices

Consistent with FRD103, the managerial revaluation was calculated using indices recommended by Valuer General Victoria.

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 2023

Asset type	Opening balance	Additions	Transfers	Disposals	Depreciation	Impairment/write-off	Revaluation	Closing balance
Specialised land	29,884	0	0	0	0	0	0	29,884
Non-specialised buildings	5,422	0	66	0	(253)	0	586	5,821
Reservoirs and weirs	768,036	0	452	(7)	(3,730)	0	103,201	867,953
Tunnels	49,901	0	0	0	(87)	0	6,767	56,581
Irrigation channels and pipes	250,606	0	136	0	(4,050)	0	33,489	280,182
Irrigation drains	50,926	0	(3)	0	(290)	0	6,878	57,511
Irrigation structures, meters and pumps	261,122	0	891	(41)	(7,065)	0	33,730	288,637
Machinery and tools	325	0	52	0	(89)	0	0	288
Computer equipment	648	0	410	(8)	(248)	0	0	802
Furniture and fittings	344	0	7	0	(72)	0	0	279
Motor vehicles	1,716	0	630	(138)	(400)	0	0	1,808
Plant	664	0	583	0	(136)	0	0	1,111

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	24,871	0	0	0	0	0	5,013	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

2022-2023
\$'000

2021-2022
\$'000

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% (2022: 25%), 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.

Income statement

Current tax	0	0
Movement in deferred tax	(3,652)	(2,537)
	<u>(3,652)</u>	<u>(2,537)</u>

Tax reconciliation

Net result before income tax	<u>(14,607)</u>	<u>(14,318)</u>
Tax at the Australian tax rate of 25% (2022: 25%)	(3,652)	(3,580)
Tax effect of amounts which are not assessable/deductible (taxable) in calculating taxable income		
Adjustment in respect of income tax of previous year	0	(49)
Reduction in opening deferred taxes resulting from reduction in tax rate	0	1,092
Income tax revenue	<u>(3,652)</u>	<u>(2,537)</u>
Income tax recognised in Other Comprehensive Income		
Reduction in opening deferred taxes resulting from:		
Reduction in tax rate	0	(9,251)
Land assets not taxable	0	(6,521)
Income tax revenue (expense) recognised in Other Comprehensive Income at the Australian tax rate of 25% (2022: 25%)	<u>0</u>	<u>(15,772)</u>

2022-2023
\$'000

2021-2022
\$'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	1,263	1,318
Deferred revenue	798	247
Leases	(35)	42
Benefit of carry forward tax losses	96,253	95,798
	98,279	97,405
Offset against deferred tax liabilities	(98,279)	(97,405)
	0	0

Deferred tax liabilities

The balance comprises temporary differences attributable to:

Cumulative depreciation and amortisation	63,688	66,466
Net gain on revaluation of infrastructure, property, plant and equipment	277,394	240,482
Reduction in opening deferred taxes resulting from reduction in tax rate	0	(9,251)
Offset from deferred tax assets	(98,279)	(97,405)
	242,803	200,292

Movement in deferred tax liabilities

Carrying amount 1 July	200,292	218,601
Prior period error	0	0
Debited to other comprehensive income	46,163	(15,772)
Debited to the net result	(3,652)	(2,537)
	242,803	200,292

8.2 Environmental contribution

Environmental contribution levy

	530	530
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The *Water Industry (Environmental Contributions) Act 2004* (the Act) amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water authorities. The Act establishes an obligation for authorities to pay into a consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each Corporation. The contribution period has been extended until 30 June 2024.

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

The Corporation has a statutory obligation to pay an environmental contribution to the Department of Energy, Environment and Climate Action. 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.

2022-2023
\$'000

2021-2022
\$'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	481,060	476,260
Capital transactions with the State Government in its capacity as owner arising from:		
Contribution - Macalister Irrigation System (MID2030 Phase 2 project)	10,000	4,800
Contribution - Werribee Irrigation System (Modernisation project)	1,400	0
Balance 30 June	492,460	481,060

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

	2022-2023			
	Land \$'000	Buildings \$'000	Water Infrastructure \$'000	Total \$'000
Asset revaluation reserve	28,473	2,455	691,339	722,267
Increase in opening asset revaluation reserve resulting from reduction in tax rate	0	0	0	0
Revaluation increment on non-current assets	0	0	184,650	184,650
Revaluation increment - tax (at 25%)	0	0	(46,163)	(46,163)
Closing balance	28,473	2,455	829,826	860,754

	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

9.1.3 Accumulated deficit

Accumulated deficit at beginning of reporting period	(12,210)	(429)
Adjustment to opening balance on adoption of new accounting standards	0	0
Net result for the period	(10,955)	(11,781)
Accumulated deficit at end of reporting period	(23,165)	(12,210)

9.2 Events occurring after the balance date

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

9.3 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period, as required by AASB 124 Related Party Disclosures. The responsible Ministers during the 2022-23 reporting period was the Hon Harriet Shing MP, Minister for Water since June 2022.

Remuneration paid to the responsible Ministers is shown in the State Annual Financial Report. 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 2022-23 reporting period
Members of Corporation Board:		
Ms J Butterworth-Gray	Chairman	1 July 2022 to 30 June 2023
Mr M Malouf AM	Deputy Chairman	1 July 2021 to 19 March 2023
Ms N Cleary	Deputy Chairman since 20th March 2023	1 July 2022 to 30 June 2023
Ms M McCrum	Director	1 July 2022 to 30 June 2023
Ms K Steel	Director	1 July 2022 to 30 June 2023
Mr C Edwards	Director	1 July 2022 to 30 June 2023
Mr M Darras	Director	1 July 2022 to 30 June 2023
Ms J Doolan	Director	1 July 2022 to 30 June 2023
Mr C FitzGerald	Managing Director and Accountable Officer	1 July 2022 to 30 June 2023

Mr S Wrigglesworth acted in the position of Managing Director and Accountable Officer from 16 January 2023 to 27 January 2023.

Mr S Wilkinson acted in the position of Managing Director and Accountable Officer from 28 December 2022 to 13 January 2023.

Mrs Elisa Hunter acted in the position of Managing Director and Accountable Officer from 01 July 2022 to 08 July 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: \$650,000– \$659,999 (\$610,000 – \$619,999 in 2021-22).

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	1,423	1,179
Post-employment benefits	143	113
Other long-term benefits	43	24
Total remuneration	<u>1,609</u>	<u>1,316</u>
Total number of executives	<u>7</u>	<u>6</u>
Total annualised employee equivalents	<u>6.7</u>	<u>5.8</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 Department of Parliamentary Services' Financial Report.

Compensation of KMPs

Short-term employee benefits	587	562
Post-employment benefits	56	52
Other long-term benefits	9	8
Total	<u>652</u>	<u>622</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 \$30.77 million (2022: \$10.44 million) and made payments of \$8.15 million (2022: \$8.35 million) with the following government-related entities:

Government-related entity receipts

Entity name	Brief description of main activity		
Department of Energy, Environment and Climate Action	Contributed capital funding in relation to modernisation of irrigation districts (refer Notes 9.1.1 and 2.3)	11,400	4,800
Department of Energy, Environment and Climate Action	Grant funding in relation to various projects (refer Note 2.3)	830	81
Treasury Corporation of Victoria	Loan accommodation funding in relation to the Corporation's capital expenditure requirements (refer Note 6.1)	18,350	2,600
Zero Emissions Water	Promote energy and emissions reduction initiatives to reduce carbon emissions	10	4
Total		<u>30,590</u>	<u>7,485</u>

Government-related entity receivables

Entity name	Brief description of main activity		
Victorian Environmental Water Holder	Water Share Fees - Werribee	0	121
Department of Energy, Environment and Climate Action	Bore Construction Licence revenue	180	102
Total		<u>180</u>	<u>223</u>

		2022-2023 \$'000	2021-2022 \$'000
Government-related entity payments			
Entity name	Brief description of main activity		
Treasury Corporation of Victoria	Repayments of loan accommodation in relation to the Corporation's capital expenditure	5,900	6,100
Treasury Corporation of Victoria	Payments of interest on loan accommodation funding (refer Note 6.1.2)	1,216	1,179
Department of Energy, Environment and Climate Action	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)	498	526
Zero Emissions Water	Promote energy and emissions reduction initiatives to reduce carbon emissions	5	10
Total		<u>8,149</u>	<u>8,345</u>

Government-related entity payables

Entity name	Brief description of main activity		
Treasury Corporation of Victoria	Accrued interest on loan accommodation funding (refer Note 6.1.2)	75	101
Department of Treasury and Finance	Accrued payments of financial accommodation levy (refer Note 6.1.2)	120	125
Department of Energy, Environment and Climate Action	Accrued payments of groundwater monitoring activities	0	0
Total		<u>195</u>	<u>226</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	53	56
Total remuneration of auditors	<u>53</u>	<u>56</u>

9.7 Ex-gratia expense

Compensation	0	0
Total ex gratia expense	<u>0</u>	<u>0</u>

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 2023 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 2022-6 <i>Non-current Liabilities with Covenants</i>	Requires a liability be classified as a non-current liability if at the end of the reporting period the entity has a right to defer settlement of the liability for at least twelve months after the reporting period.	1 January 2024	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 2022-23 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 17 <i>Insurance Contracts</i> . AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</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 2022-1: <i>Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 Comparative Information</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 2023 and the financial position of the Corporation as at 30 June 2023.

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 xx September 2023.



Ms Joanne Butterworth-Gray
Chairman
Gippsland and Southern Rural Water Corporation
Dated on 19 October 2023



Mr Stuart Wigglesworth
Chief Financial Officer
Gippsland and Southern Rural Water Corporation
Dated on 19 October 2023



Mr Cameron FitzGerald
Managing Director
Gippsland and Southern Rural Water Corporation
Dated on 19 October 2023

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 2023
- 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 2023 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.

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
24 October 2023



Paul Martin
as delegate for the Auditor-General of Victoria

PERFORMANCE REPORT

Changes resulting from Ministerial Reporting Direction 7 (MRD07): Performance and Financial Sustainability

The Performance Report for the 2022-23 financial year compared to prior years reflects updated requirements under Ministerial Reporting Direction 7 (MRD07): Performance and Financial Sustainability, which has resulted in the environmental performance indicator E2 – Total net CO2 emissions (Net tonnes CO2 equivalent) being removed.

KPI Number		2021-22 Result	2022-23 Result	2022-23 Target	% Variance to prior year	Notes	% Variance to target	Notes
	Key Performance Indicator							
F1	Cash Interest Cover							
	Net operating cash flows before net interest and tax	times	2.5	1.5	2.6	-40.0%	-42.3%	6
	Net interest payments							
F2	Gearing Ratio							
	Total Debt (including Finance Leases)	x 100	4.0%	4.3%	4.3%	6.5%	0.0%	
	Total assets							
F3	Internal Financing Ratio							
	Net operating cash flow	x 100	41.7%	2.6%	7.2%	-93.6%	-63.2%	7
	Net capital expenditure							
F4	Current Ratio							
	Current assets	times	2.3	1.0	0.4	-56.5%	138.2%	8
	Current liabilities (excluding long-term employee provisions and revenue in advance)							
F5	Return on Assets							
	Earnings before net interest and tax	x 100	-0.9%	-0.9%	-0.7%	0.0%	-25.0%	9
	Average assets							
F6	Return on Equity							
	Net profit after tax	x 100	-1.0%	-0.9%	-1.2%	12.7%	27.6%	10
	Average total equity							
F7	EBITDA Margin							
	Earnings Before Interest, Tax, Depreciation and Amortisation	x 100	10.2%	8.7%	6.2%	14.3%	40.9%	11
	Total revenue							

Notes:

Significant variances to prior year

1. Cash Interest Cover

A deterioration of 40.0% has resulted from a reduction in the value of grant receipts in 2022-23 of \$2.1m

Remedial action for the deterioration to Cash Interest Cover:

The factor influencing the change to the Cash Interest Cover is caused by the timing of grant cash receipts. No remedial action is proposed by SRW.

2. Internal Financing Ratio

A deterioration of 93.6% since June 2022 has resulted from:

- a reduction in the value of grant receipts of \$2.1m offset by:
- a significant increase in capital project expenditure

Remedial action for the deterioration to the Internal Financing Ratio:

The factors influencing the change to the Internal Financing Ratio is caused by the timing of grant cash receipts and the planned significant increase in capital expenditure in 2022-23. No remedial action is proposed by SRW.

3. Current Ratio

A deterioration of 56.5% since 2021-22 has resulted from impacts of the modernisation projects.

- lower advanced funds held as cash at the end of 2022-23 (\$5.5m)
- higher amount of unpaid works in payables of \$8.6m due to the large program of modernisation expenditure which occurred in June 2023.

Remedial action for the deterioration to Current Ratio:

The factors influencing the change to the Current Ratio is caused by the timing of large and planned modernisation works during the winter 2023. No remedial action is proposed by SRW given the one-off nature of this expenditure.

4. Return on Equity

An improvement of 12.7% has resulted from an increase in equity from asset revaluations of \$184m and an increase in capital contributions of \$11.4m.

Remedial action for the deterioration to Return on Equity:

The factor causing the change to the Return on Equity Ratio is caused by the managerial revaluation of water infrastructure assets and no remedial action is proposed by management as this non-cash transaction does affect the underlying financial position of the corporation.

5. EBITDA Margin

A deterioration of 14.3% since 2021-22 has resulted from the increase in revenue not being matched by higher earnings due to higher costs mostly attributed to project costs not capitalised (\$2.0m), chargeable works (\$0.8m) and higher operating costs (\$0.6m).

Remedial action for the deterioration to EBITDA Margin:

Noting that many of the factors which led to a decrease in EBITDA Margin in 2022-23 are one-off in nature, the Corporation has put in place actions for 2023-24 to maintain the operating cost base to the level expenditure set by the 2023-24 Corporate Plan.

Significant variances to target

The 2022-23 target is derived from the 2022-23 Corporate Plan of the Corporation.

6. Cash Interest Cover

A deterioration of 42.3% has resulted from lower 2022-23 net operating cashflows before net interest and tax from:

- cash surplus deterioration as planned water entitlement sales did not occur (\$2.5m), project costs not capitalised included as payments to suppliers (\$2m), and cost increases caused by activities to complete the 2023 price submission, flood costs in 2022 and inflationary factors such as insurance premium increases and energy costs (\$0.6m) offset by
- change to working capital since budget assumptions (\$1.5m)
- lower net interest costs due to less average debt over period and lower interest rates than forecast have also contributed as an offset to this deterioration.

Remedial action for the deterioration to Cash Interest Cover:

The Corporation has put in place actions for 2023-24 to achieve revenue and to maintain the operating cost base to the levels set by the 2023-24 Corporate Plan.

7. Internal Financing Ratio

A deterioration of 63.2% has resulted from lower 2022-23 net operating cashflows from:

- cash surplus deterioration as planned water entitlement sales did not occur (\$2.5m), project costs not capitalised included as payments to suppliers (\$2m), and cost increases caused by activities to complete the 2023 price submission, flood costs in 2022 and inflationary factors such as insurance premium increases and energy costs (\$0.6m) offset by
- change to working capital since budget assumptions (\$1.5m)
- lower net interest costs due to less average debt over period and lower interest rates than forecast

These deteriorations were not offset by lower capital expenditure than planned for 2022-23 (\$19m).

Remedial action for the deterioration to Cash Interest Cover:

The Corporation has put in place actions for 2023-24 to achieve revenue targets and to maintain the operating cost base to the levels set by the 2023-24 Corporate Plan.

8. Current Ratio

An improvement of 138.2% to target has resulted from a significant increase to cash on hand at June 2023 due to advance receipt of modernisation funds and an increase in debt instruments in June 2023.

9. Return on Assets

A deterioration of 25.0% to target has resulted from a significant increase to fixed assets at June 2023 due primarily to the asset revaluations.

10. Return on Equity

An improvement of 27.6% has resulted from a \$3.1m decrease to Net loss after tax:

Improvements to the operating result from:

- lower depreciation (\$2m) from an update to asset lives and values from last VGV valuation (June 2021) and less capital expenditure than anticipated.
- less project expenditure charged to income statement of \$4m. Less water sales (\$2.5m) and higher costs (\$0.6m). Lower net interest (\$0.8m).
- Lower net interest (\$0.8m)

Offset by a deterioration to the operating result from less water sales (\$2.5m) and higher costs (\$0.6m), and an increase in the value of equity from revaluation (\$184m) and capital contributions \$11.4m).

11. EBITDA Margin

An improvement of 40.9% has resulted from a \$1.0m increase to EBITDA:

- Improvements to the operating result from less project expenditure charged to income statement of \$4m.
- Offset by a deterioration to the operating result from less water sales (\$2.5m) and higher costs (\$0.6m)

PERFORMANCE REPORT

WATER SERVICE PERFORMANCE INDICATORS		2021-22 Result	2022-23 Result	2022-23 Target	% Variance to prior year	Notes	% Variance to target	Notes
KPI Number	Key Performance Indicator							
WSR1/ C1.4	Rural water supply deliveries							
	<u>Number of orders delivered</u> x 100	89.7%	100.0%	95.0%	11.5%	1a	5.3%	1b
	Total number of orders							
C1.5	Applications completed within agreed timeframes							
	<u>Number of applications completed</u> x 100	87.2%	71.6%	90.0%	-17.9%	2a	-20.4%	2b
	Total number of applications							
WSR2	Unavailability of Domestic and Stock supply							
	Duration that domestic and stock service is unavailable in excess of on-property storage requirement/length of water season	N/A	N/A	N/A	N/A	3a	N/A	3b
WSR3	Groundwater supply							
	<u>Number of transfers processed within target period</u> x 100	90.0%	90.0%	90.0%	0.0%	4a	0.0%	4b
	Total number of transfers processed							

Notes:

1a. & 1b. The 2023 Season has been a relatively wet year. All valid orders confirmed were delivered to customers 100% of the time.

2a. We have started to see a decline in processing time and have finished the season below the target 90%, which is primarily due to the type and complexity of the applications received which varies from year to year. This year has seen the applications team under resourced due to illness and unplanned leave, along with addition workload above BAU applications.

2b. The target established in our Corporate Plan was based on the measure as defined in the Corporate Planning and Reporting Guidelines, which qualifies applications as being transfers of water shares. This qualification is not included in the Ministerial Reporting Direction under which this report is produced, and so our result includes all application types. Our performance for water share transfers was 100%.

3a. & 3b. This indicator is not applicable.

4a. & 4b. Groundwater transfers are minor category of applications. As such, the change in result from 2021-22 and from our target reflects only a small number of applications. Across all categories, we processed 90% of applications within target timeframes.

CUSTOMER RESPONSIVENESS PERFORMANCE INDICATORS		2021-22 Result	2022-23 Result	2022-23 Target	% Variance to prior year	Notes	% Variance to target	Notes
KPI Number	Key Performance Indicator							
CRR4	Billing Complaints							
	<u>Number of complaints per 1000 customers</u> number	0.0	0.0	0.0	0.0%	1a	0.0%	1b

Notes:

1a. & 1b. We had 0 billing complaints over the last three years,

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 202-23 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 2022-23 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 Buttenworth-Gray
Chairman
Gippsland and Southern Rural Water Corporation
Dated on 19 October 2023



Mr Stuart Wrigglesworth
Chief Financial Officer
Gippsland and Southern Rural Water Corporation
Dated on 19 October 2023



Mr Cameron FitzGerald
Managing Director
Gippsland and Southern Rural Water Corporation
Dated on 19 October 2023

Independent Auditor's Report

To the Board of the Gippsland and Southern Rural Water Corporation

Opinion	<p>I have audited the performance report of the Gippsland and Southern Rural Water Corporation (the corporation) for the year ended 30 June 2023, which comprises the:</p> <ul style="list-style-type: none"> • financial performance indicators • water service performance indicators • customer responsiveness performance indicators • statutory certification. <p>In my opinion, the performance report of the Gippsland and Southern Rural Water Corporation for the year ended 30 June 2023 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the <i>Financial Management Act 1994</i>.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Performance Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance report in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the performance report	<p>The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.</p>

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
24 October 2023



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

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	<i>Water Act 1989</i>	5

Appendix 2: 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
Climate change and energy Undertake activities and provide services that reduce exposure to climate risks, reduce greenhouse gas emissions, increase renewable energy use, adapt to climate change, and demonstrate reasonable progress in integrating climate change adaptation into planning and decision making across the business.	E1 Emissions reduction	Pages 52-65
	E2 Electricity Use	
	E3 Adaptation to climate change and variability	
Customer and community outcomes Ensure that all aspects of 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.	C2 Customer and community engagement	Pages 46-51
Deliver Water for Aboriginal cultural, spiritual, and economic values and support economic inclusion in the water sector Promote self-determination of Traditional Owners, including by supporting the Treaty process as required. Support the implementation of Water is Life: Traditional Owner Access to Water Roadmap by enabling increased access to water entitlements under current frameworks and increased cultural benefits from the way we store, deliver, and use water.	AC1 Supporting Aboriginal self determination	Page 6, 49
	AC2 Partnership with Traditional Owners	Page 36
	AC3 Aboriginal Inclusion/ Reconciliation Action Plan	Page 25
Recognise recreational values Support the wellbeing of communities by considering recreational values in water management.	Rec1 Recreational values	Page 51

<p>Resilient and liveable cities and towns</p> <p>Contribute to healthy communities by supporting safe, affordable, high-quality services and resilient, liveable environments, and recovery from emergency events that builds back with improved resilience against future risks.</p>	L1 Integrated Water Management	Page 56
	L4 Environmental Statutory Obligations	Pages 52-65
	L5 Sustainable Water Use	Pages 52-65
<p>Leadership and culture</p> <p>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, including requirements under the <i>Gender Equality Act 2020</i>.</p>	G1 Diversity and inclusion	Pages 25
	G2 Health and safety	Pages 28-29
<p>Performance and financial sustainability</p> <p>Improve efficiency and consistency in the reporting of performance while delivering safe and cost-effective water and wastewater services in a financially sustainable manner.</p>	PF1 Audited Statement of Performance	Pages 139-141
<p>Compliance and enforcement</p> <p>Apply a consistent, transparent, and risk-based approach to manage compliance and enforcement of the <i>Water Act 1989</i>.</p>	CE1 Apply an effective zero-tolerance approach to unauthorised take	Pages 36-39
	CE2 Demonstration of continuous improvement toward implementation of compliance and enforcement strategies, frameworks, and reporting.	

