



Gippsland  
Water

# Annual Report 2019-20



We acknowledge Traditional Custodians of the land on which we live and work. We pay respect to Elders past and present. We are committed to working respectfully to honour their ongoing cultural and spiritual connections to this country. We recognise the role and value of culture in our work and community.

**We cover areas of two traditional landowner groups:**

- **Gunaikurnai Land and Waters Aboriginal Corporation**
- **Bunurong Land Council Aboriginal Corporation**

Message from the Chair and Managing Director	2
About us	7
<b>Part 1</b> Key initiatives and projects	9
<b>Part 2</b> Delivering on our Minister's expectations	13
<b>Part 3</b> Our environment and community	25
<b>Part 4</b> Our environmental impact	32
<b>Part 5</b> Supporting our local economy	36
<b>Part 6</b> Managing our water resources	46
<b>Part 7</b> Governance	55
<b>Part 8</b> Year in review	73
<b>Part 9</b> Financial sustainability	76
<b>Part 10</b> Financial performance report	84
<b>Part 11</b> Disclosure index	163
Financial reporting index	163
Glossary	166
General index	169
Appendix	173



## Message from the Chair and Managing Director

We are pleased to present Gippsland Water's Annual Report for 2019-20.

Our primary focus these past 12 months has been on setting up our region with the water infrastructure, services and systems it needs to support future generations.

Several transformational projects were either commenced or completed; our connection with local communities was strengthened and our commitment to achieving better customer service outcomes enhanced.

However, the year has not been without its challenges.

In summer, the region neighboring us to the east was ravaged by bushfires. We responded by lending a hand to our colleagues at East Gippsland Water, both directly and through the Mutual Aid Coordination Cell, managed through South East Water. We provided both supplies and technical assistance to them.

We also played an important role in assisting families impacted by the fires, through our support of local charity, the Gippsland Emergency Relief Fund (GERF). Through an ongoing partnership, we provided media, marketing and communications support to GERF, helping them raise \$10.5 million for those who had lost or experienced severe damage to their homes or property. While our assets weren't threatened by this emergency, it did offer the opportunity for us to take away key learnings from these

bushfires, which we have begun to act on. This included the installation of sprinkler systems as part of new treatment plant fit-outs and retro-fitting existing ones.

Our experience with environmental challenges was not limited to nearby fires. For the first time in a decade, part of our operational area was placed under stage 2 water restrictions. After below-average rainfall for three winters in a row, the aquifer that services the township of Briagolong was at record low levels, requiring water restrictions. A large wet weather event the day before the restrictions were introduced meant the restrictions were only in place for this small rural community for a few weeks. Importantly, this event marked the beginning of an important community conversation which will continue into the next 12 months to explore long-term water security options for the town.

Our greatest challenge this year was one we shared with the rest of the country, and indeed the world, being the coronavirus (COVID-19) pandemic. Having invested time in business continuity planning and preparation earlier in the financial year, we were well-placed to respond through what was to become several months of disruption and ultimately, rapid technological change. Every part of our organisation

has risen to the challenge of continuing to maintain critical, safe and reliable water and wastewater services to our customers while keeping our employees and the community safe and doing our part to slow the spread.

Our employees' ability to adapt, and even thrive, in these testing circumstances is a testament to the strong culture we have built as we work towards workplace culture best practice. The results from our second biennial Organisational Culture Inventory survey, conducted in October, confirmed significant positive shift towards more constructive behavioral styles.

Most importantly, the survey results correlate with improved outcomes across the business. Achieving positive cultural shifts can be hard. It has required clear strategy, strong leadership and 'walking the talk'. The focus on strategy, structures, systems and process over the past two years has been the catalyst for this result, together with the executive team's focus on modelling the right behaviours.

Additionally, our strong safety culture and commitment to it being at the heart of what we do is reflected in our positive year-end safety performance results. Lead indicators met or exceeded targets with only one minor exception, and our performance against our safety key risk indicators was excellent. Our proactive





**Therese Ryan**  
Board Chair



**Sarah Cumming**  
Managing Director

employee reporting numbers continue to grow on previous years, reflecting our high levels of employee engagement.

This year, we made progress on several key projects. We delivered on the final phase of the Moe-Warragul interconnect pipeline, a decade-long transformational project which has enabled us to connect these two independent systems together to further enhance our overall system connectivity and resilience.

The \$55 million upgrade to our Drouin wastewater treatment plant commenced and is now well underway. This major investment will allow us to meet the demand of the town's increasing population until at least 2050, and will result in cleaner wastewater and greater safeguards for public health and environmental sustainability. Construction began in February 2020 and is scheduled to be completed in 2022-23.

We also completed a \$1 million upgrade of one of the region's most important economic infrastructure assets, replacing a key section of the Regional Outfall System underneath the Princes Highway at Flynn. On average, the system transports around 27ML

of treated wastewater to Dutson Downs every day. The treated wastewater is made up of domestic and industrial wastewater from the Latrobe Valley, which is treated at our Gippsland Water Factory, underpinning thousands of jobs including Australian Paper's Maryvale site.

We redoubled our efforts to engage effectively and meaningfully with our customers and community through the launch of our online engagement platform, Let's talk; delivery of the successful *Free drinking water here* campaign and community conversations on topics including the Morwell sewer vapour testing; Warragul CBD mains replacement; Warragul western ring main; Mirboo North rising main; Regional Outfall System Flynn upgrade; Drouin wastewater treatment plant; Moe ANZAC bridge and backflow prevention projects.

The positive impacts of our move towards more locally-focussed community engagement was evident in our quarterly customer satisfaction survey results, showing modest increases in customer trust towards our organisation.

We continued to develop our online services, with new

facilities introduced to make it easier for people to do business with us. Our customers can now view and pay their bills online, manage investment property accounts, and process time extensions for payments.

In these difficult times, we have further increased our focus on identifying customers experiencing financial hardship and providing them with necessary assistance. The number of customers taking part in our hardship program, either for part or the whole year, increased from 2,164 to 2,426. Of these customers, 261 entered our hardship program as a direct result of the impacts of the coronavirus pandemic.

Meanwhile, we continued to foster the important environmental stewardship role we play within the region. In winter 2019, we planted 92,000 native trees at our Dutson Downs property as part of our commitment to reducing our carbon emissions by 24 per cent by 2025. Another project helping us to reach this goal was the installation of more than 2,700 solar panels, with a total capacity of 1075kWp, to offset electricity consumption from the grid across five of our most energy-intensive sites.



## Message from the Chair and Managing Director **continued**

We continued to focus on workplace diversity and inclusion, creating employment pathways for local disadvantaged jobseekers in partnership with GROW Gippsland and local employment support agencies. We collaborated with the Fulham Correctional Centre to deliver a community engagement program that provided work experience to the centre's inmates at our Soil and Organic Recycling Facility. Providing pathways into our business for people within our community who experience barriers to employment remains important to us.

We continued to work in partnership with the Gunaikurnai Land and Waters Aboriginal Corporation to recognise Aboriginal cultural values and

economic inclusion in water management within our region. Together, we recruited an Aboriginal Water Officer to help us to determine the cultural values of the waterways within our operational area and assist us with the processes of assessing significant cultural sites on the land we manage.

We'd like to sincerely thank all of our people, contractors, stakeholders and Board for their hard work and support over the last 12 months. Together, we made it through significant challenges and have come out stronger on the other side. We look forward to facing whatever challenges lie in the year ahead and we continue our journey towards a healthier and sustainable Gippsland.



**Therese Ryan**  
Board Chair



**Sarah Cumming**  
Managing Director

## RESPONSIBLE BODY'S DECLARATION

In accordance with the *Financial Management Act 1994* (Vic), I am pleased to present the Central Gippsland Region Water Corporation's Annual Report for the year ending 30 June 2020.

A handwritten signature in black ink, consisting of a stylized 'T' followed by a large loop and a horizontal line extending to the right.

**Therese Ryan**

Board Chair

Central Gippsland Region Water Corporation

Dated 28 September 2020

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# Our vision and values

The Victorian Government's Water for Victoria plan sets expectations for a healthy environment, a prosperous economy with growing agricultural production, and thriving communities. Our vision, values, strategy and structure provide the means by which we can, for and on behalf of the Gippsland community, deliver on Water for Victoria.

## Our vision

We take pride in partnering with the community in providing quality water and waste services so we can enjoy a healthy and sustainable Gippsland for generations to come.

## Our values



### SAFETY AND WELLBEING

'Go home safe'

The safety and wellbeing of our employees and community is our priority. Always.



### CUSTOMER FOCUSED

'Customer first'

Customers are at the heart of everything we do.



### INNOVATION

'Clever solutions'

We challenge our thinking, learn and embrace change.



### ACCOUNTABILITY

'Make it happen'

We each take ownership and deliver on what we say.



### COLLABORATION

'Working together'

We work in partnership with our colleagues, customers, and stakeholders.



### INTEGRITY AND RESPECT

'Treat others as we wish to be treated'

We are transparent, honest, inclusive, and treat people fairly.



# About us

## We are the Central Gippsland Region Water Corporation and trade as Gippsland Water.

We are a regional water corporation in Victoria established under the *Water Act 1989* (Vic) and constituted on 21 December 1994. The Hon. Lisa Neville MP, Minister for Water, was the responsible minister from 1 July 2019 to 30 June 2020.

With 306 operational, engineering, financial, environmental and administrative employees, we are a major local employer for the region serving a population base of 147,000 people.

We deliver water to 71,963 households and businesses and wastewater services to 64,559 households and businesses in 43 towns. Our customers include major industries, some of which are of state and national significance.

Our operational area spans from Drouin in the west, to Loch Sport in the east, from Briagolong in the north, to Mirboo North in the south. This covers approximately

5,000 square kilometres in the municipalities of Latrobe City, Baw Baw, South Gippsland and Wellington Shires.

The way we treat water depends on where it is sourced. We take water from 13 different sources including aquifers, rivers, creeks and reservoirs. Our largest storage is Moondarra Reservoir, south of Erica, with a capacity of 30,458ML. We also take water from storages managed by Southern Rural Water (Blue Rock Lake and Lake Glenmaggie) and Melbourne Water (Tarago Reservoir).

### Other business

In addition to providing water and wastewater services, we have a number of commercial business interests comprising of an agricultural business and an organic waste management facility.

These businesses are an integral part of what we do and provide

benefit both to us, our customers, the region and the state.

Our agribusiness operations help us to both effectively manage and reuse treated wastewater and treated wastewater by-products. Our agribusiness operations include 12 farming sites producing a combination of beef, fodder crops, grains and plantation timber.

Our largest farm, Dutson Downs, is located 25 kilometres south-east of Sale and spans 8,341 hectares.

This is also where we operate our Soil and Organic Recycling Facility.

Primarily founded to process our internal waste streams and offset the costs of disposal, the facility transforms more than 200,000 tonnes of waste each year into valuable, nutrient-rich composts that are then used by farms and other horticultural enterprises right across Victoria.

### We own and maintain a \$1 billion infrastructure network which includes:



of water mains,  
**65** treated  
water storages and  
**48** water pump  
stations



of sewer mains  
and **199**  
sewer pump  
stations



water treatment  
plants



wastewater  
treatment plants  
including the  
Gippsland Water  
Factory



ocean outfalls  
(McGaurans Beach  
and Delray Beach)

## Our strategic priorities

Our strategic priorities represent the highest order initiatives we will focus on for the coming five-year period. They are reviewed and updated annually to inform our Corporate Plan, and are informed by engagement with our staff and Board as well as community input received through our ongoing engagement program. They deliver on our obligations as set out by the Victorian Government.

Our strategic priorities for 2019-24 were developed around the following six themes:



### Healthy people, healthy environment.

We are a leader in safety, public health and the environment to support a healthier community.



### Customer focussed.

We learn from our customers and deliver on our promises.



### Enabling our people.

Through a constructive culture, we are an engaged and empowered workforce capable of delivering on our priorities.



### Business sustainability.

We invest strategically and make evidence-based decisions that deliver value for money to secure our future.



### Strengthening relationships.

On behalf of our community we help shape the health and prosperity of the Gippsland region.



### Clever thinking.

We foster innovation and empower people to find and deliver efficiencies that transform our business.

# PART 1

## Key initiatives and projects

Our annual capital expenditure program reflects the commitments we made in our five-year price submission and assists us to deliver on our customer promises.

Priorities are determined based on alignment with the Victorian Government's *Water for Victoria* plan, asset condition reviews, regional development priorities and risk assessments.

Major capital projects are also prioritised based on their ability to provide increased efficiency to our network and operations.

## Key initiatives and projects

<b>Drouin</b>  <b>Wastewater treatment plant upgrade</b>  <b>\$55.1 million</b>	<p>Drouin's population is rapidly growing and we need to expand the capacity of the existing wastewater treatment plant to meet the town's needs.</p> <p>The \$55.1 million upgrade consists of a new treatment plant that will be constructed on the existing site near the lagoon system. The new plant will treat more wastewater to a higher quality, protecting the ecology of local waterways.</p> <p>Construction commenced in late February 2020 and is due to be completed by 2022-23.</p>
<b>Sale</b>  <b>Outfall sewer pump station</b>  <b>\$13.5 million</b>	<p>Construction continued on the new outfall sewer pump station in Foster Street, Sale. The \$13.5 million project will cater for the growth of Sale, Wurruk and Fulham and the design includes a facade and landscaping that will complement the adjacent tourist and recreational precinct of the Port of Sale.</p> <p>The new pump station will cater for future population growth by providing more capacity to cope with peak flows during wet weather events, and reduce the likelihood of odour.</p> <p>It is expected to be completed and operational in 2021.</p>

Key initiatives and projects **continued**

<b>Newborough</b>  <b>Basin liner and cover replacement</b>  <b>\$1.8 million</b>	<p>The Newborough basin is a 20ML storage within the Moe water supply system and is supplied directly from the Moe water treatment plant. It supplies water to Yallourn Power Station and almost 3000 residential customers in the Moe/Newborough area.</p> <p>The Newborough basin liner and cover was previously planned to be replaced in 2021-22, but due to the failure of the liner the replacement was brought forward to 2019-20.</p> <p>The \$1.8 million project was completed in November 2019 prior to the summer peak period.</p>
<b>Mirboo North</b>  <b>Water main replacement</b>  <b>\$2.9 million</b>	<p>We began construction on a new Mirboo North rising water main, which replaces its 74-year-old predecessor that ran along and under the Strzelecki Highway at Mirboo North.</p> <p>Construction to replace 4km of pipeline began in late 2019 and is scheduled to be completed by spring 2020. This \$2.9 million project is significant as it not only replaced an ageing pipeline, but the new route reduces potential disruptions on the Strzelecki Highway.</p>
<b>Warragul</b>  <b>Queen and Alfred Street water main replacement and Victoria Street rider main projects</b>  <b>\$1.6 million</b>	<p>Two water main projects were undertaken in the central business district of Warragul.</p> <p>The Queen and Alfred Street water main replacement involved the replacement of ageing mains with one section running under the railway line and the other section running under the Queen and Alfred Street intersection in Warragul.</p> <p>The Victoria Street rider main project involved removing existing connections from the 450mm distribution main that runs through the central business district and transferring them to a new 180mm main.</p> <p>Works were carried out at night to minimise impact on customers and businesses and for the safety of personnel working in a high traffic environment.</p> <p>This \$1.6 million project involved eight major connections and 12 shutdown connections to complete both pipelines.</p>
<b>Water main replacements and sewer main relining</b>  <b>\$2.5 million</b>	<p>We replaced more than 4km of reticulated water mains of varying pipe sizes throughout the region, providing more than 270 customers with connections to new sections of pipe.</p> <p>An additional 143 sections of sewer main, translating to around 6.5km of pipe, have been relined throughout our region. As a result, more than 330 of our customers have had their connections renewed at a total cost of \$2.5 million.</p>

## Future initiatives and projects

1

Key initiatives and projects

<b>Warragul</b>  <b>Water supply western ring main upgrade</b>	<p>Water to supply Warragul comes from the water treatment plant on the northern side of the town via a distribution pipeline which runs through the central business district. Due to the growth of the town on the western side and high growth in Drouin, planning has begun to construct a new western ring water main around Warragul.</p> <p>This main will service the growing demand in both Warragul and Drouin and provide an alternative supply to service both towns. We are currently undertaking the detailed design and associated environmental assessments for the main. The project is expected to be completed in 2022-23.</p>
<b>Warragul</b>  <b>Wastewater treatment plant upgrade</b>	<p>Warragul's population is rapidly growing and we need to expand the capacity of the existing wastewater treatment plant to meet the town's needs up to the year 2060. The preferred upgrade strategy is to use existing assets, where possible.</p> <p>Works are expected to begin in 2023-24 and will include installation of advanced aeration technology into the existing bioreactor, increasing its treatment capability and delaying significant expenditure on the second bioreactor.</p> <p>Following these works, the next phase will consist of relocating and upgrading the inlet screens grit removal system to the north of the existing bioreactor to cater for future bioreactor duplication.</p> <p>Current projections indicate that in the next 10 to 20 years, a second bioreactor will be constructed alongside the existing bioreactor.</p>
<b>Warragul</b>  <b>North-east sewer augmentation</b>	<p>The Warragul north-east sewer was installed in 1971 and services the north and east of Warragul.</p> <p>This project will involve replacement and upsizing of the main to equip the system with sufficient hydraulic capacity to accommodate the future growth expected in the north and east of Warragul.</p> <p>The project is currently at the functional design stage with the aim of establishing an accepted alignment, allowing easement acquisitions and statutory approvals to commence. The commissioning of the replaced sewer main is scheduled to occur in the next Price Submission period.</p>
<b>Coongulla to Heyfield</b>  <b>Interconnect</b>	<p>Water for the township of Coongulla is currently sourced from Lake Glenmaggie. The water is pumped from the lake and treated at the Coongulla water treatment plant. Treating water from the lake can have its challenges as it has been impacted by low lake levels, poor water quality, and bushfires upstream. There have been several times when water had to be trucked into the town from Heyfield for extended periods, the latest being in the 2019-20 summer and autumn period.</p> <p>A detailed design to pipe treated water from the Heyfield water treatment plant to the Coongulla treated water basin is nearing completion with statutory approvals and acquisition of easements progressing. Construction is planned for 2021-22.</p>



Future initiatives and projects **continued****Moe****New treated water basin**

Planning is underway for the construction of a new clear water storage basin at the Moe water treatment plant. An assessment of the storage volume requirements for the Moe and Newborough water supply system identified that the system did not have enough capacity to support growth and development in the future. In addition to this, the water treatment plant has only one clear water storage basin with a volume of 22ML.

Many of our other large water treatment plants have at least two clear water storage basins within their supply system, which allow greater operational flexibility and the ability to take one offline for maintenance and still have storage available.

We have completed the functional design for an additional 25ML storage basin and will finalise the detail design in 2020-21, with construction expected to begin in 2021-22.

**Regional outfall system renewal program**

The Regional Outfall System (ROS) was commissioned in 1957 and comprises of 44km of pipeline and 39.8km of channel. The ROS is one of the most critical of our assets, with the capacity to transport 35ML of treated filtrate from the Gippsland Water Factory daily.

Following assessments of the asset, the ROS Renewal Program was created to address high risk sections of the pipeline. Stage 1 replaces a 300m long section of the ROS near Marshalls Road, Traralgon next to a public park. Stage 2 of the program will replace 590m of pipeline from Tyers Road to the Wirilda Crescent and Cross's Road intersection in Traralgon.

Detailed design of stage 1 has been completed with construction to commence in 2020-21 along with detail design of stage 2. Construction of stage 2 is expected to commence in 2022-23.

**Gippsland Water Factory solar project**

We've begun planning to install a photovoltaic solar array at the Gippsland Water Factory. The emissions reduction pledge requires us to achieve a renewable generation target of 4700 tCO<sub>2</sub>ey<sup>-1</sup>. This project contributes approximately 2100 tCO<sub>2</sub>ey<sup>-1</sup> to the overall pledge target.

We are undertaking site assessments and statutory approvals for a ground mounted single axis tracking photovoltaic solar array. The construction of the total system will be spread over 2020-21 and 2021-22 to allow for the complex reconfiguration and commissioning of the electrical system to occur early. This will ensure approval and certification of the array can be achieved.

# PART 2

## Delivering on our Minister's expectations

### Climate change

This year we reached some significant milestones on key projects that will reduce our greenhouse gas emissions into the future. Please see 'Our environmental impact' (page 32) for details.

### Customer and community outcomes

#### Community consultation and engagement

Work is continuing on the development of a new communication and engagement strategy, which is expected to be finalised by the end of the year. This work was programed to be completed at the beginning of 2020, but has been delayed due to resources being redirected to support the 2020 bushfire crisis and our response to coronavirus (COVID-19).

Over the last 12 months, we have made fundamental changes to the way we communicate and engage with our people, customers, community and stakeholders.

We have expanded our digital presence; strengthened our strategic partnerships around water health and education programs and embarked on a process of transforming our approach to public participation.

In December and January, we held a series of face-to-face and digital conversations with Briagolong residents regarding the water outlook for the town and the possible introduction of water restrictions. Taking on board community feedback, we were able to consider their preferences as to when and how

water restrictions might need to be introduced and how they'd like to be kept informed.

Over summer, we engaged with Latrobe Valley business owners and the wider community at several events promoting our new *Free drinking water here* initiative. The project was jointly funded by the Latrobe Health Assembly and aimed at making tap water the drink of choice for residents. We signed up 104 businesses across the four larger towns and eight smaller towns that make up the Latrobe Valley. Participating local businesses were provided with water dispensers, which shoppers could use to fill up their drink bottles.

The community responded positively to the initiative, with more than 700 people attending three pop-up launch events promoting the initiative and fantastic feedback received by businesses and community members alike since its launch. Our fourth launch event in Traralgon was cancelled due to coronavirus.

We also put our energy towards increasing the community's access to tap water by having drinking fountains installed in key areas. To do this, we partnered with local councils to provide them with fountains, which they would then install in popular locations they identified and continue to maintain. In total, we provided 15 fountains across the Latrobe,



## Community consultation and engagement **continued**

Baw Baw, Wellington and South Gippsland shire areas we service.

From July to March, we attended many events including National Tree Day events in Moe and Traralgon, a Children's Week family day in Sale, the Baw Baw Latrobe Local Learning and Employment Network (LLEN) job skills expo, the Maffra Show and a festival in Traralgon, among others. We had hoped to attend more events in 2020, but the coronavirus pandemic meant face-to-face engagement beyond mid-March was not possible. We have used this time instead to plan a major, multi-year public participation program to support the development of our next five-year pricing period during the coming months.

During summer, we provided support to our communities to the east impacted by bushfires. We provided support directly to East Gippsland Water, and through the Mutual Aid Coordination Cell, managed through South East Water. This included loaning out generators, satellite telephones and portable drinking fountains to impacted communities and to East Gippsland Water. We also provided technical assistance and details of available staff resources to the Mutual Aid Coordination Cell and the Gippsland Environmental Agencies.

The coronavirus pandemic required us to focus a large amount of energy keeping our people informed and connected, while also reassuring our customers that their water was safe, that we would continue to provide their water and wastewater services to our usual high standard, and that support was available if they were experiencing financial hardship. We played an important part in helping to promote the Victorian Government's message for people to 'stay home' through dozens of posts on our social media channels.

Our social media presence grew this past year to include a following of 3,960 people on Facebook, 2,686 on LinkedIn and 1,931 on Twitter. We also built on the following of our recently created Instagram page, which now has 837 followers. We had double the level of engagement on our Facebook page compared to the previous year, with some of our most popular posts including tips to avoid sewer blockages and news that our Moondarra Reservoir had reached capacity.

### Sponsorship

We are committed to contributing at least \$30,000 per year towards projects that support the

wellbeing of Gippsland. In addition to this and other quantifiable support we provide, we also provided in-kind support to a range of local community groups and partnering organisations to support the delivery of community-focused programs, projects and initiatives.

This included providing the Country Fire Authority with a nominal \$1 communications licence to locate their communications infrastructure on our sites at Maffra, Neerim Junction and Moe South. In addition, we assisted with environmental improvement and conservation projects and initiatives. We also offered educative opportunities at our sites, such as school and community education visits.

We helped fund community water projects through grants to Sale Rotary Club, Maffra Secondary College, Rosedale Primary School, and Thorpdale and District Bowling Club as part of our second annual Community Support Sponsorship Program. This support went to projects such as water tanks and irrigation watering systems to help students harvest food and learn about the importance of water. Additionally, Boolarra Football Netball Club, Yinnar Recreation Reserve and Kurnai College were supplied with permanent drinking fountains as part of the same program.

We offered in-kind sponsorship to a range of community groups, sporting clubs and schools for events like Walking For Prems Gippsland, Gunaikurnai Cultural Festival, Yinnar Bushfire Recovery Community Fun Day and Rock The Port.

Our portable drinking fountains, which we lend to local schools, sporting clubs and community groups at no cost, provided drinking water at more than 50 local events. Meanwhile, our mobile water trailer continued to be popular at 15 events including the Boolarra Folk Festival, Mirboo North Italian Fiesta and Sale Music Festival.

We continued to provide valuable in-kind support to local charity, the Gippsland Emergency Relief Fund, by way of media and communications assistance. Our team played a key role during the East Gippsland bushfire crisis, helping the fund raise \$10.5 million to help families impacted by this summer's bushfires.

### Community education

Our education program plays an important role in building awareness, developing an understanding of the value of water and in driving positive behaviour change for a healthy and sustainable future.



## Customer education continued

Throughout the year, we continued to work collaboratively with partners from the regional health sector to promote the benefits of tap water and with other water corporations around the state on water-saving and conservation campaigns.

Our free educational sessions continued at kindergartens, schools and community group meetings within our operational area. We also conducted tours and presentations for secondary, TAFE and university students, community groups and industry. A total of 1,674 people participated in our education program during 2019-20.

Of the 1,674 of people who participated in our education program, 1,431 were students and teachers from 25 kindergartens, primary and secondary schools, TAFEs and universities, 50 were from local community groups and 193 were from industry. 1,063 students participated in 52 hands-on interactive educational visits. We conducted 25 site tours for 330 people.

Additionally, there are currently 33 schools and kindergartens in our region actively involved in the Schools Water Efficiency Program.

Meanwhile, we continued to work in partnership with the Baw Baw Latrobe LLEN STEM Sisters program and the Gippsland Tech School to develop experiences that nurture and build upon science, technology, engineering, and mathematics skills and raise awareness among students about prospective local careers in STEM - and more specifically, the water industry.

## Water quality complaints and billing issues

Please see 'Financial sustainability' (page 79) for details.

## Water for Aboriginal cultural, spiritual and economic values

We continued to work in partnership with Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC) to support and recognise Aboriginal cultural values and economic inclusion in water management within our region. We look forward to future opportunities to work with the Bunurong Land Council Aboriginal Corporation, whose land covers a small portion of our operational area to the west.

A key milestone of our Aboriginal Water Program has been the creation of an Aboriginal Water Officer role. This role provides a Traditional Owner with the opportunity to work with us for 12 months and was filled in March 2020.

Key projects being delivered during this time are:

- determining the cultural values of the waterways within our operational area; and
- assessing significant cultural sites on the land we manage.

In addition to the project outcomes, both partner agencies have identified that this role offers a genuine opportunity to create meaningful awareness and understanding of Aboriginal values and how they relate to both our operations and people. It is also helping build GLaWAC's understanding of the role and functions of a water corporation to inform future

partnership objectives.

Other key milestones achieved during 2019-20 are:

- Four cultural heritage management plans for key infrastructure projects completed, ensuring cultural heritage is not damaged by our activities;
- Two infrastructure projects at Flynn and Sale completed in accordance with their cultural heritage management plans;
- Artefacts from 15 previous projects repatriated back to country with Traditional Owners;
- Carbon offset planting delivered in partnership with GLaWAC staff;
- 38 employees and 10 contractors completed the introductory Cultural Competence training, which is co-presented with the West Gippsland Catchment Management Authority; and
- Aboriginal Engagement Policy developed to formally incorporate our commitment to recognising Aboriginal values across our business. This policy is supported by an Aboriginal Engagement Plan, which establishes the framework of how we will deliver meaningful outcomes for Gippsland Traditional Owners and our local Aboriginal communities.



## Resilient and liveable cities and towns

### Gippsland Integrated Water Management Forum

Water plays a key role in supporting community health and wellbeing and we're proud to be improving liveability in Gippsland as part of our commitment to the State Government's Water for Victoria plan.

As local councils manage stormwater in Gippsland and waterways are managed by the West Gippsland Catchment Management Authority, all agencies are working together to maximise the benefits of water-related planning through the Gippsland Integrated Water Management (IWM) Forum.

The IWM formalises and facilitates close working relationships across the whole water cycle to ensure a coordinated approach. A Strategic Directions Statement has been endorsed by the forum, outlining a range of strategies and projects to be delivered.

We've taken the lead with significant progress on these two key projects:

1. Stormwater pollution management at Willow Grove. We are striving to improve stormwater runoff by designing and installing vegetation and cattle-excluding fences to intercept and reduce pollutants entering Blue Rock Lake.
2. Water for economic growth in central Gippsland. We are exploring opportunities for leveraging water resources of the Latrobe system to benefit the broader Gippsland economy, including the attraction of major industry and high-demand water users. This puts water as a key enabler of economic growth, particularly in the Latrobe Valley, where there is a concentration of available water resources.

We've also worked with Wellington Shire and Latrobe City Councils on the development of their respective IWM plans, and supported Baw Baw Shire Council in their bid for funding to deliver the Warragul Western Park stormwater reuse project, a key recommendation of their IWM Plan.

### Payment management & hardship

Our focus on identifying customers experiencing financial difficulty saw the number of customers taking part in our hardship program, either for part or the whole year, increase from 2,164 to 2,426.

To assist our customers with the impact of the coronavirus pandemic, we extended the eligibility

for our hardship program to include businesses. In total we had an additional 261 customers enter our hardship program as a direct result of the impacts of the coronavirus pandemic. This year 184 customers received hardship grants, totalling \$52,165.

We've adapted our processes, allowing us to engage with our customers that may be struggling financially to help them proactively manage their bill payments. This included allocating additional resourcing to focus on customer care, as well as further development of our online services, which provide customers with an opportunity to register for financial assistance online. We also offer this service both via email and through our Customer Contact Centre.

In addition we have continued to support customers to apply for assistance through the Department of Health and Human Services Utility Relief Grant program: 792 applications and \$414,948 of funding was approved to assist customers in payment of their water accounts.

We're working closely with financial counselling services across our region that connect customers to further financial support, while providing us with a better understanding of a customer's financial situation. This helps us tailor solutions to suit individual circumstances.

### Payment plan and hardship program summary

	30 June 2020	30 June 2019
Customers paying with direct debit (paid in full on due date)	5,651	5,082
Customers on instalment plan (excluding hardship)	7,404	7,807
Hardship customers on payment plans	980	828
<b>Total payment plans</b>	<b>14,035</b>	<b>13,717</b>
Percentage of customers on payment plans	19	19
Hardship customers	1,629	1,403
Percentage of hardship customers on payment plans	60	59





## Payment management and hardship **continued**

Our customer incentive payment scheme is available for those in vulnerable circumstances across our community. This scheme is designed to help our customers get into the habit of making regular payments by matching every fifth consecutive payment made by the customer. In 2019-20, we supported 388 customers through this scheme.

We continue to support those affected by family violence, with our Customer Contact team trained in our family violence policy and able to provide tailored financial assistance and other support options to customers affected by family violence.

### Community Rebate Program

We also supported 79 customers through the Victorian Government's Community Rebate Program. Through this program, eligible customers can receive up to \$750 worth of plumbing works for free. \$59,543.97 worth of plumbing work has been carried out to assist eligible customers to save water.

Visits under the program paused in March due to the coronavirus pandemic and the restrictions imposed around social distancing.

## Water efficiency

We continued to promote and encourage water efficiency initiatives, both locally and in partnership with other water corporations across the state in line with the Victorian Water Efficiency Strategy, Smart Meter Advice and Intelligent Water Networks (water efficiency) initiatives.

## Recognising recreational values

We've continued to explore ways we can enhance the recreational value of our water and wastewater facilities.

In addition to providing picnic facilities and bushwalking opportunities at Moondarra Reservoir, we are continuing to look more broadly at how we can offer recreational enjoyment of our other sites.

Our customers contribute significantly towards maintaining recreational facilities managed by Southern Rural Water at Blue Rock Lake, Cowwarr Weir and Lake Glenmaggie, each of which attracts visitors from outside of our service region. These locations provide opportunities for kayaking, fishing, swimming and picnicking. In addition, we enable

From a local perspective, our focus throughout the year has been on delivering social media content that supports the Victorian Government's Target Your Water Use and Make Every Drop Count campaigns, and education activities in local schools and kindergartens. In addition to promoting water efficiency, we promoted tap water to our customers as the drink of choice. We emphasised health, environmental and financial benefits of tap water over bottled water or sugary drinks in dozens of social media posts.

We remained an active participant and contributor to sector-wide initiatives as a member of key Victorian and Water Services Association of Australia (WSAA) groups including the Victorian Educators Special Interest Group (SIG), WSAA Educator Managers, and Water Efficiency Coordination Group.

### Our water bills

Please see our 'Year in review' (page 74).

access to some of our land for walking or jogging.

By arrangement, we open our wastewater facilities for bird watching groups to view the bird life and undertake bird counting surveys. We also provide school and community education at our agribusiness, our organics recycling facility, and wastewater treatment sites.

We will continue to review our assets for opportunities for providing recreational benefits, and engage with local communities to develop a deeper understanding of the shared benefits of water, including recreational benefits, in planning and decision-making.



## Leadership and culture

### Organisational culture inventory results

In 2019, we participated in our second Organisational Culture Inventory (OCI) survey to identify our organisation's behavioural styles and cultural norms. Our result has seen significant positive shifts in the constructive 'blue' styles and is considered to be statistically significant with the degree of progress made over such a short time frame.

Our cultural transformation is a direct result of our organisational wide cultural improvement program, underpinned by our integrated people strategy and led by our senior leaders. Our focus on connecting our people to our vision and strategy, making changes to ensure our structures, systems and processes enable our people to contribute their best and the senior leadership team's commitment to role modelling our values and behaviours over the past two years has been the catalyst for this result.

### Lead with purpose

We want to help our leaders support and enable our people, by modelling our values and nurturing an inclusive environment. These two aspects of good leadership are at the centre of our purpose-built and designed leadership development programs and our organisational development activities.

Our Aspiring and Adaptive leadership programs are designed to develop and extend our current and emerging leaders' capabilities. The programs aimed to equip the 30 participants in 2019-20 with the skills to lead through times of change and to improve our overall employee experience.

The participants worked intensively over a seven-month period in the leadership development space, and presented projects or concepts that they worked collaboratively on to design or deliver.

Our executive and senior leadership team also collaborated to develop our Leadership Blueprint, which summarises a set of behavioural standards that represent and define what successful leadership looks like and what our employees can expect from their senior leaders.

We incorporated our clever thinking focus into the development of the Leadership Blueprint by utilising a highly innovative and powerful methodology based on the belief that everyone in a team can contribute to the discussion, the decisions, and the outcome. This

living document forms a key part of how we continue to improve our employee experience and create consistency in expectations and accountabilities.

### Graduate development program

Our graduate development program was launched in 2019. The program is designed to help us bridge recruitment gaps that may arise in the future, by providing us with a continual flow of engineering talent.

Four graduate engineers/scientists were appointed and formally commenced in the 18 month program in late July 2019.

The program includes mentor and learning and development support as they each rotate through three engaging and diverse rotations, each six months in duration. These rotations provide a solid professional development foundation and business understanding for the graduates and the experiences they need to set their career up for success.

### Equal opportunity

We proactively build a culture which values equal opportunity and actively work to comply with Equal Opportunity legislation, the Victorian Public Sector Code of Conduct, the *Disability Act 2006* (Vic) and the *Charter of Human Rights and Responsibilities Act 2006* (Vic).

In addition to our employee induction program, our people undertake biennial equal opportunity training in relation to discrimination, bullying, harassment and violence. Both programs provide information, support and process guidance for employees who feel harassed or bullied at work.

We also have a number of initiatives in place to further raise awareness and provide support mechanisms around equal opportunity and inclusion such as participating in Harmony Week events, Unconscious Bias Awareness workshops, our Peer Connect program and our Employee Assistance Program.

### Employment and development opportunities

We continue to offer and create meaningful pathways for our community into employment.

These include our annual 12-week student vacation employment program for tertiary students,



specialised graduate engineering/scientific program, water and wastewater traineeships, hosting of plumbing apprentices and partnering with local high schools to provide work experience opportunities.

We actively support a local STEM Sisters program which allows young women to make better informed choices about education and careers in science, technology, engineering and mathematics. A number of our people have volunteered as ambassadors to promote STEM-related careers, and we have provided work opportunities to enable first-hand experience.

We've also partnered with local community groups to provide work experience and employment opportunities for underrepresented groups. We work with a local disability employment provider to enable supportive and collaborative approaches to disability employment which have led to sustainable employment outcomes.

Additionally our partnership with Fulham Correctional Centre's community transition program has continued, resulting in 102 inmates gaining workforce experience at our Soil and Organic Recycling Facility since the program's inception in January 2019.

## Inclusion and diversity

We recognise that through embracing diversity we make a significant contribution to helping our local communities be more liveable, equitable, safe and inclusive places for everyone.

This approach and commitment is reflected in our employees' views of our organisation as being accepting of diverse backgrounds and ways of thinking, and also through our excellent employee engagement and organisational culture results.

Our Inclusion and Diversity plan supports this commitment and reaffirms our aims across three focus pillars; inclusiveness, leadership and capability, and system and processes.

We have sought to purposefully create opportunities to bring our people together to recognise and acknowledge culturally significant dates and days including Harmony Day, NAIDOC Week activities and R U OK? Day, which form an integral part of our calendar of events.

We also have a proactive emphasis on employee wellness, our mental health and wellbeing commitment and an excellent and active Wellness

Organisation Workgroup, who led a number of employee initiatives. All of this assists us in building and sustaining a mentally healthy, inclusive and engaging workplace and culture.

Further inclusion and diversity initiatives and highlights include:









- Partnering with a local disability employment service provider to host unemployed local people with disabilities and other barriers to employment as part of their annual Job Shadow Day. This enabled participants to gain practical work experience.
- Refining our approach to recruitment campaigns by using language that is more engaging, inclusive and conversational. This story-based approach delivers our candidates a better understanding of not just the role, but what it is like to be a part of our organisation. Vastly underrepresented groups continue to be a focus and includes us taking targeted approaches to widen our search pool.
- Continuing to focus on employee health and wellness by raising awareness and providing support to those affected by mental illness. This includes the provision of our Employee Assistance Program, our Peer Connect program, Building Resilience training and our employees sharing powerful and personal stories as part of our R U OK? Day events.
- Active membership on the Gippsland Environmental Agencies Women in Leadership Team, which provides opportunities for women in our organisation to connect with others, network and participate in development and mentoring opportunities.
- Our executive level female representation will also proudly grow by a further 12 per cent as we transition out of 2019-20.
- Our Chief Financial Officer was selected to be part of the Department of Environment, Land, Water and Planning inaugural Women in Water program.

You can view our Inclusion & Diversity Framework in the Appendix or visit <https://www.gippswater.com.au/annual-reports>



## Inclusion and diversity **continued**

The following table outlines the targets and progress to date.

Diversity and inclusion data set		% Target	% Actual progress 2019-20	% Actual progress 2018-19	% Actual progress 2017-18
	<b>Women in senior leadership –</b> (Managing Director and general managers)	40	38	25	13
	<b>Women in senior leadership –</b> (Board, Managing Director and general managers)	40	44	38	31
	<b>Identified disability</b>	5.80	3	3	3
	<b>Aboriginal and Torres Strait Islander (ATSI)</b>	1.30	3	3	1
	<b>Language Other Than English (LOTE)</b>	9.70	10	10	6.14
	<b>Caring responsibilities</b>	35	62.28	62.28	62.28
	<b>LGBTI</b>	7	3	3	2.61
	<b>Workforce flexibility</b>	25	22.4	18.95	16.78

## Comparative workforce data

The following table outlines the targets and progress to date.



30 June 2020							
GENDER	ALL EMPLOYEES		ONGOING			FIXED TERM AND CASUAL	
	Number (Headcount)	FTE	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE <sup>^</sup>
Women	102	84.29	58	31	76.61	13	7.68
Men	204	202.09	194	0	194	10	8.09
Prefer not to respond	0	0	0	0	0	0	0

<sup>^</sup>FTE is inclusive of casual hours worked in the last full pay period in June.

		2019-20	2018-19	2017-18	2016-17
	Executive employees (including Managing Director)	8	8	8	6
	Female	3	2	1	2
	% Female	38	25	13	33
	Male	5	6	7	4
	% Male	62	75	87	67
	Senior managers	17	16	14	16
	Female	2	2	3	3
	% Female	12	13	21	19
	Male	15	14	11	13
	% Male	88	87	79	81



Comparative workforce data **continued**

	2019-20	2018-19	2017-18	2016-17
Full-time	252	252	240	234
Part-time	31	30	31	26
Casual/fixed term	23	24	15	21
<b>Total employees</b>	<b>306</b>	<b>306</b>	<b>286</b>	<b>281</b>
FTE <sup>^</sup>	286.38	283.38	258.66	255.97
Executive	3	3	2	3
Assets	38	39	33	59
Commercial Business	27	25	27	
Finance and Governance	28	26	25	32
People and Culture	11	11	9	
Customer Service and Communications	52	56	51	48
Business Transformation	29	28	26	139
Operations	118	118	113	
<b>Total employees</b>	<b>306</b>	<b>306</b>	<b>286</b>	<b>281</b>
 Female	102	105	97	90
% Female	33	34	34	32
 Male	204	201	189	191
% Male	67	66	66	68

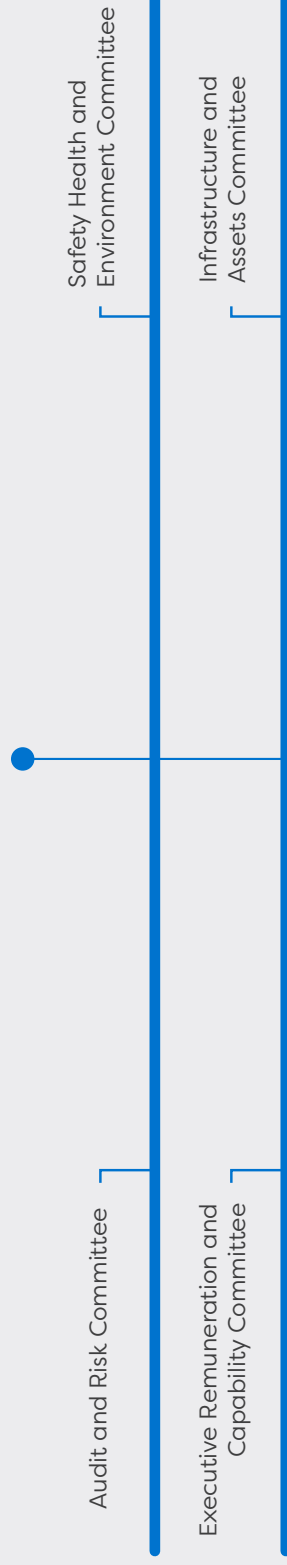
<sup>^</sup>FTE is inclusive of casual hours worked in the last full pay period in June.

Note: Organisational structure changed during 2017-18.

Between the 2018-19 and 2019-20 periods our headcount remained unchanged.

# Organisational structure as at 30 June 2020

## Board Directors x 8



### General Manager Assets

Nicolas Moss

- Asset Planning
- Asset Management
- Asset Delivery
- Infrastructure Planning
- Major Projects

### General Manager Business Transformation

Melissa Thek

- Innovation and Technology
- Strategy and Planning

### General Manager Operations

Peter Skeels

- Field Services
- Major Systems & Gippsland Water Factory
- Wastewater Treatment and Environment
- Water Treatment, Quality and Catchments

### Chief Financial Officer

Sarah Heath

- Commercial Services
- Governance
- Financial Services

### General Manager People and Culture

Michael Crane

- Occupational Health and Safety
- Organisational Development

### General Manager Customer and Community

Paul Clark

- Communications and Engagement
- Customer Services
- Property Services

### Executive Manager Commercial Business

Simon Aquilina

- Agribusiness
- Soil and Organic Recycling Facility

## Health and safety

We continued our efforts to further improve and build upon our strong safety culture with strong support from the Board and Executive Leadership Team.

Our safety culture currently sits at 'sustainable' and our aim through our safety strategy is to move our culture to 'best practice' by 2021.

Initiatives that have helped to strengthen our safety culture include continuing our monthly focus on achieving the targets set for lead indicators; early identification and resolution of hazards; engaging representatives at consultative committee meetings and in leading audits and inspections of both our own and our contractor's works.

We've seen a significant increase in the number of safety reports from our people about our employees and contractors, resulting from ongoing education and awareness activities, as part of our safety strategy, combined with a focus on a close out of associated actions. We're pleased to say, 77 per cent of reports made were proactive (hazard identification, report only and near miss).

We have conducted training and education, awareness and ergonomic assessments to minimise injuries and continue to enjoy excellent support for safety initiatives at all levels across the organisation.

2

Delivering on our Minister's expectations

## Occupational health and safety management measures

Measure	KPI	2019-20	2018-19	2017-18	2016-17
Incidents	No. of safety reports (excl. contractors)	693	704	575	465
	No. of safety reports (incl. contractors)	777	767	647	515
	Rate per 100 FTE (excl. contractors)	242	240	204	182
Claims	No. of standard claims	6	5	4	4
	FTE	286.38	283.38	258.66	255.97
	Rate per 100 FTE	2.10	1.76	1.55	1.56
	No. of lost time claims	5	3	3	4
	Rate per 100 FTE	1.75	1.06	1.16	1.56
	No. of claims exceeding 13 weeks	1	2	0	1
	Rate per 100 FTE	0.35	0.71	0	0.39
Fatalities	Fatality claims	0	0	0	0
Claim cost	Average cost per standard claim	\$4,938.01	\$21,058.80	\$11,107.75	\$14,436.00

## Financial sustainability

Please see 'Finance sustainability' (page 76).



# PART 3

## Our environment and community

### Environmental sustainability

#### Biodiversity and natural asset management

This year we achieved significant milestones in the protection of threatened species and conservation of biodiversity. Some of the projects we have been working on throughout the past year have included:

- Successful establishment of new populations of the nationally vulnerable Wellington Mint-bush;
- Continued protection and monitoring of the nationally endangered Metallic Sun-orchid;
- Planting of a further 150 nationally vulnerable Strzelecki Gums at our conservation reserve for the species at Neerim South; and
- Planting of more than 90,000 native trees and shrubs in our first carbon offset planting at Dutson Downs.

In addition to our ongoing programs, we have also been partnering with various agencies to deliver two Victorian Government-funded projects under the Biodiversity Response Planning initiative.

We undertook pest control across 6,000 ha of our Dutson Downs property in partnership with the West Gippsland Catchment Management Authority. This project is in its second of three years of funding. So far we've seen a significant decline in both the rabbits and fox populations on our arable pastures and areas of native vegetation. These areas are significant habitats for both flora and fauna of national and international conservation significance.

We have also partnered with Federation University, Landcare groups and Department of Environment, Land, Water and Planning to identify and protect

habitat for threatened invertebrates in the west of our region. This work uses new environmental DNA (eDNA) technology and traditional survey techniques to detect iconic species, such as the nationally vulnerable Giant Gippsland Earthworm and various threatened native burrowing crayfish.

#### Sustainable water and biosolids re-use

Our eight lagoon based wastewater treatment plants allow us to irrigate treated wastewater for agricultural purposes across a number of our farms. A portion of this is available for third party re-use customers, such as local farmers and sporting grounds.

Over the 2019-20 year, we saw a seven per cent decline in the total volume of treated wastewater reused across the region. This can be attributed to a wetter spring-summer period and the availability of re-use water during prime irrigation months. Despite the decline on last year's volumes, we have still met our annual re-use target, with 25.8 per cent of available treated wastewater utilised across our operational area.

Our five mechanical wastewater treatment plants discharge treated wastewater under an EPA licence to the receiving environment. We undertake routine monitoring for water quality and stream health to ensure we're not impacting on the beneficial uses of each waterway.

We recycle 100 per cent of the biosolids from our wastewater treatment plants and turn it into compost at our Soil and Organic Recycling Facility, contributing to Victoria's circular economy.

## Sustainable water and biosolids re-use **continued**

In 2019-20, 18,480 tonnes of biosolids from our wastewater treatment plants and an additional 5,948 tonnes from City West Water were transported to our organics recycling facility for composting. These biosolids are combined with approximately 82,000 tonnes of green waste from Melbourne and surrounds and other prescribed and non-prescribed organic waste from the region to create a final product. The result is high-quality compost, tested and produced to Australian standard (AS4454) for use on farms across Victoria.



## Beneficial re-use summary

	Treatment system	Destination of wastewater	Treated water disposed by Gippsland Water (ML)				Volume reused (ML)				Volume discharged (ML)	
			2019-20		2018-19		2019-20		2018-19		2019-20	
			2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
	DROUIN	Irrigation to pasture or discharge to Shillinglaw Creek	954	776	70	79	884	697				
	HEYFIELD	Irrigation to pasture or emergency discharge to Back Creek	22	32	22	32	0	0				
	MAFFRA	Irrigation to pasture and sporting / playing field. Emergency discharge to Macalister River	151	279	151	279	0	0				
	MIRBOO NORTH	Irrigation to pasture and sporting / playing field or emergency discharge to Little Morwell River	39	62	39	62	0	0				
	MORWELL	Supplement flow to wetlands	722	546	722	546	0	0				
	SEASPRAY	Irrigation to pasture	0	0	0	0.3	0	0				
	STRATFORD	Irrigation to pasture	71	66	71	66	0	0				
	WILLOW GROVE	Irrigation to pasture or emergency discharge to Latrobe River	13	9	13	9	0	0				
	NEERIM SOUTH	Discharge to Red Hill Creek	59	48	0	0	59	48				
	RAWSON	Discharge to Coopers Creek	30	27	0	0	30	27				
	WARRAGUL	Discharge to Hazel Creek	2,107	1,582	0	0	2,107	1,582				
	MOE	Discharge to Moe River	2,566	1,914	0	0	2,566	1,914				
	SALE	Irrigation to pasture	875	923	875	923	875	0				
	REGIONAL OUTFALL SYSTEM - URBAN WASTEWATER <sup>(1)</sup>	Recycled to Pine Gully (Australian Paper) or discharge to Bass Strait (Delray Beach)	0	33	0	33	0	0				
<b>Total water available for reuse</b>			<b>7,609</b>	<b>6,298</b>	<b>1963</b>	<b>2,055</b>	<b>5,646</b>	<b>4,268</b>				
<b>% reuse of water available for reuse</b>					<b>25.80</b>	<b>32.62</b>	<b>74.20</b>	<b>67.77</b>				

(1) The vast majority of wastewater treated in the Regional Outfall System is unsuitable for irrigation due to its high salt content. Wastewater discharged from the Saline Wastewater Outfall Pipeline is not treated by Gippsland Water, it is received and transferred to the discharge point as a treated product and its qualities do not meet EPA standards for reuse as irrigation water.

## Sustainable and resilient water services systems

Please see sections 'Customer and community outcomes' (page 14), 'Resilient and liveable cities and towns' (page 16) and 'Managing our water resources' (page 46).

For Sustainable Water Strategies, please see section 'Managing our water resources' (page 46).

### Total groundwater

Raw water taken (ML)	2019-20	2018-19	2017-18	2016-17
BRIAGOLONG	77	88	96	79
SALE	1,901	2,035	1,921	1,846
DUTSON	113	138	69	62
<b>Total</b>	<b>2,091</b>	<b>2,261</b>	<b>2,086</b>	<b>1,988</b>

## Other statutory obligations

### Department of Health and Human Services compliance obligation (Water Quality)

Our commitment is to provide our customers with safe drinking water. Our water quality risk management system includes a risk-based compliance sampling and testing program. This is undertaken to meet the Safe Drinking Water Regulations (SDWR) 2015 under section 56 of the *Safe Drinking Water Act 2003* (Vic). We complete weekly water testing to verify compliance with our risk management obligations under the SDWR 2015. All test results are available to our customers.

In 2019-20, further improvements were made to ensure our customers' water quality is maintained, including:

- Continued development of an Integrated Catchment Land Use Options Plan for the land surrounding Moondarra Reservoir to protect water quality;
- Completion of Catchment Sanitary Surveys (including spatial mapping) for all of our potable water catchments;
- Moe-Warragul interconnect pipeline commissioning to ensure security of supply to both water supply systems;
- Upgrading of our secondary disinfection systems, treated water storage tanks and treated water storage covers and liners to maintain water quality safety as part of our rolling upgrade program;
- Upgrading process controls for improved water treatment plant operation;
- Upgrading activated carbon dosing at the Coongulla water treatment plant to improve taste and odour;
- Continued improvements to our Water Information Management System (WIMS), enabling external data migration. This continues to improve our understanding of and access to field, water treatment plant, and process and compliance data;
- Sustained promotion of our Five Cs for Protecting Water Quality initiative for unplanned water main breaks. The program ensures that when attending a water main break, operators focus on: Clean pipes – check before installing; Clearance – stop contaminated water running into pipes; Chlorination – flush after repair; Cleanliness – clean tools and separate from contamination; and Clothing – wear appropriate clothing to protect the integrity of our drinking water;
- Delivering air scouring works to maintain water quality in our reticulation networks by cleaning drinking water distribution pipelines.

## EPA compliance summary

Our wastewater treatment plants operate under an EPA corporate licence, which allows us to safely irrigate and discharge to the environment. The EPA compliance summary in the table below outlines the median water quality limits that each facility must meet. High rainfall in the west of our operational area meant that our Drouin wastewater treatment plant was not able to manage the volume of wastewater in the system and controlled discharge outside the licence conditions was required. Extensive monitoring on the receiving environment was conducted during these periods, including invertebrate surveys, which showed no environmental or community impacts as a consequence. Construction of the new treatment facility at this site is underway which will see future improvements to the quality of wastewater being treated and discharged.

Site description	Total parameters compliant with EPA median limits			Total reportable parameters analysed			% parameters compliant with EPA median limits			Overall site compliance with EPA licence median 2019-20
	2019-20	2018-19	2017-18	2019-20	2018-19	2017-18	2019-20	2018-19	2017-18	
DROUIN	73	80	78	84	84	84	87	95	93	Compliant
HEYFIELD	12	12	12	12	12	12	100	100	100	Compliant
MAFFRA	12	12	12	12	12	12	100	100	100	Compliant
MIRBOO NORTH	12	12	12	12	12	12	100	100	100	Compliant
MORWELL	84	84	83	84	84	84	100	100	99	Compliant
SEASPRAY	12	12	12	12	11	12	100	100	100	Compliant
STRATFORD	12	11	12	12	12	12	100	100	100	Compliant
WILLOW GROVE	12	12	12	12	12	12	100	100	100	Compliant
NEERIM SOUTH	80	82	81	84	84	84	95	98	96	Compliant
RAWSON	84	84	82	84	84	84	100	100	98	Compliant
WARRAGUL	81	82	82	84	84	84	96	98	98	Compliant
MOE	84	80	79	84	84	84	100	95	94	Compliant
SALE	12	11	12	12	12	9	100	100	100	Compliant
REGIONAL OUTFALL SYSTEM	102	90	93	104	96	96	98	94	98	Compliant
SALINE WASTEWATER OUTFALL PIPELINE	257	223	142	340	265	166	76	84	86	Compliant

## State Environment Protection Policy (Waters)

The State Environment Protection Policy (Waters) provides guidance and opportunities for us to work collaboratively with other agencies. This allows us to implement strategies to maintain and improve water quality for our customers, while ensuring the treated wastewater we release has no adverse environmental impacts.

We regularly conduct water quality monitoring upstream and downstream of our treated wastewater discharge points to ensure the health of rivers and creeks is not impacted. We've put together ecological risk assessments for each of our wastewater treatment plants to help us understand our risk and look at opportunities to mitigate impacts to the receiving environment.

## West Gippsland Regional Catchment Strategy and West Gippsland Waterway Strategy

We work in partnership with West Gippsland Catchment Management Authority (WGCMA), Landcare groups and local councils to improve and preserve our waterway ecosystems.

Significant projects we invested in and delivered this year include:

- \$25,000 to run the Fert\$mart program in our Merrimans Creek water catchment, which allows local agronomists and farmers to work together to keep nutrients on farms, and out of waterways. This improves the quality of water within our local waterways.
- \$100,000 into joint projects with Baw Baw Shire and Wellington Shire Councils to assess the working condition of septic tanks installed within drinking water catchments. The aim of this program is to reduce human impacts on water quality.
- Diverting 10ML of environmental water flows from the Thomson River into the Heyfield Wetlands, in partnership with the Heyfield Wetlands Trust, WGCMA, Southern Rural Water and the Victorian Environmental Water holder. This enhances biodiversity and further educates wetland users of the importance of managing water quality impact in catchments.

Our biodiversity management programs and extensive carbon sequestration plantings at Dutson Downs also contribute to key objectives in the Regional Catchment Strategy and to improving the overall health of the Ramsar listed Gippsland Lakes through revegetation and threatened species preservation.

The Victorian Waterway Management Strategy 2013 sets the policy framework for the preparation of Regional Waterway Strategies by catchment management authorities. The West Gippsland Waterway Strategy 2014-22 set out the objectives and priorities for environmental water management in the Latrobe and Thomson basins. During 2019-20, WGCMA undertook a detailed review of environmental flow recommendations for the Latrobe and Thomson Rivers and major tributaries using the Victorian government's updated methodology. We were a part of the project advisory group for each of these studies.

Please see 'Managing our water resources' (page 46) for our bulk water entitlement environmental management outcomes.

## Social sustainability

### Community service obligations

Value of community service obligation provided	2019-20 \$	2018-19 \$	2017-18 \$	2016-17 \$	2015-16 \$
Provision of concessions to pensioners	6,029,345	5,827,257	5,611,795	5,398,273	5,168,386
Rebates paid to not-for-profit organisations under the Water and Sewerage Rebate Scheme	284,503	328,222	272,594	279,443	274,263
Utility Relief Grant Scheme* payments	414,948	121,327	163,446	116,752	92,391
Water concession on life support machines – Haemodialysis	1,285	2,571	1,285	1,607	1,928

\*The Utility Relief Grant Scheme is administered and managed by the Department of Health and Human Services and is accessed via direct application to the department by eligible concession cardholders.

### Complaints management – Listening to our customers

Since introducing our complaints management framework, we've seen significant improvements initiated through customer feedback. We continue to grow our people's skills and abilities to ensure a consistent complaint handling approach across the organisation.

In addition, our operating system continues to provide high quality analytics that assist in identifying improvements through customer feedback.

For more information on our complaints management, please see Key Performance Indicators (page 69).

### Energy and Water Ombudsman Victoria

This year, the Energy and Water Ombudsman Victoria received 28 referrals on behalf of our customers. All of these referrals were handled as enquiries requiring no further action. This is the third consecutive year we have resolved enquiries without matters requiring escalation.



## PART 4

## Our environmental impact

## Climate change

### Greenhouse gas emissions

We reached some big milestones on key projects that will reduce our greenhouse gas emissions into the future:

- This year saw the commissioning of the first of our large-scale solar arrays at our Traralgon Office, Warragul water treatment plant and Warragul wastewater treatment plant with a combined capacity of 675kWp.
- We continued to invest in renewable energy technology at key sites across our network with the installation of solar arrays totalling 401kWp capacity across our Traralgon water treatment plant and Moe wastewater treatment plant.
- We planted approximately 92,000 plants on nearly 100 hectares at Dutson Downs as stage 1 of our carbon offset program. This was a key project that paired strengthening our relationship with Traditional Owners and achieving our emissions reduction goals.

We also planned and budgeted for the next stage of our photovoltaic solar installations at the Gippsland Water Factory, which will see a 1000kWp ground mounted single axis tracking photovoltaic solar array installed and operational in 2021-22.

Planning has been completed for the second stage of our carbon sequestration program, with site establishment works completed, including fencing, weed and pest management, with planting to occur in the 2020-21 financial year. As part of the second phase of this project a seed and plant bank has been established.

These projects will be key to delivering our commitment to reducing our greenhouse gas emissions by 24 per cent by the year 2025, in line with our emissions reduction Statement of Obligations requirements.

Our greenhouse gas emissions decreased by 8,975 tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>-e), compared to 2018-19. All three sources of greenhouse gas emissions (fugitive wastewater, fuel combustion and electricity consumption) experienced declines over the financial year.

Our fugitive emissions produced through wastewater treatment saw a significant decline of 43 per cent. This is directly as a result of no major desludging activities taking place across this financial year.

Fuel emissions from our vehicle fleet fell by more than five per cent as a result of reduced travel forced by coronavirus (COVID-19) and remote working requirements in 2020.

Emissions from electricity consumption fell by 5.6 per cent (1,415 tCO<sub>2</sub>-e) from last financial year. This decline in electricity emissions was driven by a combination of new solar installations, efficiency upgrades and better stream flows in the source waters servicing the Moe and Warragul water treatment plants.

The wetter weather allowed us to rely on gravity-fed water sources for more of the year and effectively reduce electricity emissions from pumped water sources. This, combined with a major upgrade of pumping infrastructure in one of our most-used pump stations saw our water treatment emissions fall by 8.4 per cent (122 tCO<sub>2</sub>-e).



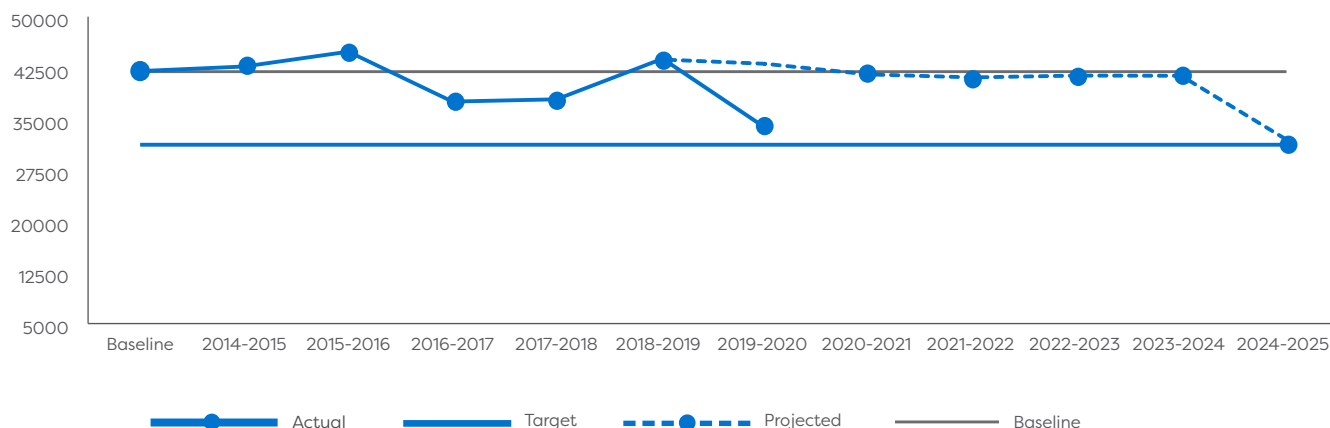
## Greenhouse gas emissions **continued**

Our renewable energy project investments have already provided major benefits, with large solar installations completed at four of our sites reducing our emissions from the consumption of grid energy by 615 tCO<sub>2</sub>-e – which equates to two per cent of our overall electricity consumption. These installations have been strategically planned and installed at some of our largest energy consuming sites, where their production can be most effectively used to reduce the reliance on grid electricity into the future.

The net greenhouse gas emissions, expressed as tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>-e), for the whole business and our activities are shown in the table below. No renewable energy certificates (RECs) were voluntarily retired in 2019-20 to reduce scope 2 emissions.

Performance Indicator	2019-20 projected	Tonnes CO <sub>2</sub> e			Variance %	Commentary
		2019-20 result	Scope 1 emissions	Scope 2 emissions	Total emissions	
Water treatment and supply	10,752	13	8,502	8,515	-20.8	Significant decrease due to a number of efficiency projects. Mostly attributable to scope 2 emission reduction, with major upgrades of pumps.
Sewerage treatment and supply	28,799	8,606	14,318	22,924	-20.4	Significant decrease due to the quality of waste entering and exiting the plant. As well as no major desludging occurring over the financial year.
Transport	1,495	1,320	0	1,320	-11.7	Significant decrease due to operational changes.
Other (office, work-shops, depots)	2,047	1,145	846	1,991	-2.7	Reduction in scope 1 & 2 emissions compared to 2018/19 reporting period.
<b>TOTAL</b>	<b>43,093</b>	<b>11,158</b>	<b>23,666</b>	<b>34,750</b>	<b>-19.4</b>	Overall a significant decline in emissions against the projected values. We are on track to meeting our pledge.

## Net greenhouse gas emissions (tonnes of CO<sub>2</sub> equivalent)



## Climate adaptation

Over the past year, we have continued our commitment to adapt our operations and infrastructure to a changing climate. Some of our work in this area involved assessing the vulnerability of our potable water catchments to changes in climate, and conducting a risk assessment of our assets to the increased threat of wildfire posed by climate change.

The 2019-20 financial year saw us partner with DELWP and a wide range of other Gippsland organisations to develop the first annual action plan for climate change adaptation in Gippsland. In 2021 we will continue to contribute to this working group to develop the Climate Change Adaptation Strategy for Gippsland.



## Energy consumption

Total electricity use	2019-20 Result (MWh)	2018-19 Result (MWh)	Commentary
Water treatment and supply	8,336	9,738	High rainfall across the region allowed for more flexibility to extract raw water from efficient sources.
Sewerage collection, treatment and recycling	14,038	13,778	High rainfall across the region results in higher volumes of wastewater moving through the network.
Other (office, workshops, depots, etc)	828	1,073	22 per cent decrease attributable to the large solar installation at the Traralgon office buildings.
<b>TOTAL (a)</b>	23,202	24,590	Continued decline in energy consumption due to efficiency-driven projects and operational efficiencies.

Performance indicator	2019-20 Renewable electricity used (MWh)	2018-19 Renewable electricity used (MWh)	Commentary
1. Solar	603	0	Commissioning of four large solar installations during the year.
2. Hydroelectric	2,526	2,371	The pine gully hydro -generator was able to operate for longer periods this year due to higher rainfall and water availability.
3. Wind	0	0	
4. Biogas	698	601	Increased uptime with the Gippsland Water Factory Cogen system resulted in a 16% increase in biogas generation/consumption at the site.
5. Greenpower	0	0	
6. Other	4,872	5,164	As our reliance on purchasing energy is reduced by the installation of renewable energy infrastructure on our sites, the amount of green energy is reduced.
<b>TOTAL (b)</b>	8,700	8,136	
<b>Percentage renewable electricity = (b)/(a)*100</b>	37.5%	33.09%	








# PART 5

Supporting our  
local economy

## Major customer consumption

As required under the *Water Act 1989* (Vic), the number of our customers who consume more than 100ML per annum are shown below:

Equal to or greater than	Volumetric range – ML per year	No. of customers
	Equal to or greater than 100ML and less than 200ML	
	Equal to or greater than 200ML and less than 300ML	
	Equal to or greater than 300ML and less than 400ML	
	Equal to or greater than 400ML and less than 500ML	
	Equal to or greater than 500ML and less than 750ML	
	Equal to or greater than 750ML and less than 1,000ML	
	Greater than 1,000ML	
	<b>TOTAL NO. OF CUSTOMERS</b>	



## Major customers and their participation in water efficiency programs

The *Water Act 1989* (Vic) requires water corporations to annually publish water conservation programs their major non-residential water users have undertaken. The following table details the water conservation programs completed by our major customers who consume more than 100ML per annum:

Customer	Participation in water efficiency programs
<b>AGL Loy Yang Pty Ltd (Traralgon)</b>	<p>This financial year AGL Loy Yang commenced a resin replacement program in the Demineralised Water Plant. The new resin allows for increased treatment capacity which reduces the number of resin regenerations. In turn this reduces the amount of water and chemical used. AGL Loy Yang continues to:</p> <ul style="list-style-type: none"> <li>divert rainfall run-off;</li> <li>wash down water and artesian water which collects in the base of the mine for fire service pond make-up water;</li> <li>utilise groundwater extracted to maintain mine stability in the cooling water system in preference to fresh water; and</li> <li>maintain robust monitoring and maintenance programs to ensure water utilised in the various plant processes including the cooling water system and Demineralised Water Plant is kept to a low as practical.</li> </ul>
<b>Alinta Loy Yang B (Traralgon)</b>	<p>During 2019-20, Alinta Loy Yang B:</p> <ul style="list-style-type: none"> <li>conducted a review of and updated its Water Management Strategy for its entire operations;</li> <li>undertook studies as a result of declining reserves (completed by GHD) in late 2019;</li> <li>established representation on a range of government bulk water allocation review committees;</li> <li>routinely monitored and reported on water usage rates and used the information to identify opportunities for further improvement; and</li> <li>benchmarked usage against others in the industry. Usage rates for both high and low grade water supplies remains low in comparison to industry benchmarking.</li> </ul>
<b>Australian Paper Pty Ltd (Maryvale)</b>	<p>Australian Paper continues to focus on water consumption through the setting of strategic annual objectives (water/tonne production) and area budgets (ML/day) with progress communicated via monthly reports. Continuous improvement projects have focused on the accuracy of the site water balance, increasing awareness of water consumption and improving the internal recycling of water.</p>
<b>Energy Australia Yallourn Pty Ltd (Yallourn)</b>	<p>Programs that Energy Australia has completed in 2019-20 consist of:</p> <ul style="list-style-type: none"> <li>repairing the regulating basin liner preventing water loss prior to delivery to site;</li> <li>initiating a monitoring and testing program for intake valves from the Yallourn basins;</li> <li>completing bathroom and amenities upgrades with water saving fixtures;</li> <li>repair and lining replacements undertaken on multiple water mains - No 10 Main, No 9 Main installed new sectional vale to limit water loss in failure and mine maintenance ring main;</li> <li>completing sprinkler testing in line with AS1851 2012 reduced testing regime of deluge and water fire response systems;</li> <li>re-running Cooling Tower 3 make up water supply line; and</li> <li>upgrading deluge valves across the site to an air-operated solenoid system, which is an ongoing program.</li> </ul>

Major customers and their participation in water efficiency programs **continued**

Customer	Participation in water efficiency programs
<b>ENGIE Australia (Hazelwood)</b>	<p>ENGIE ceased coal mining and power generation operations in March 2017 and has since commenced site rehabilitation works.</p> <p>As a result, raw water and potable water usage has reduced and is currently lower than when the power station was operational. Water usage is now primarily used for domestic services across the site.</p>
<b>Fonterra</b>	<p>Fonterra commenced the following water conservation projects in 2019-20:</p> <ul style="list-style-type: none"> <li>• Fluoride filtration project - Fonterra has committed capital expenditure to install additional filtration to remove fluoride from potable water. This new treatment process will enable Fonterra to manufacture infant formula using a less water-intensive process.</li> <li>• Water supply increase - The current water transfer main is at capacity and does not fully cater for the site's water needs. To overcome this, water is trucked to site. A project has commenced to commission a new transfer main to fully meet the needs of the site.</li> <li>• Evaporation seal water - Potable water is used in pumps to provide a seal between shafts and seals. This water is not recaptured and is currently discarded. A project is underway to eliminate the need to use large amounts of 'seal water' and dumping the excessive amounts of seal water.</li> <li>• Continuous Improvement Process review - A project is underway to review all continuous improvement process items across the site to minimise the amount of cleaning chemicals and energy, but also to reduce the amount of water that is used and sent to trade waste.</li> </ul>
<b>Fulham Correctional Centre (Fulham)</b>	<p>Fulham Correctional Centre is currently going through an expansion project, scheduled to be completed in September 2020. Once the expansions completed, Fulham Correctional Centre will be able to implement a range of robust water saving initiatives to reduce the daily usage.</p> <p>Fulham Correctional Centre recognises that water is a precious resource and works actively to reduce the usage after the expansion.</p>
<b>Lion - Dairy and Drinks, Lion Pty Ltd (Morwell)</b>	<p>As of 30 June 2020, Lion - Dairy and Drinks advised there would be no new water conservation initiatives.</p>
<b>Pureharvest (Drouin)</b>	<p>Pureharvest constantly reviews its water usage and explore ways to improve efficiencies and save water.</p> <p>In the past year, PureHarvest has:</p> <ul style="list-style-type: none"> <li>• installed a new boiler with an economiser fitted, reducing water use;</li> <li>• installed numerous flow meters on key assets to reduce water consumption for plants, tanks and silos; and</li> <li>• implemented improved cleaning methods for the wash down of plant and machinery.</li> </ul>
<b>Saputo (Maffra)</b>	<p>As part of business-as-usual activities, Saputo continued work to ensure boiler optimisation, as well as maximising the reuse of reclaimed water from evaporators used in the production of milk powders.</p>

## Social procurement strategy

Our social procurement strategy sets out clear expectations that social procurement becomes part of our everyday business and ensures that social and environmental outcomes are considered in every procurement activity as part of assessing value for money. This is in addition to the leadership role we have taken with GROW Gippsland, which has a strong emphasis on social procurement. The Social Procurement Strategy was adopted in April 2020, and it focusses on the three key objectives of sustainable Victorian regions, opportunities for disadvantaged Victorians, and opportunities for Victorians with disabilities.

Our values and strategic plan initiatives demonstrate our support for these social procurement objectives. Our first step is to ensure that our procurement systems and data governance aspects are fully established to support these objectives. We have contacted our suppliers to update their details, particularly to assist in identifying whether they are from within our region, whether they are a small, medium enterprise, or an Australian Disability Enterprise or social enterprise. This will give us the confidence of where we are starting, and assist us to focus on supporting our objectives.

## Local Jobs First Projects 2019-20

We're proud to support growth and sustainability in our region. During the reporting period, 19 contracts relating to key projects were commenced or continued under Local Jobs First. This has resulted in more than 340 small and medium enterprises being provided work during with these projects, as well as 27 roles and at least three apprenticeships being planned to be created, or created.

We have commenced the upgrade of the Drouin wastewater treatment plant under the Major Projects Skills Guarantee criteria during this financial year. The MPSG is part of Local Jobs First and enables job opportunities for apprentices, trainees and cadets on our construction projects.

## Strategic projects

There were no strategic projects commenced or completed in 2019-20.

## Major Projects Skills Guarantee

### In progress

Project	Number	Contract Award Date	Expected Completion Date	Contract Awarded to	Contract Value	SMEs in supply chain	Standard employee jobs to be created	Standard employee jobs to be retained	Apprenticeships to be created (inc. traineeships and cadetships)	Apprenticeships to be retained (inc. traineeship and cadetships)
Drouin wastewater treatment plant upgrade	GW482	3/9/2019	3/9/2021	Icon SI (Aust) Pty Ltd	\$37.2 million	308	1.8	28.8	1.8	1.8

### Completed

There were no Major Projects Skills Guarantee projects completed in 2019-20.

## Local Jobs First standard projects

### In progress

Project	Number	Contract Award Date	Expected Completion Date	Contract Awarded to	Contract Value	SMEs in supply chain	Standard employee jobs to be created	Standard employee jobs to be retained	Apprenticeships to be created (inc. traineeships and cadetships)	Apprenticeships to be retained (inc. traineeship and cadetships)
Water main renewals program 2018 - 2023	GW455	1/08/2018	30/6/2023	Trenack Excavations & Plant Hire P/L	\$2.32 million	Not available	3	6	1	1
Warragul Tyssen St treated water pump station upgrade mechanical and electrical works	GW467	12/12/2019	6/9/2020	Broadspectrum (Australia) Pty Ltd	\$0.94 million	7	0	0.87	0	0.17
Sewer main rehabilitation program 2018 - 2023	GW469	1/11/2018	1/6/2023	Insituform Pacific Pty Ltd	\$1.95 million	Not available	0	21	0	0
Warragul South high level tank replacement - Tank - tower works	GW477	15/11/2020	24/7/2020	Beachley Constructions Pty Ltd	\$0.85 million	31	0	4	0	0

## Local Jobs First standard projects - In progress continued

Project	Number	Contract Award Date	Expected Completion Date	Contract Awarded to	Contract Value	SMEs in supply chain	Standard employee jobs to be created	Standard employee jobs to be retained	Apprenticeships to be created (inc. traineeships and cadetships)	Apprenticeships to be retained (inc. traineeships and cadetships)
Mirboo North rising main replacement	GW486	4/10/2019	30/7/2020	Jaydo Constructions Pty Ltd	\$1.99 million	22	1.82	4.86	0	0
Sale sewer pump station outfall - civil works	GW488	1/7/2019	20/2/2021	GBG Concrete & Construction Pty Ltd	\$2.16 million	63	2.56	3.48	0	0
Sale outfall sewer pump station - mechanical - electrical works	GW489	1/7/2019	28/8/2020	Broadspectrum (Australia) Pty Ltd	\$1.5 million	Not available	0	1.25	0	0.31
Warragul Tyson St. treated water pump station upgrade - 750 pipe works	GW490	7/11/2019	17/7/2020	Jaydo Construction Pty Ltd	\$0.8 million	19	1.32	3.95	0	0
Drouin Wastewater treatment plant - power supply upgrade	GW495	15/5/2020	15/12/2020	Prasinus Energy Service Pty Ltd	\$0.69 million	1	0	0	0	0

## Local Jobs First standard projects - In progress continued

Project	Number	Contract Award Date	Expected Completion Date	Contract Awarded to	Contract Value	SMEs in supply chain	Standard employee jobs to be created	Standard employee jobs to be retained	Apprenticeships to be created (inc. traineeships and cadetships)	Apprenticeships to be retained (inc. traineeship and cadetships)
Buckley's Hill clear water storage and Sale water treatment plant basin 1 liner and floating cover replacement	GW497	16/1/2020	20/12/2020	Fabtech Australia Pty Limited	\$1.71 million	13	0	1:15	0	0
Sale sewer outfall pump station - design & construction of odour control unit	GW500	19/5/2020	12/10/2020	Bioaction Pty Ltd	\$0.62 million	Not available	0	0.72	0	0



## Completed

Project	Number	Contract Award Date	Expected Completion Date	Contract Awarded to	Contract Value	SMEs in supply chain	Standard employee jobs to be created	Standard employee jobs to be retained	Apprenticeships to be created (inc. traineeships and cadetships)	Apprenticeships to be retained (inc. traineeships and cadetships)
Sale sewer pump station outfall civil and building works	GW470	9/11/2018	30/4/2020	GBG Concrete & Construction Pty Ltd	\$5.13 million	63	7	19	1	3
Newborough basin liner and cover	GW484	24/7/2019	7/11/2019	Fabtech Australia Pty Limited	\$1.154 million	12	0	8.08	0	0
Supply of screening unit – Moe wastewater treatment plant inlet	GW487	14/11/2019	3/6/2020	Spirac Pty Ltd	\$0.22 million	20	0	0.36	0	0.01
Renewable energy projects solar panels Stage 2	GW492	30/11/2019	8/7/2020	Autonomous Energy Pty Ltd	\$0.99 million	35	9.64	9.64	0.69	0.89

## Local Jobs First standard projects - Completed **continued**

Project	Number	Contract Award Date	Expected Completion Date	Contract Awarded to	Contract Value	SMEs in supply chain	Standard employee jobs to be created	Standard employee jobs to be retained	Apprenticeships to be created (inc. traineeships and cadetships)	Apprenticeships to be retained (inc. traineeship and cadetships)
Construction of the Alfred Queen St water main and the Victoria St Warragul rider main	GW493	2/9/2019	5/5/2020	Interflow Pty Ltd	\$0.99 million	6	0	0	0	0
Moe wastewater treatment plant inlet upgrade - mechanical, civil & electrical works	GW494	23/12/2019	7/6/2020	Simpson Construction Company Pty Ltd	\$0.44 million	27	0	15	0	0
Soil and Organic Recycling Facility road pavement upgrade	GW499	19/12/2019	21/5/2020	Whelans Group Pty Ltd	\$1.1 million	26	1.65	3.86	0.41	0.97

# PART 6

## Managing our water resources

### Leveraging community benefit from our water entitlements

The closure of Hazelwood Power Station three years ago has freed up some capacity within our Latrobe system bulk entitlements.

We are working collaboratively with both the private sector and local and state governments to maximise the economic and social benefits of this water for our region.

### Bulk water entitlement reporting

Bulk Entitlement	Source of supply	Bulk Entitlement volume taken (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with Bulk Entitlement clauses
<b>Boolarra<sup>1</sup></b>	Walkleys and O'Gradys Creeks	145	0	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program): - Environmental Program implemented. - Metering Program not required as no diversions are taking place.
<b>CGRWA - Blue Rock<sup>2</sup></b>	Tanjil River	20,000	2,340 (933)	<ul style="list-style-type: none"> <li>Location and volume of water taken pursuant to clause 10: None</li> <li>Implementation of programs under sub-clause 12.3 (Metering): Implemented</li> <li>The Bulk Entitlement for Blue Rock is extracted from 3 points. Specified Point A is extracted directly from the reservoir. Specified Point B is extracted from the Tanjil River pump station. Specified Point C is extracted from the Latrobe River pump station.</li> <li>Specified point A - Blue Rock Headworks Outlet (supply to Moondarra Reservoir and Willow Grove water treatment plant): 2019-20 Total = 51 ML; 3 yr rolling avg.: = 619ML.</li> <li>Specified point B - Tanjil River Pump Station: 2019-20 Total = 882ML; 3 year rolling average: = 1,678ML.</li> <li>Specified point C - Latrobe River Pump Station: 2019-20 Total = 0 ML; 3 year rolling average: = 43ML.</li> </ul>

Bulk water entitlement **continued**

Bulk Entitlement	Source of supply	Bulk Entitlement volume taken (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with Bulk Entitlement clauses
Erica-Rawson	Trigger Creek	340	71	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program): - Environmental program implemented. - Metering program implemented.
Mirboo North	Little Morwell River (North Arm)	270	176	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program): - Environmental program implemented. - Metering program implemented.
Moe - Narracan Creek	Narracan Creek	3,884	2,857	<ul style="list-style-type: none"> <li>• Applications under Making Allowances clause 8: nil.</li> <li>• Approval, amendment and implementation of programs under clauses 9 (Environmental Program) &amp; 10 (Metering Program): - Environmental program implemented. - Metering program implemented.</li> </ul>
Moondarra <sup>3</sup>	Tyers River	62,000	34,249  (33,256)	<ul style="list-style-type: none"> <li>• Diversion at Tyers River pump station for 2019-20 = OML.</li> <li>• Approval, amendment and implementation of programs under clauses 12 (Environmental Program) &amp; 13 (Metering Program): - Environmental program implemented. - Metering program implemented.</li> </ul>
Noojee <sup>4</sup>	Deep Creek / Loch River	73	0	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program): - Environmental program implemented. - Metering program not required as no diversions are taking place.
Seaspray	Merrimans Creek	133	50	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program): - Environmental program implemented. - Metering program implemented.

Bulk water entitlement **continued**

Bulk Entitlement	Source of supply	Bulk Entitlement volume taken (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with Bulk Entitlement clauses
<b>Tarago</b>	Tarago River	4,825	4,032	<ul style="list-style-type: none"> <li>Approval, amendment and implementation of programs under clauses 11 (Environmental Program) &amp; 13 (Metering Program):               <ul style="list-style-type: none"> <li>Environmental program implemented.</li> <li>Metering program implemented.</li> </ul> </li> <li>Pederson Weir/Westernport Pipeline diversions 2019-20: 3,857ML of 4,070 ML entitlement.</li> <li>Labertouche Creek diversions 2019-20: OML of 480ML entitlement.</li> <li>Tarago Reservoir (Neerim Sth) diversions 2019-20: 175ML of 275ML entitlement.</li> </ul>
<b>Thomson-Macalister</b>	Thomson River /Macalister River	2,335	1,443	<ul style="list-style-type: none"> <li>Credits granted under clause 11: None</li> <li>Approval, amendment and implementation of programs under clause 12 (Metering Program): Implemented</li> <li>Clause 13.1 (b)               <ul style="list-style-type: none"> <li>Extraction at Maffra Weir: 1,153ML</li> <li>Extraction at Thomson River at Heyfield: 245ML</li> <li>Extraction at Lake Glenmaggie: 45ML</li> <li>Extraction at Main Southern Channel: 0 ML</li> <li>Extraction at Cowwarr Weir: OML</li> </ul> </li> <li>Clause 13.1 (d) Annual amount and location of water taken at any other works of the corporation = OML.</li> <li>Clause 13.1 (g) Period and degree of restriction of supplies of annual entitlement:               <ul style="list-style-type: none"> <li>1/7/2019 - 31/7/2019: 90% allocation</li> <li>1/8/2019 - 30/6/2020: 100% allocation</li> </ul> </li> </ul>
<b>Thorpdale<sup>5</sup></b>	Easterbrook Creek	80	0	<p>Approval, amendment and implementation of programs under clauses 9 (Environmental Program) &amp; 10 (Metering Program):</p> <ul style="list-style-type: none"> <li>Environmental program implemented.</li> <li>Metering no longer required from September 2015 as supply not being used.</li> </ul>

1 Boolarra Bulk Entitlement not currently utilised.

2 Bulk Entitlement volume calculated as three year rolling average (figure in brackets is volume for 2019-20).

3 Bulk Entitlement volume calculated as two year rolling average (figure in brackets is volume for 2019-20).

4 Noojee Bulk Entitlement not currently utilised.

5 Thorpdale Bulk Entitlement not currently utilised.



## General reporting requirements

### Temporary or permanent transfer of authority entitlements

Total temporary trades of 570ML from Sale groundwater licence for 2019-20.  
 Temporary trade of 310ML from Blue Rock Bulk Entitlement for 2019-20.  
 Temporary trade of 20ML from Thomson Macalister Bulk Entitlement for 2019-20.

### Temporary or permanent transfers of licences or entitlements to Authority

Gippsland Water has access to 400ML/y in Tarago Reservoir under a Bulk Water Supply Agreement (BWSA) with the Melbourne Retailers. This is used to supplement the Tarago Bulk Entitlement during periods of high demand. The agreement has been extended to 30 June 2023. Gippsland Water used 230.7ML under the BWSA in 2019-20.

### Amendments to Bulk Entitlements

No amendments to Bulk Entitlements in 2019-20.

### New Bulk Entitlements

No new Bulk Entitlements in 2019-20.

### Failure by authority to comply with provisions of Bulk Entitlements

No failures to comply in 2019-20.

### Difficulties experienced in complying with entitlement and remedial actions

Problems were identified during 2019-20 with the Moondarra Reservoir spillway flow meter. This meant the prescribed calculation method for determining minimum passing flows could not be used. Upstream verified inflows from Regional Water Monitoring Partnership managed river gauges was used instead. Passing flow compliance was maintained.

## Water use and drought preparedness

### Residential daily drinking water consumption

The following table details daily average residential water consumption per capita.

Month	L/person/day 2019-20	L/person/day 2018-19	L/person/day 2017-18	L/person/day 2016-17
July	192	193	194	187
August	160	190	184	160
September	181	182	174	196
October	144	153	133	138
November	195	182	187	184
December	165	129	163	162
January	210	269	227	220
February	237	256	218	223
March	230	257	252	226
April	200	223	215	212
May	193	268	248	262
June	167	191	182	166
<b>TOTAL</b>	<b>2,274</b>	<b>2,493</b>	<b>2,377</b>	<b>2,336</b>

Note: This data is based on a population served estimate for 2019-20. Monthly potable demand is based on billing which runs in four-month cycles by region.



## Annual water consumption

SUPPLY SYSTEM	Residential		Non-residential		Major industry	Metered hydrant	Non-revenue <sup>6</sup>	Total supplied	Five-year average annual demand	Consumption variation
	Billed connections <sup>3</sup>	Billed volume <sup>5</sup> (ML)	Billed connections <sup>3</sup>	Billed volume <sup>5</sup> (ML)	Billed volume <sup>4</sup> (ML)	Volume (ML)	(ML)	(ML)	(ML)	
<b>Briarolong</b>	372	54.6	23	2.1	0.0	0.0	15.7	72.4	74.9	-3%
<b>Coongulla</b>	462	37.7	9	4.6	0.0	0.0	9.0	51.3	48.0	7%
<b>Erica-Rawson</b>	313	40.3	46	17.9	0.0	0.0	11.8	70.0	62.2	13%
<b>Heyfield</b>	911	154.7	105	53.9	0.0	1.7	22.0	232.3	242.3	-4%
<b>Maffra</b>	3,334	579.8	316	89.7	291.3	8.0	109.6	1,078.4	1,146.1	-6%
<b>Mirboo North</b>	767	105.0	83	26.9	0.0	0.4	37.9	170.2	186.7	-9%
<b>Moe-Warragul<sup>1</sup></b>	26,985	3,864.5	2,144	726.9	1,909.7	44.1	556.1	7,101.4	7,204.7	-1%
<b>Moondarra<sup>2</sup></b>	26,168	4,310.3	2,471	726.0	26,710.6	4.0	1,505.2	33,256.1	40,313.4	-18%
<b>Neerim South</b>	763	127.5	63	25.2	0.0	0.0	5.9	158.7	191.0	-17%
<b>Sale</b>	7,332	1,196.1	881	290.2	198.8	3.4	165.6	1,854.1	1,851.1	0%
<b>Seaspray</b>	362	23.1	11	5.3	0.0	0.0	3.9	32.3	31.7	2%
<b>Willow Grove</b>	183	35.4	12	3.3	0.0	0.1	11.7	50.4	44.2	14%
<b>Total</b>	67,952	10,528.9	6,164	1,972.1	29,110.3	61.7	2,454.5	44,127.5	51,396.3	-14%

1. Supplies Moe, Newborough, Trafalgar, Yarragon, Darnum, Yallourn, Yallourn North, Buln Buln, Drouin, Nilma, Rokeby, Warragul and Thorpdale (carting).

2. Supplies Boolarra, Churchill, Cowwarr, Glengarry, Hazelwood North, Morwell, Rosedale, Toongabbie, Traralgon, Traralgon South, Tyers, Jumbuk/Jeelalang and Yinnar.

3. Number of assessments includes both connected and non-connected customers.

4. Includes untreated water supplied to major customers from the Moondarra system.

5. Treated water only.

6. Includes raw water losses in the Moondarra System.

## ESC Non-revenue water summary

Non-revenue water (ML) total  
**1,998.8**

Infrastructure Leakage Index (ILI)  
**1.11**

Real water losses (kL/connection/day)  
**0.071**

Real water losses (kL/km/day)  
**2.9**

Target: 12%  
Result: 13.2%

Note: Based on ESC report calculation methodology, treated water losses only. Data includes water systems supplying more than 5,000 connections (Warragul, Moe, Morwell, Traralgon, and Sale).

## Alternative water sources

We don't use alternative water sources for potable water. Alternative sources are used for other purposes as described below.

Town/system	Annual total (ML)	Use
DROUIN	<b>69.8</b>	Agriculture
	<b>6.6</b>	Recreation
HEYFIELD	<b>22.1</b>	Agriculture
MAFFRA	<b>150.7</b>	Agriculture
MARYVALE	<b>0.0</b>	Industry
MIRBOO NORTH	<b>26.0</b>	Recreation
	<b>12.9</b>	Agriculture
MORWELL	<b>721.8</b>	Wetlands irrigation
SALE	<b>874.8</b>	Agriculture
SEASPRAY	<b>0.0</b>	Agriculture
STRATFORD	<b>71.3</b>	Agriculture
WILLOW GROVE	<b>12.9</b>	Agriculture
Total	<b>1,968.9</b>	

## Our drought preparedness

The weather over the past year has influenced our current water resources position. The west of our region and central Latrobe Valley had average to wet conditions in July to September and also November. Over this same period, a record drought continued in the east of our operational area.

October, December and March were dry throughout the region, while January, February and April had above average rainfall. The January and February rainfall in our east was extraordinary, with more than double and triple the average respectively in the Briagolong area.

Our water systems have performed well under these conditions. Our Moondarra Reservoir filled in August and stayed above 90 per cent capacity throughout summer. Blue Rock Lake started the year at about 76 per cent capacity and filled by Christmas. Merrimans Creek at Seaspray, a creek that often ceases during dry periods, experienced high flows over winter and spring.

Flows stopped in early January, but recommenced in late February allowing us to completely fill the storage basin by the end of April. Lake Glenmaggie in January was at its worst January level since 2007, but by May had recovered to the best May position in more than a decade.

In the Tarago system, which supplies our rapidly growing towns of Warragul and Drouin, we purchased water from the Tarago Reservoir through our supply agreement with Melbourne's retail water corporations. This enabled us to meet shortfalls and avoid the need for water restrictions. The amount purchased was significantly less than last year.

In order to service the town of Briagolong, we source water from the shallow Wa De Lock aquifer on the western edge of East Gippsland. The area endured a three-year unprecedented drought from 2017 to 2019, which led to a major change in the typically reliable behaviour of the aquifer.

After engaging with the community, we implemented stage 2 water restrictions on 21 January. By this point, the aquifer level was lower than we've seen and we were putting in place contingencies to continue to meet restricted demand in the event of the aquifer source failing.

Coincidentally, 21 January began an extraordinary wet period, which included several rain events both at Briagolong and in the Freestone Creek catchment

upstream of the town. This resulted in significant stream flows, and with the creek's strong connection to the aquifer, we saw aquifer levels rise rapidly to pre-drought levels, marking a complete recovery. Restrictions were lifted shortly after.

Briagolong will be a focus of the 2022 review of our urban water strategy. This strategy is our primary water resources planning tool. It looks at demand and availability of water over the next 50 years and how this might be impacted by things like climate change.

We will re-evaluate the reliability of this system, taking into account the recent period of record low rainfall and aquifer levels. It's also a requirement of our Statement of Obligations that we review the Briagolong system drought response plan within 12 months of lifting restrictions.

Continuing from our *2017 Urban Water Strategy*, our highest water resource planning priority remains the Tarago system. We have reviewed options to determine the best augmentation strategy to secure this system now and into the long term. These options included water trading, in line with the State Government's *Water for Victoria* plan. We're close to completing this work, and will be developing the preferred options next year.

Sustainable water strategies (SWS) are statutory processes for state-wide water resource planning in Victoria. Our region has been covered by the overlapping *Central Region Sustainable Water Strategy* (2006) and *Gippsland Region Sustainable Water Strategy* (2011). The Victorian government has resolved to merge the two SWS geographical regions into one and prepare a new Central and Gippsland SWS by 2022.

To prepare for the SWS development, DELWP ran community information sessions in our region this year. Through our regular engagement with government, we have commenced advocating for our region and community, to ensure key water security issues and challenges are included in the SWS workplan for 2020-22.



Our drought preparedness **continued**

## Drought assistance and water trading

In recent years, we've become more active in water trading.

This has provided us with additional revenue, while helping irrigators by increasing market supply where we have excess water resources.

All of our trading has been temporary, to ensure the resource remains available in the long term to meet the needs of our urban and industrial customers.

We've entered into several multi-year trades in the Boisdale aquifer from which we draw water to supply Sale. With dry conditions up to January, we also made water available for purchase from our Blue Rock share and from our Thomson Macalister allocation.

Some trades were made with irrigators, however the change in weather conditions in the east of our region has decreased demand for these temporary trades.

## Corporate water consumption

During 2019-20, our water consumption at the Traralgon head office at 55 Hazelwood Road was 1,684kL.

	Total full-time equivalent (FTE)	Office space (m <sup>2</sup> )	Water consumption (kL)	kL/FTE	Water consumption by office space (kL/m <sup>2</sup> )
<b>2019-20</b>	213.93	3,335	1,684*	7.87	0.51
<b>2018-19</b>	216.06	3,335	1,532	7.09	0.46
<b>2017-18</b>	220.51	3,335	1,337	6.10	0.40
<b>2016-17</b>	220.02	3,335	3,365 †	15.29	1.01
<b>2015-16</b>	221.26	3,335	3,365	15.21	1.01

\* Faulty water meter was not reading correctly.

† Due to faulty water meters, the water consumption was based on previous year's consumption.



# PART 7

## Governance

## Governance

### Our Board

We operate under a Board of Directors which is appointed by our shareholder, the Victorian State Government.

#### Therese Ryan (Chair)

LLB, GAICD

Appointed October 2015.  
Current term expires  
September 2023.

Therese Ryan, LLB, GAICD is an experienced director and former lawyer. She is presently a non-executive director of listed entity Bapcor Ltd, WA Super, VicForests and Sustainable Timber Tasmania. She is also an independent member of the Audit Committee of the City of Melbourne. She was previously a director of the Victorian Managed Insurance Authority, Yarra Valley Water and Melbourne Metropolitan Fire Brigade, and in her last executive role was Vice President and General Counsel of General Motors International Operations, based in Shanghai.

#### Greg Hade (Deputy Chair)

B.Bus, CPA, GAICD

Appointed October 2015.  
Current term expires  
September 2023.

Greg has significant experience as a non-executive director, including nine years as a director of Latrobe Regional Hospital and five years as a trustee director of Equisuper, a \$5 billion profit-for-member superannuation fund. His executive career spanned 40 years in the energy sector, most recently as Head of Finance, Merchant Energy AGL and Executive General Manager Finance (CFO) for Loy Yang Power. Greg has a Bachelor of Business, is a Certified Practising Accountant and a Graduate of the Australian Institute of Company Directors.

Our Board **continued**

## Sarah Cumming (Managing Director)

B.A., LLB (Hons),  
EMBA, GAICD

Sarah was appointed Managing Director of Gippsland Water in April 2017, and has been a Board Member of the Institute of Water Administration since 2018.

Sarah has extensive experience in successfully leading transformational change and implementing large scale technology solutions across multiple tiers of government. Her expertise is in corporate governance, strategic leadership, business transformation, process optimisation and creating enabling cultures.

Having commenced her career as a litigation lawyer with a national law firm, Sarah's leadership experience extends from the private sector to a range of senior positions at the Local Government and Federal Government levels.

Sarah has a Bachelor of Arts (ANU), Bachelor of Law (Honours) (ANU), and a Master of Business Administration (Executive) (Mt Eliza Business School/ Melbourne Business School). She is also a graduate of the Australian Institute of Company Directors.

Sarah lives in Gippsland and has a very strong connection to her local community. She is passionate about ensuring Gippsland Water plays a positive role in the prosperity of the region.

## Christopher Badger

B.Eng. CPIEA, GAPD (LBS  
UK), LC&OR (Stanford USA),  
FAICD

Appointed October 2017.  
Current term expires  
September 2021.

Christopher is a board non-executive director, private management consultant, mentor and coach. He has extensive board and senior executive experience in the Electricity, Gas, Telecoms, Water and Waste Industries.

Christopher is Director Gippsland Ports, Director of the Gippsland Waste and Resource Recovery Group, and formerly South Gippsland Region Water Corporation, the Stormwater Industry Association of Australia, Australasian Corrosion Association, Murray Irrigation Ltd, and Bendigo Community Bank.

He is an independent member and Chair of Wellington Council's Audit & Risk Committee and independent member of South Gippsland Council's Audit & Risk Committee.

Christopher has a Bachelor of Electrical and Mechanical Engineering Degree, and is a Graduate and Fellow of the Australian Institute of Company Directors. He also has post graduate leadership and business training from Australian Institute of Company Directors, Stanford University Business School (USA), Warwick University Business School (UK), and the London Business School (UK).

## Jo Benvenuti

Dip. Secondary Teaching,  
Grad. Dip. Public Policy

Appointed October 2015.  
Current term expires  
September 2021

Jo is an experienced consultant, specialising in consumer engagement and energy and water policy. Jo has held executive leadership roles, including for the Consumer Utilities Advocacy Centre, Energy and Water Ombudsman Victoria and RSPCA Victoria. Jo's governance experience includes as previous Chair of the Consumers' Federation of Australia.

She is currently a member of the COAG Energy Council - Independent Energy Appointments Selection Panel and Chair of the Expert Panel on Embedded Networks, advising the Minister for Energy in Victoria.

Our Board **continued****Malcolm Eccles**

MSc, CEng, MIET, MAICD, FCMI

Appointed October 2011.  
Current term expires  
September 2021.

Malcolm is the Chief Executive Officer and Managing Director of the Basslink Group (2007 – current). The Basslink group owns power and telecoms transmission assets in Australia. He was previously Basslink's Assets and Operations Director (2005 – 2007).

Malcolm has held senior management and engineering roles with Siemens Power Services (2002 – 2005) and British Nuclear Fuels Ltd (1986 – 2002). He is the current Chairman and an Executive Committee member of the International Cable Protection Committee (ICPC)

Malcolm has international management experience having led both major projects and operational businesses in Europe, USA, Asia and Australia. Malcolm has a Master of Science in Electrical Engineering and Management Studies.

He is a Chartered Electrical Engineer (CEng), a member of the Institute of Engineering Technology (UK), a senior member of the Institute of Electrical and Electronic Engineers (US), a member of Australian Institute of Company Directors and a Fellow of the Chartered Management Institute (UK).

Malcolm has also completed an Advanced Management Program at Henley Business School (UK) and the Australian Institute of Company Directors course. He is also a qualified health & safety practitioner, holding an International NEBOSH certificate.

**Jane Oakley**

Dip. Comp. Systems, GCARLP, GAICD

Appointed October 2015.  
Current term expires  
September 2021.

Jane is currently the Chief Executive Officer for Committee for Gippsland. Jane was project manager for a regional procurement project, Executive Manager Communications, Advocacy and Customer Service at Baw Baw Shire and previously the Regional Director Regional Development Victoria Gippsland at the Department of State Development, Business and Innovation.

Having worked in the telecommunications sector for a number of years, Jane has held senior leadership roles with Telstra Corporation primarily in sales and marketing. Jane has been a Director with the West Gippsland Catchment Management Authority and Latrobe Regional Hospital.

She has a Graduate Certificate in Regional Leadership; Diploma Practice Management; Diploma Competitive Systems and Practices. Jane is also an accredited MBTi facilitator.

**Katrina Lai**

BA/LLB(Hons), MBA, GAICD  
Appointed October 2019.  
Current term expires  
September 2023.

Katrina has extensive experience in strategy consulting and executive management. She was a director of strategy with Telstra, responsible for customer service transformation, product investment and innovation. She has consulted to state and federal government, as well as a wide range of industries locally and in Asia.

Katrina currently serves on two other public sector boards – Bendigo Kangan TAFE and VARTA. She has worked as a corporate lawyer and is a graduate of the Australian Institute of Company Directors.



Our Board **continued**

## Rod Touzel

M Admin, B.Eng (Elec), Dip.  
Elec. Eng, Dip. MechEng,  
FIEAust, CPEng

Appointed October 2017.  
Current term expires  
September 2021.

Rod is a Principal of Advisian Pty Ltd and he has had extensive experience in the power industry in Australia and internationally covering the planning, development, operation and regulation of transmission, distribution and generation assets.

He has also been a strategic advisor to the NSW Government in relation to its electricity industry privatisation and to the Victorian Government in development of its renewable energy and bushfire mitigation initiatives. In the water industry, Rod led a 10-year energy partnership for WorleyParsons with Sydney Water Corporation which included the development and implementation of energy efficiency strategies in the Corporation's operations.

Rod's experience in the Gippsland region has included roles in the development and support to all the Latrobe Valley generation assets and a 12-year period as a Council member of the former Central Gippsland Institute of TAFE.

## Margaret Supplitt

B.Eng (Civil), MIEAust

Appointed October 2015.  
Term expired  
September 2019.

Margaret has a Bachelor of Engineering (Civil) and is a MIEAust and a Senior Project Manager at Crossco Consulting Pty Ltd. Her professional experience includes employment in local and state government agencies, the mining industry, property development and civil engineering consulting.

Margaret's previous board experience includes membership of the Gippsland Lakes Ministerial Advisory Committee, East Gippsland Shire's Economic Development Advisory Board and East Gippsland Marketing Inc, Company Secretarial roles and community committees.

Margaret currently lives in East Gippsland and works throughout greater Gippsland.

## Our Executive Leadership Team

### Sarah Cumming, Managing Director

B.A., LLB (Hons),  
EMBA, GAICD

See Sarah's profile under 'Our Board'.

### Sarah Heath, Chief Financial Officer

B.A. (Hons) Accounting and  
Finance, FCA

Sarah is responsible for the Financial Services and Governance teams, which includes the areas of accounting, pricing policy, and economic regulation, as well as resilience, procurement, legal and records management, and overall governance.

Sarah qualified as a chartered accountant with the Institute of Chartered Accountants England and Wales. As well as previously working as an external auditor in both Australia and the UK, Sarah has significant previous experience in financial reporting and economic regulation in the water and sewerage sector, working for the UK's largest listed water company, United Utilities PLC, for ten years prior to joining Gippsland Water.

Sarah has a special interest in how financial management and governance can contribute to an organisational focus on customers and continuous improvement. She believes the expectations of both customers and regulators are rapidly changing and that water utilities must be adaptable and flexible.

### Peter Skeels, General Manager Operations

B.Bus  
(Acct. and Economics), FCPA

Peter is responsible for the management and leadership of our drinking water and wastewater treatment facilities, bulk water storage and supply, bulk wastewater treatment and disposal, urban drinking water distribution and urban sewer collection networks.

Peter has more than 38 years of experience in the energy and water utilities sector and has held a range of senior leadership roles in varied infrastructure, and service based businesses within this market segment.

### Paul Clark, General Manager Customer and Community

Grad. Cert.  
Dispute Resolution

Paul is responsible for corporate communications, customer service, major customers, stakeholder relations and property development. With a background in the utilities sector, Paul holds postgraduate qualifications in dispute resolution and has extensive experience in customer service and stakeholder management.

Previously the General Manager of Customer and Market Services with Essential Energy in New South Wales, Paul is committed to community engagement and effective communications with customers and the community.



Our Executive Leadership Team **continued**

7

Governance

## Melissa Thek, General Manager Business Transformation

B.Bus (Management and Marketing), MPM

Passionate about the vision of a digital utility in the Gippsland Water context, Melissa is responsible for leading our business strategy, innovation and technology agenda.

Focused on ensuring that we are a sustainable and agile business, Melissa is responsible for strategic partnerships and alliances with key internal and external stakeholders that deliver regional economic solutions and ensure our business is sustainable into the future.

With more than 20 years of experience within government, client services and commercial environments, Melissa brings with her a wealth of experience in leading and delivering transformational change including holding lead roles delivering digital platforms and other significant IT and legislative changes on a national scale.

Melissa has a Bachelor of Business from Monash University majoring in Management and Marketing and a Master's degree in Project Management from RMIT University.

## Michael Crane, General Manager People and Culture

B.Bus (Human Resources and Marketing)

A leader in human resource management, safety and organisational development, his experience spans leadership roles in tertiary education, oil and gas, local government and employment services sectors.

Michael has significant experience in delivering transformational change in complex organisations and has a passion for uniting others towards delivering innovative solutions to enhance the employee experience. Furthermore, Michael has a proven ability to develop and implement value driven strategy through partnering at the highest level of organisations. Michael has a keen passion for developing leadership capability, talent management and enabling high performing cultures.

Our Executive Leadership Team **continued**

7

Governance

## Simon Aquilina, Executive Manager Commercial Business

B. App. Sci. (Major Chem.),  
Post Grad.Cert.  
Environmental Eng.,  
Cert. Lab. Tech.

Simon is responsible for leading the commercial and operational management of our Agribusiness and Organics Recycling Facility business streams to achieve the required safety, financial, business, and environmental outcomes, whilst enhancing the customer experiences and meeting their product expectations.

Simon has a broad background with experience in both the private and public sector, which has focussed on product quality, operational efficiency, economic viability and customer satisfaction. His experiences range from the power industry, laboratory, chemical manufacture, and for the past 11 years in the water industry.

## Nic Moss, General Manager Assets

B.Eng (Hons)  
(Mechanical)

Nic is responsible for strategic asset management, planning, and major capital projects that result in sustainable asset operation, performance, replacement, and augmentation. Nic has experience in both the private and public sector. He has significant exposure in operations and maintenance, asset management, production, and major capital projects. Nic has more than 15 years of experience in the water industry.






Nic is passionate about creating a culture where people achieve great outcomes that are strongly focused on safety, efficiency, innovation, positive customer experiences, and a sustainable future. Nic has a Bachelor of Engineering (with Honours) (Mechanical) from Monash University.

## Safety, Health and Environment (SHE) Board Committee

Our SHE Board Committee helps our Board meet its responsibilities in occupational health and safety, water quality, wastewater treatment and environmental management. The committee plays an important role in strategy, policy, governance, monitoring and evaluation and compliance.

The SHE Board Committee is passionate about ensuring the safety of our people and the wellbeing of our community and environment and do this through an open, constructive and consultative approach.

This year, the SHE Board Committee met four times and its members were:







				
<b>MALCOLM ECCLES (CHAIR)</b>	<b>THERESE RYAN</b>	<b>MARGARET SUPPLITT</b>  (Term expired September 2019)	<b>CHRISTOPHER BADGER</b>	<b>JO BENVENUTI</b>

## Audit and Risk Committee

Our Audit and Risk Committee supports the Board in its oversight responsibilities of:

- Financial reporting;
- Risk management;
- Maintenance of sound systems of internal control;
- Assurance activities including internal and external audits; and
- The organisation's performance with regard to legislative and regulatory compliance.

This year, the Audit and Risk Committee met four times and its members were:

					
<b>GREG HADE (CHAIR)</b>	<b>JO BENVENUTI</b>	<b>JANE OAKLEY</b>	<b>ROD TOUZEL</b>	<b>CHRISTOPHER BADGER</b>	<b>KATRINA LAI</b>





## Executive Remuneration and Capability Committee

The role of the Executive Remuneration and Capability Committee is to assist the Board in fulfilling its responsibilities and ensuring appropriate oversight of:

- Organisational culture;
- Strategic human resource management;
- Organisational and Director capability;
- Executive performance and remuneration; and
- Emerging issues and opportunities.

The Executive Remuneration and Capability Committee provides an important role with respect to strategy, policy, governance, monitoring and evaluation and compliance.







This year, the Executive Remuneration and Capability Committee met twice and its members were:

			
<b>JANE OAKLEY (CHAIR)</b>	<b>THERESE RYAN</b>	<b>CHRISTOPHER BADGER</b>	<b>ROD TOUZEL</b>






## Infrastructure and Assets Committee

The Infrastructure and Assets Committee provides support and advice to the Board in discharging its responsibilities related to long-term capital investment, asset management, and project and program planning and delivery.

This year, the Infrastructure and Assets Committee met three times and its members were:

					
<b>MARGARET SUPPLITT</b>	<b>ROD TOUZEL (CHAIR)</b>	<b>JO BENVENUTI</b>	<b>MALCOLM ECCLES</b>	<b>GREG HADE</b>	<b>KATRINA LAI</b>
(previous Chair – term expired September 2019)					

## Director attendance at Board and Committee meetings

Director	Board Meetings		SHE Committee		Audit and Risk Committee		Executive Remuneration and Capability Committee		Infrastructure and Assets Committee	
	Eligible	Attendance	Eligible	Attendance	Eligible	Attendance	Eligible	Attendance	Eligible	Attendance
 Therese Ryan	6	6	4	3	0	2	2	2	0	0
 Greg Hade	6	6	0	0	4	4	0	0	3	3
 Christopher Badger	6	6	2	2	4	4	2	2	0	0
 Jo Benvenuti	6	6	2	2	1	1	0	0	3	3
 Sarah Cumming	6	6	0	4	0	4	2	2	0	3
 Malcolm Eccles	6	5	4	4	0	1	0	0	3	3
 Katrina Lai	5	5	0	0	3	3	0	0	2	2
 Jane Oakley	6	4	0	0	4	3	2	2	0	0
 Margaret Supplitt	1	1	1	1	0	1	0	0	0	0
 Rod Touzel	6	6	0	0	0	1	2	2	3	3



## Consultant services

In 2019-20, there were 21 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2019-20 in relation to these consultancies was \$1,885,569.14 (excl. GST). In 2019-20, there were 25 consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2019-20 in relation to these consultancies was \$102,989.27 (excl. GST). Details of individual consultancies (valued at \$10,000 or greater) are noted in the table below.

Consultant	Purpose of consultancy	Start date	End date	(\$ thousand)		
				Total approved	Expenditure 2019-20	Future Expend.
Russell Kennedy Solicitors - (Trust Account)	Commercial and legal advisory services	1/07/2019	30/06/2020	821.4	821.4	-
Broadspectrum (Australia) Pty Ltd	Asset planning consulting	1/07/2019	30/06/2020	273.0	273.0	-
GHD Pty Ltd	Hydrological, geotechnical & groundwater assessments	1/07/2019	30/06/2020	96.6	96.6	-
SMEC Australia Pty. Limited	Various surveying consultancy services	1/07/2019	30/06/2020	91.8	91.8	-
Dench McClean Carlson Pty Ltd	Development of business plans	1/11/2019	30/06/2020	78.7	78.7	-
Ecowise Pty Ltd	Environmental monitoring	1/07/2019	30/06/2020	72.3	72.3	-
Collab It Systems Pty Ltd	HACH WIMS consulting	1/07/2019	30/06/2020	67.3	67.3	-
Mott Macdonald Australia Pty Ltd	Asset management plans and Gippsland Water Factory system capacity	1/07/2019	30/06/2020	56.1	56.1	-
ArcBlue Consulting (Aus) Pty Ltd	Procurement and contract strategy review	1/03/2020	30/06/2020	52.1	52.1	-
Jacobs Group (Australia) Pty Ltd	SCADA energy projects	1/01/2020	30/04/2020	41.7	41.7	-
CDM Smith Australia Pty Ltd	Contamination compliance	1/11/2019	30/06/2020	41.3	41.3	-
Alvearium Pty Ltd	Strategic planning workshops and advice	1/09/2019	28/02/2020	30.2	30.2	-
RSM Bird Cameron	Taxation consulting	1/07/2019	30/06/2020	30.1	30.1	-
Grant Thornton Australia Ltd	Data analytics review	1/11/2019	30/11/2019	28.2	28.2	-

## Consultant services continued

Consultant	Purpose of consultancy	Start date	End date	(\$ thousand)		
				Total approved	Expenditure 2019-20	Future Expend.
Adra Group Pty Ltd	Gippsland Water Factory anaerobic reactor fire systems design	1/09/2019	30/06/2020	23.9	23.9	-
East Gippsland Water	Customer satisfaction survey field work	1/05/2020	30/06/2020	19.8	19.8	-
Ausnet Electricity Services Pty Ltd	Gippsland Water Factory generation and feasibility request	1/07/2019	31/08/2019	15.3	15.3	-
Agribusiness Valuations Australia	Plantation valuation	1/06/2020	30/06/2020	13.0	13.0	-
ERM Business Energy	Energy costs consulting - Gippsland Water energy strategy	1/07/2019	30/06/2020	12.1	12.1	-
BB Tech Consulting	Development and review of drinking water quality manual	1/02/2020	30/06/2020	10.7	10.7	-
Mercer Australia Pty Ltd	Human resources consulting	1/04/2020	30/06/2020	10.0	10.0	-

For the requirements of FRD 22H, a consultant is a particular type of contractor that is engaged primarily to perform a discrete task for an entity that facilitates decision making through:

- (i) Provision of expert analysis and advice; and/or
- (ii) Development of a written report or other intellectual output.



## Information and Communication Technology expenditure

	(\$ million)			
	BAU ICT expenditure	Non BAU ICT expenditure Total = A + B	Operational expenditure A	Capital expenditure B
2019-20	8.8	0.2	0.0	0.2
2018-19	8.7	0.4	0.0	0.4
2017-18	8.4	1.2	0.0	1.2
2016-17	9.3	0.3	0.0	0.3

Note: BAU - Business as usual

### Disclosure of major contracts

During the reporting period, we entered into one major contract to upgrade the Drouin Wastewater treatment plant with a value exceeding \$10 million.

### Competitive Neutrality Policy Victoria

We continue to implement and apply the principle of competitive neutrality in our business undertakings. This enables fair competition between government and private sector businesses. We ensure that any advantages or disadvantages that government businesses may experience, simply as a result of government ownership, should be neutralised.

### Government advertising expenditure

Our government campaign expenditure for the period did not exceed \$100,000. We did not spend any of our budget on government campaign advertising.

### Freedom of Information Act 1982 (Vic)

The purpose of the *Freedom of Information Act 1982* (Vic) is to promote openness, accountability and transparency by giving members of the public the right to access official documents created by Gippsland Water.

The types of documents we create and handle include:

- Policies, procedures, and guidelines;
- Briefings and reports;

- Registers and databases;
- Correspondence;
- Applications, permits, agreements, leases and licences;
- Plans and drawings;
- Meeting records;
- Financial records; and
- Audio visual material.

As specified in the *Freedom of Information Act 1982* (Vic) we have developed a Part II Information Statement located on our website at [www.gippswater.com.au/residential/about-us/governance/freedom-information](http://www.gippswater.com.au/residential/about-us/governance/freedom-information).

The following information is available on request, subject to the *Freedom of Information Act 1982* (Vic):

- A statement that declarations of pecuniary interests have been duly completed by all relevant officers.
- Details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary.
- Details of publications produced by the entity about itself, and how these can be obtained
- Details of changes in prices, fees, charges and rates and levies charged by us.
- Details of any major external reviews carried out on us.
- Details of major research and development activities undertaken by us.
- Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit.



## Freedom of Information Act 1982 (Vic) continued

- Details of major promotional, public relations and marketing activities undertaken by us to develop community awareness of us and our services
- Details of assessment and measures undertaken to improve the occupational health and safety of our employees.
- A general statement on industrial relations within our organisation and details of lost time through industrial accidents and disputes.
- A list of major committees sponsored by us, the purposes of each committee and the extent to which the purposes have been achieved.

During the 2019-20 reporting period, we received four requests for information under the *Freedom of Information Act 1982* (Vic). All requests for information were made by members of the general public.

- Two requests were processed outside of Freedom of Information.
- One request required further information from the requester and this information was never provided to us.
- One request was processed through Freedom of Information. This request was made within the statutory 30 day time period.

## Freedom of Information (FOI) requests

Requests for information under the *Freedom of Information Act 1982* (Vic) must be made in writing.

A request form is available for download from our website and can be sent via email to: [foi@gippswater.com.au](mailto:foi@gippswater.com.au)

Mailed applications can be sent to:

### Authorised FOI Officer

Gippsland Water  
PO Box 348 Traralgon VIC 3844  
Phone: 1800 050 500

To submit a valid request, persons should identify as clearly as possible which document/s are being requested. The request must also be accompanied by the appropriate application fee of \$29.60 effective from 1 July 2020, although the fee may be waived with proof of hardship.

After a Freedom of Information request is submitted, our Freedom of Information Officer will guide the person through the process, keep in regular contact about the status of their request and inform them on their rights and responsibilities.

All decisions to release information is made by our authorised officer and in certain circumstances we may refuse or partially refuse to provide access to information. All decisions are made in accordance with the *Freedom of Information Act* (Vic).

If they are not satisfied with our decision under section 49A of the Act, they have the right to seek a review from OVIC within 28 days of receiving our decision letter.

More information on Freedom of information can be found on OVIC's website at <https://ovic.vic.gov.au/>

## Public Interest Disclosure Act 2012 (formerly Protected Disclosure Act)

A Public Interest Disclosure (Disclosure) is a complaint of improper conduct by a public officer or a public body. Gippsland Water is a public body for the purposes of the *Public Interest Disclosure Act 2012* (Act) and a public officer can be a Gippsland Water employee (including temporary/contract staff), director or independent committee member. A disclosure may be made even if the person making the disclosure cannot identify the person or the body to whom or to which the disclosure relates.

We take our responsibilities seriously in relation to anyone who may make a disclosure about improper conduct.

We are committed to the value of transparency and accountability in its operational, administrative and management practices, and supports the disclosure of improper conduct.

While we cannot receive Disclosures our Public Interest Disclosure Coordinator will at all times comply with our obligations and work with the investigating body as requested in the instance of a Public Interest Complaint Investigation.

We have established a procedure to ensure the confidentiality of the identity of the discloser and their welfare, according to our obligations under the Act. The procedure is available on our website: [www.gippswater.com.au/residential/about-us/governance/policies-and-procedures/protected-disclosure-policy](http://www.gippswater.com.au/residential/about-us/governance/policies-and-procedures/protected-disclosure-policy)

## Conflict of interest

Managing conflicts of interest is an important aspect of our operations. The integrity of the organisation relies on public confidence that employees and board directors will act fairly, impartially, and in the



best interests of customers, the community, and stakeholders.

We have a Conflict of Interest Policy and Conflict of Interest Guidelines which provide a framework for all employees and board directors in managing conflicts of interest.

## Public Administration Act 2004 (Vic)

The *Public Administration Act 2004 (Vic)* lists principles that must be observed by public sector organisations and its employees. All of our employees observe these principles.

The Code of Conduct for the Victorian Public Sector is issued to all employees at their induction to promote integrity and conduct standards. Required behaviours are set out in all employee performance plans.

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

For more information on the Code of Conduct, visit the Victorian Public Sector Commission website: <https://vpssc.vic.gov.au/ethics-behaviours-culture/codes-of-conduct>.

## Building Act 1993 (Vic)

We comply with the *Building Act 1993 (Vic)*, the *Building Regulations 2018* and associated statutory requirements and amendments.

We obtain an Occupancy Permit for new facilities or for upgrades to existing facilities endorsed by a Municipal Building Surveyor or a Registered Building Surveyor Practitioner.

We require that appropriately qualified consultants and contractors are engaged for all proposed works on land controlled by us and that their work and services comply with current building standards. All such consultants and contractors are expected to have appropriate mechanisms in place to ensure compliance with the building and maintenance provisions of the *Building Act 1993*, *Building Regulations 2018* and the National Construction Code.

In relation to existing buildings, our Building Maintenance Contractor is responsible for mandatory testing of emergency and exit lighting in accordance with relevant standards, monthly, quarterly and bi-annual inspection and preventive maintenance

routine of mechanical services and monthly and annual fire service audits. These inspections then inform the works program which is delivered annually through existing maintenance contracts.

During 2019-20, 127 formal Essential Safety Measures audits were carried out under the *Building Regulations 2018*.

## Financial Management Act 2004 (Vic)

Information relevant to the headings listed in Financial Reporting Direction (FRD) 22H is held at our Traralgon office and is available on request, subject to the *Freedom of Information Act 1982 (Vic)*.

## Overseas travel

**Sirimath Dep, Senior Engineer Bulk Water and Julien Schill, Senior Technical Officer Bulk Water (9-11 October 2019)**

Sirimath and Julien attended the Australian National Committee on Large Dams (ANCOLD) and New Zealand Society on Large Dams (NZSOLD) combined conference held in Auckland, New Zealand from 9 to 11 October 2019.

The theme of the conference was Resilient Dams for Resilient Communities. Attendance at the ANCOLD conference enables dam safety personnel to maintain and update technical skills on dam safety management. These conferences encourage participants to review current practices, share best practice and explore present and future challenges.

## Corporate Key Performance Indicators

We continue to report against a set of established key performance indicators (KPIs) throughout the reporting period. The KPI targets are reviewed annually to ensure relevance and the provision of a basis for improved performance.

In the 2019-20 reporting period, we reported against 32 indicators that measure performance for water, wastewater, customer service, safety, and employee availability. These indicators are directly linked to our 2018-23 Pricing Submission and are aligned with the service standards reported annually to the ESC.



## Key Performance Indicators

KPI No	Key Performance Indicator	Unit of measure	2019-20 Target	2019-20 Actual <sup>1</sup>	2018-19 <sup>2</sup>	2017-18 <sup>2</sup>	2016-17 <sup>2</sup>	2015-16 <sup>2</sup>
<b>WATER</b>								
1	Unplanned water supply interruptions	Per 100km	19.5	14.63	19.21	16.92	15.37	18.26
2	Average time taken to attend bursts and leaks (priority 1)	Minutes	35	26.33	28.87	27.69	27.15	26.48
3	Average time taken to attend bursts and leaks (priority 2)	Minutes	90	55.67	67.00	42.68	60.30	56.72
4	Average time taken to attend bursts and leaks (priority 3)	Minutes	1,500	1,143.28	1,430.40	1,157.95	1,166.79	1,067.52
5	Unplanned water supply interruptions restored within 5 hours	Per cent	98%	97.16% <sup>3</sup>	98.30%	98.62%	98.78%	98.97%
6	Planned water supply interruptions restored within 5 hours	Per cent	90%	96.81%	93.46%	97.58%	98.52%	97.93%
7	Average unplanned customer minutes off water supply	Minutes	10.8	8.49	13.04	7.99	8.63	8.51
8	Average planned customer minutes off water supply	Minutes	21.9	10.34	14.32	12.22	11.15	12.90
9	Average frequency of unplanned water supply interruptions	Number	0.10	0.09	0.14	0.09	0.10	0.11
10	Average frequency of planned water supply interruptions	Number	0.13	0.05	0.08	0.07	0.08	0.08
11	Average duration of unplanned water supply interruptions	Minutes	90	90.77 <sup>4</sup>	93.46	85.16	87.37	76.23
12	Average duration of planned water supply interruptions	Minutes	168.40	195.74 <sup>5</sup>	172.80	167.08	141.98	156.66
13	Number of customers experiencing more than 5 unplanned water supply interruptions in the year	Number	0	0	1	0	36	0
14	Unaccounted for water	Per cent	12%	13.2% <sup>6</sup>	14.7%	14.0%	14.7%	12.9%



Key Performance Indicators **continued**

KPI No	Key Performance Indicator	Unit of measure	2019-20 Target	2019-20 Actual <sup>1</sup>	2018-19 <sup>2</sup>	2017-18 <sup>2</sup>	2016-17 <sup>2</sup>	2015-16 <sup>2</sup>
<b>SEWERAGE</b>								
15	Sewerage blockages	Per 100km	18	12.08	12.80	17.41	17.09	13.99
16	Average time to attend sewer spills and blockages	Minutes	40	20.37	26.11	20.64	20.42	24.91
17	Average time to rectify a sewer blockage	Minutes	95	73.84	73.82	76.50	72.67	86.20
18	Spills contained within 5 hours	Per cent	98%	100%	100%	100%	100%	98.46%
19	Customers receiving more than 3 sewer blockages in the year	Number	0	0	0	0	0	0
<b>CUSTOMER SERVICE</b>								
20	Complaints to EWOV	Per 1,000 customers	0.03	0	0	0	0.06	0.028
21	Telephone calls answered within 30 seconds	Per cent	88%	97.00%	96.00%	83.71%	83.76%	88.80%
<b>ADDITIONAL SERVICE STANDARDS</b>								
22	Population receiving water meeting E.coli standards	Per cent	100%	100%	100%	100%	100%	88.9%
23	Population receiving water meeting disinfection by-products standards	Per cent	100%	100%	100%	100%	100%	100%
24	Population receiving water meeting turbidity standards	Per cent	100%	93% <sup>7</sup>	100%	100%	100%	100%
25	Total CO <sub>2</sub> equivalent emissions	Tonne (000s)	43.1	34.75	43.73	37.88	37.55	44.87
26	Recycled water target	Per cent	25.0%	25.80%	32.6	9.33%	8.46%	8.48%
27	Bio-solids re-use	Per cent	100%	100%	100%	100%	100%	100%



Key Performance Indicators **continued**

KPI No	Key Performance Indicator	Unit of measure	2019-20 Target	2019-20 Actual <sup>1</sup>	2018-19 <sup>2</sup>	2017-18 <sup>2</sup>	2016-17 <sup>2</sup>	2015-16 <sup>2</sup>
<b>OUR PEOPLE</b>								
<b>28</b>	No. of significant incidents per month/total number of reports per month	Per cent	< 1.2%	1.19%	1%	2%	2%	2%
<b>29</b>	Lost Time Injury Frequency Rate	Number	≤ 3.8	10.68 <sup>8</sup>	3	5	9	15
<b>30</b>	Average severity index for incidents reported	Number	≤ 4	2.47	2.93	3	2.96	3.25
<b>31</b>	No. of reported incidents without injury (near misses) per monthly/total no. of reports per month	Per cent	19%	23%	28%	26%	27%	33%
<b>32</b>	Employee Availability	Hours	≤ 34 annually per employee	30.46	31.95	33.85	32.07	30.70

**Notes to Key Performance Indicators**

- (1) 2019-20 Actual – unaudited data.
- (2) Previous years' data – audited data.
- (3) KPI 5 – We narrowly missed achieving the target set for Indicator. This was attributed to a repair occurring in May that required an isolation greater than 5 hours. Additionally, increased times have been due to addressing safety concerns (traffic control etc), waiting for the contractors to arrive and access challenges.
- (4) KPI 11 – One emergency isolation coming out of the Tyers water treatment plant cut off supply to 814 customers in Glengarry and Toongabbie. Most customers would have had water but there is no way to confirm; therefore all customers were counted.
- (5) KPI 12 – Air scouring at Heyfield included larger shut blocks with higher numbers of customers impacting the average duration. Additionally, some significant shuts on the Moe / Warragul main and Warragul DN450 took place at during the night to minimise impact on customers.
- (6) KPI 14 – The cause of unaccounted water is both real and apparent losses. Real losses are through leaks, watermain breaks, firefighting and mains flushing. Apparent losses are difficult to identify and quantify and may due to metering inaccuracies. For 2020-21 we will implement some of the priority recommendations from the detailed independent review undertaken during 2019-20, with a focus on ensuring accuracy of measured flow data.
- (7) KPI 24 – Turbidity exceedance due to the Moe water treatment plant failure and associated Boil Water Advisory.  
Standard: The 95th percentile of results for samples in any 12-month period must be less than or equal to 5.0 nephelometric turbidity units (NTU).  
95th percentile (rolling 12 month) for Moe = 9.4 NTU; Total population = 155,480;  
Moe population = 11,660; Moe (% of population) = 7%; % population receiving compliant water = 93%
- (8) KPI 29 – We have five accepted lost time injuries, affecting our rolling Lost Time Injury Frequency Rate at the 2019-20 year end.



# PART 8

## Year in review

### Financial overview

Summary of financial results	2019-20	2018-19	2017-18	2016-17	2015-16
	\$'M	\$'M	\$'M	\$'M	\$'M
Service charges	85.4	83.5	78.8	75.9	74.1
Usage charges	39.1	41.2	39.3	38.5	38.1
Developer contributions	7.6	18.8	12.3	7.0	10.7
Other revenue	9.7	7.7	5.5	12.5	19.2
<b>Total revenue</b>	<b>141.8</b>	<b>151.2</b>	<b>135.9</b>	<b>133.9</b>	<b>142.2</b>
Operations, maintenance and administration	85.4	79.9	76.4	73.9	74.2
Depreciation expenses	47.0	42.4	39.7	39.9	36.4
Environmental contribution	5.2	5.2	4.6	4.7	4.7
Finance expenses	13.2	13.7	14.0	14.3	15.1
<b>Total expenditure</b>	<b>150.7</b>	<b>141.2</b>	<b>134.7</b>	<b>132.8</b>	<b>130.4</b>
<b>Net result before tax</b>	<b>(8.9)</b>	<b>10.0</b>	<b>1.2</b>	<b>1.1</b>	<b>11.8</b>
Current assets	40.3	37.2	32.3	34.9	33.5
Non-current assets	1,323.8	1,318.7	1,186.9	1,176.2	1,179.5
<b>Total assets</b>	<b>1,364.1</b>	<b>1,355.9</b>	<b>1,219.2</b>	<b>1,211.1</b>	<b>1,213.0</b>
Current liabilities	56.1	44.7	100.5	78.3	85.4
Non-current liabilities	457.2	453.2	351.9	374.3	368.5
<b>Total liabilities</b>	<b>513.3</b>	<b>497.9</b>	<b>452.4</b>	<b>452.6</b>	<b>453.8</b>
<b>Net cash flow from operations</b>	<b>34.0</b>	<b>36.7</b>	<b>41.4</b>	<b>32.9</b>	<b>47.4</b>
<b>Payments for capital works</b>	<b>48.8</b>	<b>45.8</b>	<b>50.4</b>	<b>30.5</b>	<b>52.3</b>

## Financial indicators

Key Performance Indicator	2019-20 Result	2018-19 Result	2017-18 Result	2016-17 Result	2015-16 Result
Cash interest cover (times)	3.61	3.69	3.98	3.33	4.17
Gearing ratio	23.20%	21.79%	23.21%	23.12%	23.08%
Internal financing ratio	69.54%	79.75%	82.08%	109.99%	92.99%
Current ratio	0.80	0.96	0.34	0.47	0.41
Return on assets	0.32%	1.82%	1.25%	1.26%	2.24%
Return on equity	(0.73%)	0.86%	0.11%	0.10%	1.22%
Earnings Before Interest Tax, Depreciation and Amortisation (EBITDA) margin	36.19%	43.56%	40.33%	41.21%	44.43%

## Total residential bill

Year	AVERAGE CONSUMPTION		200kL CONSUMPTION	
	Total bill	Customer bill	Total bill	Customer bill
2019-20	\$1,338.29	\$1,338.29	\$1,404.46	\$1,404.46
2018-19	\$1,334.49	\$1,334.49	\$1,399.80	\$1,399.80
2017-18	\$1,325.82	\$1,289.82	\$1,390.70	\$1,354.70

Note: Customer bill is net of the government water rebate for 2017-18 only.

Tariffs are set through the Price Submission over a five-year period.



## Discussion of key results for the financial year

In 2019-20, the Corporation's financial results were significantly impacted by three major factors, when compared to the budgeted position, and as a result the Corporation did not achieve its budgeted financial objectives.

The variance to budget includes adverse variances in relation to the rate of CPI and regulatory rate of return applied to customer tariffs in 2019-20 compared to budget, and also additional depreciation expense following the managerial revaluation in 2018-19 which took place after the 2019-20 budget was set. As a result, our net result before tax was a loss of \$8.9 million, compared to a budgeted loss of \$0.05 million. This lower than expected profit is the result of a number of key issues described below:

Total revenue decreased by \$2.4 million compared to our Corporate Plan with material movements in the following revenue components:

- A decrease of \$0.9 million as a result of the difference between the Corporate Plan CPI assumption applied to tariffs of 2% and the actual CPI applied being 1.33%;
- A decrease of \$0.9 million as a result of a lower regulatory rate of return applied in setting tariffs compared to the assumption in the Corporate Plan;
- A decrease in prescribed waste charges of \$0.6 million;
- A net book value loss on disposed assets of \$1.8 million

due to retirements as a result of renewals or upgrades of infrastructure assets through the capital program; partially offset by;

- An increase in developer contributions of \$1.3 million; and
- An increase of \$0.4 million across service and usage charges.

Total expenditure increased by \$6.5 million compared to our Corporate Plan with material movements in the following expenditure components:

- An increase in depreciation expenses of \$5.1 million, due to the Corporate Plan not including the impacts of the managerial asset revaluation completed in 2018-19 as it was not known at the time;
- An increase in operations, maintenance and administration expenses of \$2.5 million due to various maintenance and operation works and additional costs in relation to prescribed waste activities. The increased costs in the year include \$0.4 million for costs associated with the precautionary boil water notice and \$0.2 million additional costs as a result of the coronavirus pandemic; These are partially offset by
- a decrease in finance expenses of \$1.1 million, due to combination of lower interest rates and timing of when borrowings were drawn during the year.

Our net result before tax was a loss of \$8.9 million, \$18.9 million lower than the previous year profit of \$10.0 million. Key variances from the previous year are:

Total revenue decreased by \$9.4 million with material movements in the following revenue components:

- A decrease in developer contributions of \$11.2 million, mainly due to 2018-19 including gifted assets from VicRoads for replacement of the regional outfall system;
- A decrease in usage charges of \$2.1 million; partially offset by
- an increase in service charges of \$1.9 million; and
- an increase in other revenue of \$2.0 million.

Total expenditure increased by \$9.5 million compared to the previous year with material movements in the following expenditure components:

- An increase in operations, maintenance and administration expenses of \$5.4 million;
- An increase in depreciation expenses of \$4.6 million, due to the asset revaluation completed in 2018-19; partially offset by
- a reduction in finance expenses of \$0.5 million.

Improve financial sustainability through smart business decisions and partnerships that minimise the need for borrowings

# PART 9

## Financial sustainability

### Financial performance report for the year ended 30 June 2020

#### PART 1 – Financial Performance Indicators

KPI no.	Key Performance Indicator	2018-19 result	2019-20 result	2019-20 target	Variance to prior year	Notes	Variance to target	Notes
<b>F1</b>	<b>Cash Interest Cover</b> Net operating cash flows before net interest and tax / net interest payments	3.69	3.61	3.47	-2.2%		3.9%	
<b>F2</b>	<b>Gearing Ratio</b> Total debt (including finance leases) / total assets * 100	21.79%	23.20%	25.50%	-6.5%		9.0%	
<b>F3</b>	<b>Internal Financing Ratio</b> Net operating cash flow less dividends / net capital expenditure * 100	79.75%	69.54%	63.20%	-12.8%	3a	10.0%	3b
<b>F4</b>	<b>Current Ratio</b> Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	0.96	0.80	0.38	-16.1%	4a	111.1%	4b
<b>F5</b>	<b>Return on Assets</b> Earnings before net interest and tax / average assets * 100	1.82%	0.32%	1.10%	-82.4%	5a	-70.8%	5b
<b>F6</b>	<b>Return on Equity</b> Net profit after tax / average total equity * 100	0.86%	-0.73%	0.02%	-185.0%	6a	-4,430.7%	6b
<b>F7</b>	<b>EBITDA Margin</b> Earnings Before Interest, Tax, Depreciation and Amortisation / total revenue * 100	43.56%	36.19%	38.80%	-16.9%	7a	-6.7%	

## PART 2 – Water and Sewerage Performance Indicators

### Notes

- 3a** Net operating cash flows in 2019-20 of \$34.0M lower than 2018-19 of \$36.7M, primarily due to increased payments to Suppliers of \$5.5M. Net capital expenditure for the 2019-20 year of \$48.9M was higher than the 2018-19 year of \$46.0M. Combined impact of these movements leading to a decreased outcome for this indicator.
- 3b** Net capital expenditure for the 2019-20 year of \$48.9M was lower than target of \$55.4M. With net operating cash flows of \$0.8M below target and net capital expenditure saving of \$5.5M to plan resulting in +10% outcome for this indicator.
- 4a** Current assets increased by \$3M with cash increase of \$6M offset by lower receivables of \$3M. Current liabilities increased by \$11M due to increase in 11am borrowings as at 30th June 2020 by \$11M YOY up to \$26.5M from \$15.5M from 2019. Combined impact of these movements leading to a decreased outcome for this indicator.
- 4b** Current and non-current borrowings are \$76.5M under and over budget respectively due to reclassifying borrowings at 30 June 2019 from current to non-current. The increase in this indicator is due to this movement.
- 5a** Earnings before net interest and tax in 2019-20 of \$4.4M have decreased \$19M from 2018-19 result of \$23.7M. This is primarily due to a decrease in developer contributions of \$11M, mainly due to non-recurrence of 2018-19 gifted assets from VicRoads for replacement of the regional outfall system and decrease in gifted assets in Warragul/Drouin; a increase in operations, maintenance and administration expenses of \$5.5M; and an increase in depreciation expenses of \$4.6M, due to the asset revaluation completed in 2018-19. Average asset increased by \$72M during 2019-20. The impact of the decreased earnings before net interest and tax has resulted in the decreased outcome for this indicator.
- 5b** The return on asset indicator has been impacted by lower Earnings before net interest and tax in 2019-20 of \$4.4M being \$10M lower than budget of \$14M. The variance arising from three significant items: adverse revenue variance of \$1.8M due to CPI and cost of debt assumptions varying to budget; \$5.1M additional depreciation expenses as a result of the managerial revaluation of assets at 30 June 2019 which was not expected at the time the budget was set; and a \$2M unfavourable variance on loss on disposal of assets as a result of assets being retired which still carried a value at the time of retirement.
- 6a** The return on equity indicator has been impacted by loss of (\$6.2M), being \$13.2M lower than the previous year profit of \$7M. Key variances from the previous year are total revenue decreased by \$9.4M with material movements of decrease in developer contributions of \$11.2M and total expenditure increased by \$9.5M compared to the previous year with material movements of increase in operations, maintenance and administration expenses of \$5.5M; and an increase in depreciation expenses of \$4.6M, due to the asset revaluation completed in 2018-19.
- 6b** The return on equity indicator has been impacted by loss of (\$6.2M), being \$6.2M lower than budget profit of \$0M. Key variances to net profit after tax in comparison to plan is as per 5b comment of earnings before net interest and tax being \$10M lower than plan, then being offset by savings in net interest of \$1M due to lower borrowings and income tax saving of \$2.7M.
- 7a** The EBITDA margin indicator has been negatively impacted by 2019-20 EBITDA decrease of \$15M and total revenue decrease of \$9M. This is primarily due a decrease in developer contributions of \$11M, mainly due to non-recurrence of 2018-19 gifted assets from VicRoads for replacement of the regional outfall system and decrease in gifted assets in Warragul/Drouin; an increase in operations, maintenance and administration expenses of \$5.5M.

## PART 2 – Water and Sewerage Service Performance Indicators

KPI no.	Key Performance Indicator	2018-19 result	2019-20 result	2019-20 target	Variance to prior year	Notes	Variance to target	Notes
<b>WS1</b>	<b>Unplanned water supply interruptions</b> No. of customers receiving more than 5 unplanned interruptions in the year/ total number of water (domestic and non-domestic) customers * 100	0.00	0.00	0.00	0.0%		0.0%	
<b>WS2</b>	<b>Interruption time (minutes)</b> Average duration of unplanned water supply interruptions	93.37	90.77	90.00	-2.8%		0.9%	
<b>WS3</b>	<b>Restoration of unplanned water supply</b> Unplanned water supply interruptions restored within 5 hours/total unplanned water supply interruptions * 100	98.30%	97.16%	98.00%	-1.2%		-0.9%	
<b>SS1</b>	<b>Containment of sewer spills</b> Sewer spills from reticulation and branch sewers contained within 5 hours/total sewer spills from reticulation and branch sewers * 100	100.00%	100.00%	98.00%	0.0%		2.0%	
<b>SS2</b>	<b>Sewer spills interruptions</b> No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	100.00%	100.00%	98.80%	0.0%		1.2%	

## PART 3 – Customer Responsiveness Performance Indicators

KPI no.	Key Performance Indicator	2018-19 result	2019-20 result	2019-20 target	Variance to prior year	Notes	Variance to target	Notes
<b>CR1</b>	<b>Water quality complaints</b> No. of complaints per 1,000 customers	2.69	1.89	3.24	-29.7%	8a	-41.7%	8b
<b>CR4</b>	<b>Billing complaints</b> No. of complaints per 1,000 customers	5.39	2.39	1.65	-55.7%	9a	44.8%	9b

## Notes

- 8a** The variance to year prior is due to the overall reduction in the number of customer complaints received. Contributing to this reduction is the continued water quality awareness training and implementation of Gippsland Water – Protecting Water Quality 5 Cs program which promotes the focus on maintaining and improving water quality during unplanned interruptions. In addition ongoing implementation of planned capital improvement works to water treatment operational processes and system maintenance activities such as air scouring and flushing programs to maintain reticulation water quality.
- 8b** Continued improvement against the target demonstrates our strive for continual improvement in the services to our customers through programs such as the Protecting Water Quality 5 Cs program, which promotes the focus on maintaining and improving water quality. In addition to ongoing implementation of planned capital improvement works to water treatment operational processes and system maintenance activities such as air scouring and flushing programs to maintain reticulation water quality.
- 9a** The number of billing complaints has decreased compared to 2018-19. The 2019-20 result is consistent with the long term average. The prior year was elevated by 179 complaints, which was mainly attributed to the migration to a new billing system.
- 9b** The number of billing complaints has decreased compared to 2018-19, however, there remains a variance above target. There are no significant trends identified. We continue to monitor our complaints data in line with one of our strategic objectives, which is to drive continuous improvements in order to enhance the customer experience.

## PART 4 – Environmental Performance Indicators

KPI no.	Key Performance Indicator	2018-19 result	2019-20 result	2019-20 target	Variance to prior year	Notes	Variance to target	Notes
E1	<b>Effluent re-use volume (end use)</b> Percentage recycled	32.60%	25.80%	25.00%	-20.9%	10a	3.2%	
E2	<b>Total net CO<sub>2</sub> equivalent</b> Net tonnes CO <sub>2</sub> equivalent	43,725	34,750	43,100	-20.5%	11a	-19.4%	11b

## Notes

- 10a** While re-use targets were achieved in 2019-20, the percentage of reuse was reduced compared to 2018-19 due to increased rainfall across our operational area, which reduced the time irrigation could be completed.
- 11a** Our greenhouse gas emissions decreased by 8,975 tonnes of CO<sub>2</sub>-e compared to 2018-19. All three sources of greenhouse gas emissions (fugitive wastewater, fuel combustion and electricity consumption) experienced declines over the financial year.
- 11b** The reduction in greenhouse gas emissions over 2019-20 has been significantly less than predicted in our emissions pledge for the period.



## CENTRAL GIPPSLAND REGION WATER CORPORATION

### Certificate of Performance Report 2019-20

We certify that the accompanying Performance Report of Central Gippsland Region Water Corporation in respect of the 2019-20 financial year is presented fairly in accordance with the *Financial Management Act 1994* (Vic).

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the 2019-20 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and 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.



**Therese Ryan**  
Board Chair  
Central Gippsland Region Water Corporation



**Sarah Cumming**  
Managing Director  
Central Gippsland Region Water Corporation



**Sarah Heath**  
Chief Financial Officer  
Central Gippsland Region Water Corporation

Dated 28 September 2020

# VAGO ATTESTATION



## Independent Auditor's Report

### To the Board of Central Gippsland Region Water Corporation

<b>Opinion</b>	<p>I have audited the accompanying performance report of Central Gippsland Region Water Corporation (the corporation) for the year ended 30 June 2020, which comprises the:</p> <ul style="list-style-type: none"> <li>• financial performance indicators</li> <li>• water and sewerage service performance indicators</li> <li>• customer responsiveness performance indicators</li> <li>• environmental performance indicators</li> <li>• certification of performance report.</li> </ul> <p>In my opinion, the performance report of Central Gippsland Region Water Corporation in respect of the year ended 30 June 2020, presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the <i>Financial Management Act 1994</i>.</p>
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<b>Basis for Opinion</b>	<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>
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<b>Board's responsibilities for the performance report</b>	<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>
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## VAGO ATTESTATION CONTINUED



### 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 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 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  
29 September 2020

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

## CENTRAL GIPPSLAND REGION WATER CORPORATION

# Financial report for the year ended 30 June 2020

## Table of contents

# PART 10

## Financial performance report

### Financial performance and business indicators as at 30 June 2020

#### Financial statements as at 30 June 2020

	Page
Comprehensive operating statement	88
Balance sheet	89
Statement of changes in equity	90
Cash flow statement	91

#### Notes to and forming part of the Financial Report for the year ended 30 June 2020

	Introduction	92
Note 1	About this report	93
Note 2	Funding delivery of our services (Revenue from contracts with customers, and interest income)	96-100
Note 3	The cost of delivering services (Employee benefits, superannuation, direct operating, repairs and maintenance and administration)	101-107
Note 4	Key assets available to support service delivery (Infrastructure, property, plant and equipment, biological assets and intangible assets)	108-127
Note 5	Other assets and liabilities (Receivables, payables, inventories, other financial and non-financial assets and other provisions)	128-134
Note 6	How we financed our operations (Interest bearing liabilities, cash flow information and commitments)	135-138
Note 7	Risks, contingencies and valuation judgements (Financial instruments disclosures, contingent assets and liabilities, and fair value determinations)	139-145
Note 8	Statutory obligations (Tax, and environmental contribution)	146-149
Note 9	Other disclosures (Equity, events occurring after the balance date, responsible persons, related parties, executive remuneration, remuneration of auditors, ex-gratia expenses, changes in accounting policies, accounting standards)	150-158

<b>Statutory Certification</b>	159
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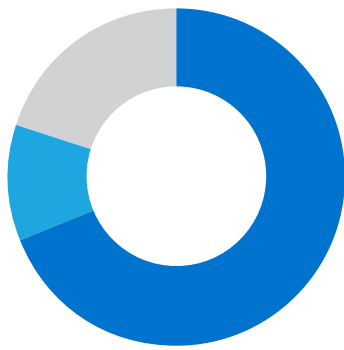
<b>Auditor General's Report</b>	160-161
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<b>Financial Management Compliance Attestation</b>	162
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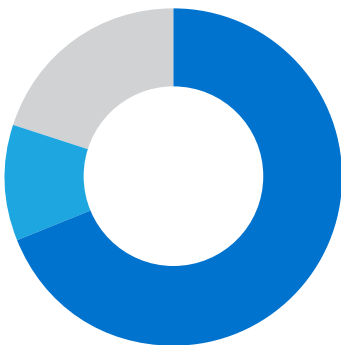
## Financial performance and business indicators as at 30 June 2020

### Water income from service & usage charges



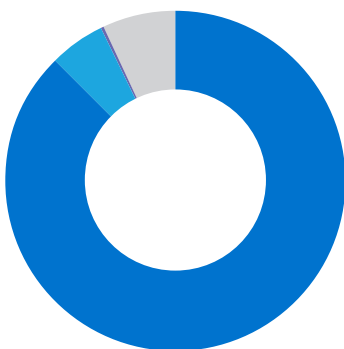
	2020 \$'000
Urban Residential	33,854
Urban Non Residential	6,929
Major Clients	12,703
<b>TOTAL</b>	<b>53,487</b>

### Wastewater income from service & usage charges

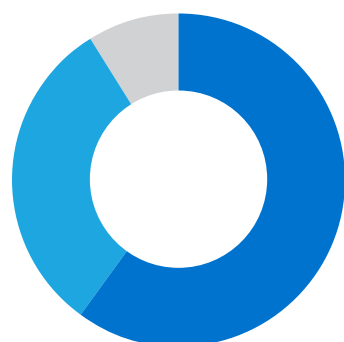


	2020 \$'000
Urban residential	49,038
Urban non residential	7,804
Major clients	14,192
<b>TOTAL</b>	<b>71,033</b>

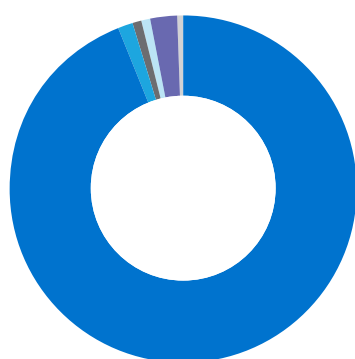
### Total income from all sources



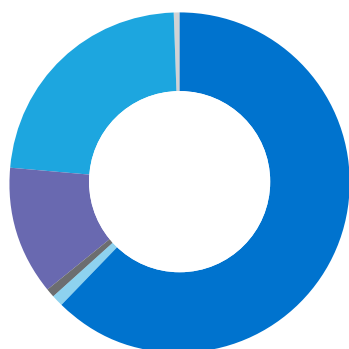
	2020 \$'000
Service & usage	124,520
Developer contributions	7,580
Interest	108
Other	9,599
<b>TOTAL</b>	<b>141,807</b>

Financial performance and business indicators **continued****Total expenses**

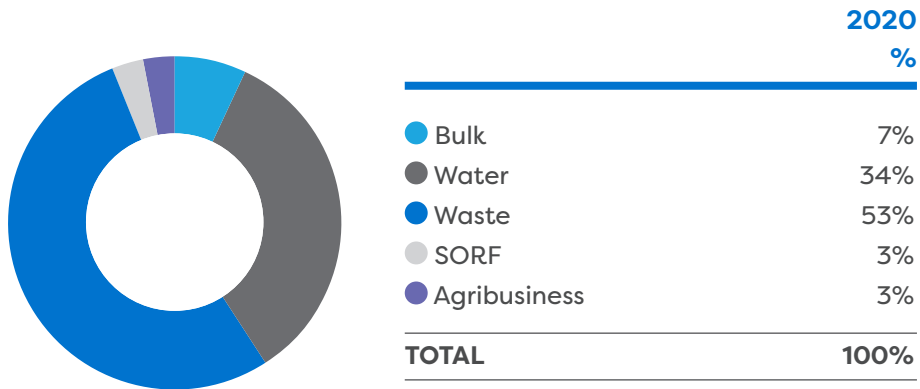
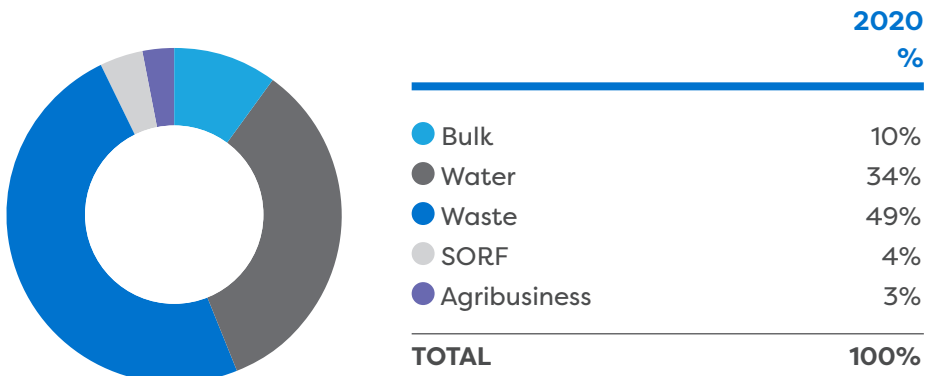
	2020 \$'000
Operations, maintenance & administration	90,588
Depreciation	46,966
Interest	13,150
<b>TOTAL</b>	<b>150,704</b>

**Total assets**

	2020 \$'000
Fixed assets	1,282,939
Cash & investments	17,622
Debtors & receivables	13,792
Inventory & biological	9,554
Other	34,517
Contract assets	5,640
<b>TOTAL</b>	<b>1,364,063</b>

**Liabilities & equity**

	2020 \$'000
Equity	850,776
Creditors & accruals	14,275
Provisions	11,497
Deferred tax liability	166,370
Borrowings	316,500
Contract liabilities	4,645
<b>TOTAL</b>	<b>1,364,063</b>

Financial performance and business indicators **continued****Business stream revenue****Business stream expenses**

# CENTRAL GIPPSLAND REGION WATER CORPORATION

## COMPREHENSIVE OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

10

Financial performance report

	Note	2020 \$'000	2019 \$'000
<b>Revenue</b>			
Revenue from contracts with customers	2.1	132,100	143,506
Interest income	2.2	108	118
Other revenue	2.1.3	11,819	11,478
Net gain / (loss) on disposal of non-current assets	4.1.5	(2,220)	(3,874)
<b>Total revenue</b>		<b>141,807</b>	<b>151,229</b>
<b>Expenses</b>			
Employee benefits	3.1.1	35,907	33,779
Direct operating	3.2	23,270	21,704
Repairs and maintenance	3.3	17,800	16,498
Administration	3.4	8,430	8,081
Environmental contribution levy	8.2.1	5,181	5,181
Depreciation	4.1.3	46,415	41,917
Amortisation	4.3	551	461
Impairment	4.1.4	-	-
Borrowing costs	6.1.2	13,150	13,655
<b>Total expenses</b>		<b>150,704</b>	<b>141,276</b>
<b>Net result before tax</b>		<b>(8,897)</b>	<b>9,953</b>
Income tax expense	8.1.1	(2,664)	2,981
<b>Net result</b>		<b>(6,233)</b>	<b>6,972</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to net result</i>			
Change in asset revaluation reserve	9.1.2	(1,515)	120,502
Income tax relating to components of other comprehensive income	9.1.2	455	(36,151)
<b>Total other comprehensive income</b>		<b>(1,060)</b>	<b>84,351</b>
<b>Comprehensive result</b>		<b>(7,293)</b>	<b>91,323</b>

This Comprehensive Operating Statement should be read in conjunction with the accompanying notes.





## CENTRAL GIPPSLAND REGION WATER CORPORATION

### BALANCE SHEET AS AT 30 JUNE 2020

	Note	2020 \$'000	2019 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6.2	16,622	10,230
Receivables	5.1	12,676	22,148
Contract assets	2.1.4	5,640	-
Prepayments	5.5	642	584
Inventories	5.3	3,752	3,660
Biological assets	4.2	958	571
Other financial assets*	5.4	1	5
Non current assets held for sale	4.4	-	-
<b>Total current assets</b>		<b>40,291</b>	<b>37,199</b>
<b>Non-current assets</b>			
Receivables	5.1	1,116	1,256
Other financial assets	5.4	1,000	1,000
Infrastructure, property, plant and equipment	4.1	1,275,674	1,269,344
Biological assets	4.2	4,844	4,895
Intangible assets*	4.3	7,265	5,473
Deferred tax asset	8.1.2	33,873	36,773
<b>Total non-current assets</b>		<b>1,323,772</b>	<b>1,318,741</b>
<b>Total assets</b>		<b>1,364,063</b>	<b>1,355,939</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	5.2	14,275	20,020
Contract liabilities	2.1.4	4,645	-
Interest bearing liabilities	6.1	26,500	15,500
Employee benefits	3.1.2	9,406	8,581
Provisions	5.6	1,311	551
<b>Total current liabilities</b>		<b>56,137</b>	<b>44,652</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	6.1	290,000	280,000
Employee benefits	3.1.2	780	829
Deferred tax liability	8.1.2	166,370	172,389
<b>Total non-current liabilities</b>		<b>457,150</b>	<b>453,218</b>
<b>Total liabilities</b>		<b>513,287</b>	<b>497,870</b>
<b>Net assets</b>		<b>850,776</b>	<b>858,069</b>
<b>Equity</b>			
Contributed capital	9.1.1	255,971	255,971
Asset revaluation reserve	9.1.2	272,868	273,928
Accumulated funds	9.1.3	321,937	328,170
<b>Total equity</b>		<b>850,776</b>	<b>858,069</b>

\*Reclassification of large generation certificates from other financial assets to Intangible assets \$77K (2019: \$211K)

This Balance Sheet should be read in conjunction with the accompanying notes.



## CENTRAL GIPPSLAND REGION WATER CORPORATION

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Note	Equity at 01/07/2019	Total comprehensive income	Transactions with owners	Equity at 30/06/2020
		\$'000	\$'000	\$'000	\$'000
<b>Contributed capital</b>		255,971	-	-	255,971
	9.1.1	255,971	-	-	255,971
<b>Accumulated funds</b>		306,921			306,921
Net result after tax		21,249	(6,233)	-	15,016
	9.1.3	328,170	(6,233)	-	321,937
<b>Asset revaluation reserve</b>		164,616			164,616
Revaluation increment/(decrement) (Net of tax)		109,312	(1,060)	-	108,252
Transfers to accumulated funds		-	-	-	-
	9.1.2	273,928	(1,060)	-	272,868
<b>Total equity</b>		<b>858,069</b>	<b>(7,293)</b>	<b>-</b>	<b>850,776</b>

Please note there are no adjustments for new accounting standards.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Note	Equity at 01/07/2018	Total comprehensive income	Transactions with owners	Equity at 30/06/2019
		\$'000	\$'000	\$'000	\$'000
<b>Contributed capital</b>		255,971	-	-	255,971
	9.1.1	255,971	-	-	255,971
<b>Accumulated funds</b>		306,921	-	-	306,921
Net result after tax		14,277	6,972	-	21,249
	9.1.3	321,198	6,972	-	328,170
<b>Asset revaluation reserve</b>		164,616	-	-	164,616
Revaluation increment/(decrement) (Net of tax)		24,961	84,351	-	109,312
	9.1.2	189,577	84,351	-	273,928
<b>Total equity</b>		<b>766,746</b>	<b>91,323</b>	<b>-</b>	<b>858,069</b>

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



CENTRAL GIPPSLAND REGION WATER CORPORATION  
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

10

Financial performance report

	Note	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Revenue from contracts with customers		129,391	123,515
Interest income		111	119
Goods and Services Tax received from ATO		6,372	7,327
Developer contributions fees received		202	136
Other revenue		11,914	11,552
		<b>147,990</b>	<b>142,649</b>
<b>Payments</b>			
Payments to suppliers		(58,461)	(52,950)
Payments to employees		(36,019)	(33,349)
Interest and other costs of finance paid		(13,170)	(13,760)
Goods and Services Tax paid to ATO		(1,133)	(736)
Environmental contributions levy		(5,181)	(5,181)
		<b>(113,963)</b>	<b>(105,976)</b>
<b>Net cash flows from operating activities</b>	<b>6.2.1</b>	<b>34,027</b>	<b>36,673</b>
<b>Cash flows from investing activities</b>			
Payments for infrastructure, property, plant and equipment		(48,762)	(45,759)
Payments for intangible assets	4.3	(168)	(228)
Proceeds from sale of infrastructure, property, plant and equipment	4.1.5	295	686
<b>Net cash flows from investing activities</b>		<b>(48,635)</b>	<b>(45,301)</b>
<b>Cash flows from financing activities</b>			
Proceeds from new borrowings	6.1	21,000	12,500
<b>Net cash flows from financing activities</b>		<b>21,000</b>	<b>12,500</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,392</b>	<b>3,872</b>
Cash and cash equivalents at beginning of year		10,230	6,358
<b>Cash and cash equivalents at end of year</b>	<b>6.2</b>	<b>16,622</b>	<b>10,230</b>

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



CENTRAL GIPPSLAND REGION WATER CORPORATION  
**Notes to and forming part of the Financial Report for the year ended 30 June 2020**

**Introduction**

The Central Gippsland Region Water Corporation (the Corporation), trading as Gippsland Water, was constituted on 21 December 1994 under the *Water Act 1989*. The Corporation’s Australian Business Number is 75 830 750 413. The Corporation’s principal address is 55 Hazelwood Road, Traralgon, Victoria 3844 and its website address is [www.gippswater.com.au](http://www.gippswater.com.au).

**Advisors to the Corporation**

The key advisors to the Corporation are:

Lawyers	Russell Kennedy, Herbert Smith Freehills, Meerkin & Apel Lawyers, Mills Oakley Lawyers, CLH Lawyers
Bankers	Westpac Banking Corporation
Internal Auditors	RSM Australia Pty Ltd
Tax Agents	RSM Australia Pty Ltd
Funding Agency	Treasury Corporation of Victoria (TCV)

**External Auditors to the Corporation**

The External Auditors to the Corporation are the Victorian Auditor-General’s Office.

This financial report was approved and authorised for issue by the Board on 28 September 2020.

## CENTRAL GIPPSLAND REGION WATER CORPORATION

## Notes to and forming part of the Financial Report for the year ended 30 June 2020

10

Financial performance report

## NOTE 1 ABOUT THIS REPORT

**Basis of accounting**

The financial report includes separate financial statements for Central Gippsland Regional Water Corporation (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, director's declaration and notes accompanying these statements for the period ending 30 June 2020. The general-purpose financial report has been prepared in accordance with Australian Accounting Standards (AASs), 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 purpose of preparing the financial statements.

Where appropriate, those AAS's paragraphs applicable to not-for-profit/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.

**Accounting policies**

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

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

The following standards have been adopted by the Corporation:

- AASB 15 Revenue from contracts with customers**  
 AASB 15 *Revenue from contracts with customers*, which replaces AASB 118 *Revenue* AASB 111 *Construction contracts* and related interpretations requires the Corporation to recognise revenue when the Corporation satisfies a performance obligation by transferring a promised good or service to a customer. The Corporation has adopted AASB 15 as at 1 July 2019 and has applied the new rules on a modified retrospective basis as mandated by the DTF through FRD 121 *Transitional requirements on the application of AASB 15 Revenue from contracts with customers*. As a result, comparatives for 2018-19 in our 30 June 2020 accounts have not been restated. After a comprehensive review of the impact of AASB 15 *Revenue from contracts with customers* no transition adjustment was required. Further disclosures in relation to AASB 15 are at note 2.1 and 9.10 of this report.
- AASB 16 Leases**  
 AASB 16 *Leases* was issued in February 2016 and replaces AASB 117 *Leases*. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed for lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay the obligation for lease payments are recognised. The Corporation has adopted AASB 16 as at 1 July 2019 and has applied the new rules on a modified retrospective basis as mandated by the DTF through FRD 123 *Transitional requirements on the application of AASB 16 Leases*. As a result, comparatives for 2018-19 in our 30 June 2020 accounts have not been restated. After a comprehensive review of the impact of AASB 16 *Leases* no transition adjustment was required. Further disclosures in relation to AASB 16 are at note 9.10 of this report.
- AASB 1058 Income for not-for-profits**  
 AASB 1058 *Income for not-for-profits* replaces requirements of income transactions previously accounted for under AASB 1004 *Contributions*. It establishes principles for not-for-profit entities that apply to (a) transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit Corporation to further its objectives; and (b) the receipt of volunteer services. It will apply to capital grants from government and grants with no sufficiently specific performance obligation. The Corporation needs to determine whether a transaction falls under AASB 1058 or actually a contract



## CENTRAL GIPPSLAND REGION WATER CORPORATION

## Notes to and forming part of the Financial Report for the year ended 30 June 2020

10

Financial performance report

with a customer under AASB 15. The Corporation has adopted AASB 1058 as at 1 July 2019 and has applied the new rules on a modified retrospective basis as mandated by the DTF through *FRD 122 Transitional requirements on the application of AASB 1058 Income of not-for-profit entities*. As a result, comparatives for 2018-19 in our 30 June 2020 accounts have not been restated. After a comprehensive review of the impact of AASB 1058 *Income for not-for-profits* no transition adjustment was required. Further disclosures in relation to AASB 1058 are at note 9.10 of this report.

**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 statements are 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 twelve 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 and investment property.

**Accounting estimates**

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are made in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in applying Australian accounting standards 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 life (note 4);
- Impairment of assets (note 4);
- Employee benefit provisions (note 3);
- 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);
- 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 (note 2.);
- The timing of satisfaction of performance obligations (note 2.1.1);
- Determining transaction price and amounts allocated to performance obligations (note 2.1.1);
- For leases, determining whether the arrangement is in substance short-term arrangement;
- Estimating discount rate when not implicit in the lease (note 9.8);
- Provisions for future costs of site rehabilitation (note 5.6);
- Current tax payable, current tax expense and deferred tax assets and liabilities (notes 8.1.1 and 8.1.2);
- Fair values of biological assets and impairment assessments (note 4.2.4); and
- Fair values of contingent liabilities and assets (note 7.2).



In making our above judgements, estimates and assumptions we have also considered the impact of coronavirus (COVID-19) on our 30 June financial statements and report of operations.

We have considered key areas that may impact our Corporation and the disclosures that are required in applying the Australian accounting standards and any other relevant requirements. We have considered what is material to our Corporation and assessed whether further disclosures are needed to meet user needs. In making our assessment we have considered the impact of coronavirus has had on parties we transact with and whether there will be a flow-on impact (e.g. reduction in customer spending and therefore, reduced revenue for the entity; lessees inability to pay rent and potential rent concessions that will be provided by the Corporation as lessor; financial impact on suppliers).

Specific account balances, areas and disclosures that may be affected due to judgements, estimates and assumptions in the context of coronavirus are:

- Revenue from contracts with customers (note 2.1);
- Direct operating expenses (note 3.2);
- Repairs and maintenance expenses (note 3.3);
- Administration and other operating expenses (note 3.4);
- Fair value determination – non-financial physical assets (note 4.1.2);
- Impairment (note 4.1.4);
- Fair value determination of biological assets (note 4.2.4);
- Impairment of contractual receivables (note 5.1.1);
- Payables (note 5.2);
- Inventories (note 5.4);
- Interest bearing liabilities (note 6.1);
- Cash flow information (note 6.2);
- Commitments for expenditure (note 6.3);
- Financial instruments specific disclosures (note 7.1);
- Contingent assets and contingent liabilities (note 7.2);
- Fair value determination of financial assets and liabilities (note 7.3);
- Events occurring after the balance date (note 9.2).



## CENTRAL GIPPSLAND REGION WATER CORPORATION

## Notes to and forming part of the Financial Report for the year ended 30 June 2020

10

Financial performance report

## NOTE 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 revenue items recognised in the financial statements.

We supply fresh drinking water to 71,963 customers and wastewater services to 64,559 customers across an area of approximately 5,000 square kilometres. Our service area spans from Drouin in the west, to Loch Sport in the east, and from Briagolong in the north, to Mirboo North in the south. Our customers also include several major industries in the energy production, pulp and paper and oil and gas sectors. Baw Baw, Latrobe City, South Gippsland and Wellington shires are incorporated in our service area.

The water supply is treated to ensure that water quality meets relevant quality standards. Treatment varies depending on the source of supply. We take water from aquifers, rivers, creeks, and reservoirs. Our largest storage is Moondarra Reservoir, south of Erica, with a capacity of 30,458ML. We also take water from storages managed by Southern Rural Water (Blue Rock Lake and Lake Glenmaggie) and Melbourne Water (Tarago Reservoir) to supply our customers living near these storages. We also dispose of more than 25,000 million litres of wastewater each year.

We also operate non-regulated activities – our agribusiness and the soil and organics recycling facility (SORF). These commercial businesses are an integral part of what we do and provide benefit for us, our customers and the State through

- Providing additional income which helps reduce the pressure on operational costs and ultimately tariffs for water and wastewater services to our customers.
- Reducing the cost of our waste disposal by turning solid waste into a commercial compost product, or using safe recycled wastewater to irrigate farmland.
- Reducing the environmental impact of our waste by reducing the volume of waste requiring disposal.

Our non-regulated activities are included in Other revenue as Agricultural pursuits (agribusiness) and also as Waste charges prescribed and non-prescribed (SORF).

## Note contents

Section	Description	Page
2.1	Revenue from contracts with customers	97
2.1.1	Revenue from contracts with customers	97
2.1.2	Developer contributions	98
2.1.3	Other revenue	98
2.1.4	Contract assets and contract liabilities	99
2.2	Interest income	100





**NOTE 2 FUNDING DELIVERY OF OUR SERVICES continued****2.1 Revenue from contracts with customers**

The Corporation derives revenue from the transfer of goods and/or services over time and at a point in time in the following revenue streams. Revenue is recognised when, or as, the performance obligations to the customer are satisfied. Consideration received in advance of recognising the associated revenue from the customer is recorded as a contract liability (refer note 2.1.4). Where the performance obligations are satisfied but not yet billed, a contract asset is recorded (refer note 2.1.4).

	2020 \$'000	2019 \$'000
Service charges	85,410	83,484
Usage charges	39,110	41,188
Developer contributions	7,580	18,835
<b>Total revenue from contracts with customers</b>	<b>132,100</b>	<b>143,506</b>

**2.1.1 Revenue from contracts with customers**

	2020 \$'000	2019 \$'000
<i>Service charges</i>		
Water charges	21,177	20,836
Rebates on tariffs	-	-
Wastewater charges	63,949	62,368
Trade waste charges	284	280
<b>Total service charges</b>	<b>85,410</b>	<b>83,484</b>
<i>Usage charges</i>		
Water charges	32,310	34,557
Wastewater charges	6,800	6,631
<b>Total usage charges</b>	<b>39,110</b>	<b>41,188</b>
<b>Total revenue from service and usage charges</b>	<b>124,520</b>	<b>124,672</b>

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

Service charges are billed three times a year based on a fixed fee and revenue is recognised over time as the customer simultaneously receives and consumes the services provided by the Corporation. Where payments are made in advance by customers to unbilled accounts at reporting date, these payments are classified as contract liabilities as the Corporation has yet to provide the service. AASB 15 usually requires the disclosure of the aggregate amount of revenue expected to be derived from performance obligations which are unsatisfied as at the end of the reporting period. Management consider that such an amount cannot be reliably estimated, primarily because the Corporation's obligation to supply customers with major services will continue in perpetuity. As a result, the Corporation has applied the practical expedient given in AASB 15, paragraph 121(b), not to disclose this amount in relation to service charges.

Usage charges are billed three times a year in arrears and revenue is recognised over time as the Corporation has the right to receive an amount of consideration based on the unit of water consumed by and sewage, recycled water and trade waste disposed of during the financial year and the regulated price. Usage charges are accrued, and contract liabilities are booked. The Corporation has applied the practical expedient given in AASB 15, paragraph B16, where revenue can be recognised in the amount which it has a right to invoice, since the amount is considered by the Corporation to correspond directly with the value to the customer of the Corporation's performance to date. The amount of right to invoice is based on meter readings.



**NOTE 2 FUNDING DELIVERY OF OUR SERVICES continued**

As meter reading is cyclical, an estimate is made at the end of the accounting period for water usage and wastewater and trade waste disposal by customers and recycled water produced. The estimate is made by multiplying the number of days since the last reading by daily average water consumption for that period. Any difference between the amount invoiced and actual consumption is adjusted in the period in which the meter readings are finalised and are recovered or paid as part of the next period's charges. Further, this revenue stream includes an estimate of the amount of water consumed by, and sewage disposed, and trade waste disposed and recycled water for customers that are not yet billed at the end of the period. This amount is included in contract assets.

**2.1.2 Developer contributions**

	2020 \$'000	2019 \$'000
Assets received from developers <sup>(i)</sup>	7,475	18,831
Assets funded by developers and contributions received	105	4
<b>Total developer contributions</b>	<b>7,580</b>	<b>18,835</b>

Notes:

(i) Lower 2019-20 assets received from developers is primarily due to a decrease in developer contributions of \$11M, mainly due to non-recurrence of 2018-19 gifted assets from VicRoads for replacement of the regional outfall system.

Developer contributed assets arise when developers pay for the cost of construction of new infrastructure assets and subsequently gift these assets to the Corporation to maintain in perpetuity.

Revenue from developer contributed assets is recognised at a point in time when the Corporation has satisfied its performance obligation. Depending on the type of developer application, this can result in the performance obligation being satisfied:

- when the Statement of Compliance is issued to the customer, or
- when the customer is connected to the Corporation's infrastructure network for the provision of water and wastewater services when no Statement of Compliance is required to be issued.

Revenue is recognised at the fair value of the gifted assets by assessing the value of the works using schedule of rates.

**2.1.3 Other revenue**

	2020 \$'000	2019 \$'000
Waste charges (prescribed and non-prescribed)	4,292	4,463
Agricultural pursuits	3,247	3,570
Operating fees	1,928	1,505
Rechargeable works	867	775
Miscellaneous fees	582	322
Salary sacrifice contributions	517	489
WorkCover refunds received	128	129
Diesel fuel rebate	104	112
Liquidated damages	79	40
External service provision	75	74
<b>Total other revenue – operating</b>	<b>11,819</b>	<b>11,478</b>

Revenue from other services rendered is recognised when or as performance obligations are satisfied.

Performance obligations relating to agricultural sales, waste charges, rechargeable works and operating fees are satisfied at a point in time when the Corporation renders the specified service requested by the customer or provides the goods.

Other revenue also includes a range of miscellaneous revenues such as agricultural pursuits, waste charges,



**NOTE 2 FUNDING DELIVERY OF OUR SERVICES continued**

operating fees, rechargeable works, salary sacrifice contributions, workcover refunds, diesel fuel rebates, recovery of legal costs, insurance costs and rental income. Revenue from these activities is recognised in the period in which the service is rendered.

Salary sacrifice contributions include employee contributions towards vehicles, superannuation, professional fees and work wear.

**2.1.4 Contract assets and contract liabilities**

	30 June 2020 \$'000	30 June 2019 \$'000	1 July 2019 \$'000
Accrued revenue – current receivables <sup>(i)</sup>	-	6,438	-
<i>Current contract asset relating to:</i>			
Accrued revenue	5,640	-	6,438
Loss allowance	-	-	-
<b>Total contract assets</b>	<b>5,640</b>	<b>-</b>	<b>6,438</b>
Customers paid in advance – payables <sup>(i)</sup>	-	3,755	-
<i>Contract liabilities:</i>			
<i>Customer</i>			
Customers paid in advance	4,645	-	3,755
Unearned income	-	-	-
<b>Total contract liabilities</b>	<b>4,645</b>	<b>-</b>	<b>3,755</b>

(i) Included here to show the transition of the opening balances of contract assets and contract liabilities.

**Contract assets relating to service and usage charges:****Accrued revenue**

Accrued revenue is recognised for water and wastewater (non-residential customers only) usage as well as other works and services that have been provided to customers at balance date but not yet invoiced. Usage water and wastewater charges are all recognised as revenue when the service has been provided. An accrual is done to account for water and wastewater (non-residential customers only) usage and services provided for but not billed at the end of the reporting period.

Meter reading is undertaken progressively throughout the year. An estimation of unbilled usage charges is made at the end of each accounting period in respect of meters which have not been read at balance date and accrued as revenue. The Corporation estimated accrued revenue in respect of residential water meters which had not been read at the reporting date of \$3,578,956 (2019: \$3,449,196 ) for residential customers and \$1,105,343 (2019: \$1,110,415) for non-residential customers water and wastewater, by multiplying the number of days since the last reading by each customer's average service usage.

**Assets recognised from costs to fulfill a contract**

The Corporation has recognised an asset in relation to costs to fulfil a long-term contract. These costs include pre-contract costs and set up costs. This is presented within other assets in the balance sheet.

**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. This relates to residential customer bills that are paid in advance of the due date. The Corporation will recognise these advance payments as revenue, once it has performed the performance obligations associated with the payments.



NOTE 2 FUNDING DELIVERY OF OUR SERVICES
 continued

2.2 Interest income

	2020 \$'000	2019 \$'000
Interest from bank investments	78	81
Interest from Westpac (TCV 2019) investments	14	19
Interest from tariff/private scheme	15	18
<b>Total interest income</b>	<b>108</b>	<b>118</b>

Interest income is recognised using the effective interest rate method, in the period in which it is incurred.

## CENTRAL GIPPSLAND REGION WATER CORPORATION

**Notes to and forming part of the Financial Report for the year ended 30 June 2019**

10

Financial performance report

**NOTE 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.

**Note contents**

Section	Description	Page
3.1	Our people	102
3.1.1	Employee benefits – comprehensive operating statement	102
3.1.2	Employee benefits – balance sheet	102
3.1.3	Superannuation	104
3.2	Direct operating expenses	106
3.3	Repairs and maintenance expenses	106
3.4	Administrative and other operating expenses	107

**NOTE 3 THE COST OF DELIVERING SERVICES continued****3.1 Our people****3.1.1 Employee benefits – Comprehensive Operating Statement**

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Salaries and wages, annual leave and long service leave	31,863	29,775
Superannuation expense	2,576	2,398
Other	1,468	1,606
<b>Total employee benefit costs</b>	<b>35,907</b>	<b>33,779</b>

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

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

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

**3.1.2 Employee benefits – Balance Sheet**

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

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<b>Current provisions</b>		
Employee benefits	178	252
<i>Annual leave</i>		
Unconditional and expected to settle within 12 months	2,583	2,195
Unconditional and expected to settle after 12 months	385	327
<i>Long service leave</i>		
Unconditional and expected to settle within 12 months	573	508
Unconditional and expected to settle after 12 months	4,614	4,350
<i>On-costs</i>		
Unconditional and expected to settle within 12 months	398	331
Unconditional and expected to settle after 12 months	674	618
<b>Total current provisions</b>	<b>9,406</b>	<b>8,581</b>
<b>Non-current provisions</b>		
Employee benefits	687	732
On-costs	93	97
<b>Total non-current provisions employee benefits</b>	<b>780</b>	<b>829</b>
<b>Total provisions</b>	<b>10,186</b>	<b>9,410</b>

**NOTE 3 THE COST OF DELIVERING SERVICES continued****Reconciliation of movement in on-cost provision****2020  
\$'000****Current provisions**

Annual leave and long service leave

Opening balance

948

Additional provisions recognised

124

**Closing balance – current****1,072****Non-current provisions**

Long service leave

Opening balance

97

Additional provisions recognised

(4)

**Closing balance – non-current****93****Wages and salaries and annual leave**

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

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

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

**On-costs**

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

**Long service leave**

Long Service Leave (LSL) is recognised in the provision for employee benefits.

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

The components of this current LSL liability are measured at:

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

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

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



**NOTE 3 THE COST OF DELIVERING SERVICES continued****Performance payments**

Where applicable performance payments for the Corporation's Executive Officers are based on a percentage of the annual salary package provided under their contract(s) of employment. A liability is recognised and is measured as the aggregate of the amounts accrued under the terms of the contracts to balance date.

**3.1.3 Superannuation****Superannuation contributions**

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

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

The Corporation contributes in respect of its employees to the following superannuation schemes:

Fund	Type of scheme	Contribution rate	2020 \$'000	2019 \$'000
Vision Super – Defined Benefits	Defined Benefits	9.50% – 12.25%	157	164
Vision Super – Super Saver	Accumulation	9.50%	1,300	1,181
Other superannuation funds	Accumulation	9.50%	1,255	1,037
<b>Total</b>			<b>2,712</b>	<b>2,382</b>

There were no contributions outstanding to the above schemes as at 30 June 2020.

**Accumulation**

Contributions to the accumulation plans are expensed as the contributions are paid or become payable. The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2020, this was 9.5% as required under Superannuation Guarantee Legislation).

**Defined benefit**

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

**Funding arrangements**

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

**The 2020 actuarial investigation surplus amounts**

As at 30 June 2020, an actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) was 104.6%. Because the VBI was above 100%, the 2020 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.





**NOTE 3 THE COST OF DELIVERING SERVICES continued**

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

- Net investment returns 5.6% pa
- Salary information 2.5% pa for 2 years and 2.75% pa thereafter
- Price inflation (CPI) 2.0% pa.

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

The Fund's interim actuarial investigation as at 30 June 2020 identified the following:

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

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

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

**The 2020 full triennial actuarial investigation**

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

**Funding calls**

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

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

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

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

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

**NOTE 3 THE COST OF DELIVERING SERVICES continued****3.2 Direct operating expenses**

	<b>2020</b>	<b>2019 (reclassified)</b>
	<b>\$'000</b>	<b>\$'000</b>
Energy	4,475	4,860
Chemicals	3,437	3,624
Agricultural costs*	2,559	1,792
SORF costs*	1,828	2,385
Consultants fees	1,735	2,109
Sampling and testing	1,706	1,641
Operational overhead costs*	1,501	1,571
Water purchases and cartage	1,264	1,363
Fleet	1,091	1,118
Sludge removal and transport*	908	778
Rehabilitation costs*	760	-
Modelling, investigation and decision making tools*	646	606
Other operating costs	597	730
Meter reading services*	461	459
EPA licence fee*	361	347
Capitalisation of operational expenses*	(61)	(1,680)
<b>Total direct operating</b>	<b>23,270</b>	<b>21,704</b>

## Notes:

\* We have reclassified direct operating expenses to provide further clarity by grouping like expenditure together. This has reduced reporting expenditure as "other operating costs" significantly (2019: \$7.0M).

Direct operating expenditure includes all costs directly attributable to the operations of the Corporation. These are recognised as expenses when incurred. Rehabilitation costs includes increases to the Dutson Downs rehabilitation provisions established to recognise the future rehabilitation costs associated with this site.

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred.

**3.3 Repairs and maintenance expenses**

	<b>2020</b>	<b>2019 (reclassified)</b>
	<b>\$'000</b>	<b>\$'000</b>
Major maintenance	4,435	4,279
M&E corrective maintenance*	3,097	2,739
Building, land and site maintenance*	2,006	2,182
Other contract works*	1,993	1,955
M&E preventative maintenance*	1,564	1,206
Other sewer maintenance*	1,431	1,097
Maintenance agreements and contractor payments*	1,394	1,123
Other repairs and maintenance*	968	778
Other water maintenance*	818	1,025
Corrective maintenance*	95	113
<b>Total repairs and maintenance</b>	<b>17,800</b>	<b>16,498</b>

## Notes:

\* We have reclassified all repairs and maintenance costs to provide further clarity by grouping like expenditure together. This has reduced reporting expenditure as "other maintenance costs" significantly (2019: \$6.6M).

Routine maintenance, repair and minor renewal costs of the water supply and wastewater systems are recognised as expenses as incurred. Where repairs relate to upgrade of components of an asset and the cost exceeds the capitalisation threshold, those costs are capitalised and depreciated.



**NOTE 3 THE COST OF DELIVERING SERVICES continued****3.4 Administrative and other operating expenses**

	<b>2020 \$'000</b>	<b>2019 (reclassified) \$'000</b>
Maintenance agreements & contractor payments	1,559	1,332
Licence fees	1,193	1,084
Billing and revenue collection costs*	927	838
Other repairs and maintenance*	798	655
Land and building costs*	769	795
Utilities, rates and other services*	700	789
Other administration costs*	592	428
Insurance premiums and claims*	386	387
Legal fees*	245	311
Auditors' remuneration*	235	271
Consultants fees*	218	234
Fleet	216	153
Membership fees*	207	161
Environmental offsets*	207	176
Community engagement and development costs*	206	282
Expected credit loss on receivables*	(29)	186
<b>Total administrative and other operating expenses</b>	<b>8,430</b>	<b>8,081</b>

## Notes:

\* We have reclassified most administrative costs to provide further clarity by grouping like expenditure together. This has reduced reporting expenditure as "other administration costs" significantly (2019: \$4.1M).

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

For practical expedients applied under AASB 16 in relation to short term leases, low value leases and variable lease payments, refer to Note 9.8. The change in accounting policy regarding AASB 16 *Leases* had no effect on any items in the balance sheet on 1 July 2019 as all our leases met the low-value practical expedient in which expenses continue to be recognised in Notes 3.2 and 3.4. The net impact on retained earnings on 1 July 2019 was \$Nil.



## CENTRAL GIPPSLAND REGION WATER CORPORATION

## Notes to and forming part of the Financial Report for the year ended 30 June 2019

10

Financial performance report

**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE 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.

**Note contents**

Section	Description	Page
4.1	Infrastructure, property, plant and equipment: carrying value	109
4.1.1	Reconciliation of movements in carrying values	110
4.1.2	Fair value determination – non-financial physical assets	111
4.1.3	Depreciation	120
4.1.4	Impairment	122
4.1.5	Net gain/(loss) on disposal of non-current assets	122
4.2	Biological assets	122
4.2.1	Crops and plantations	123
4.2.2	Livestock	123
4.2.3	Reconciliation of movement in carrying amounts	124
4.2.4	Fair value determination – biological assets	125
4.2.5	Cost of biological assets sold	126
4.3	Intangible assets	126

**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****4.1 Infrastructure, property, plant and equipment carrying values**

Asset class	2020			2019		
	Fair value \$'000	Accumulated depreciation <sup>(i)</sup> \$'000	Carrying value \$'000	Fair value \$'000	Accumulated depreciation \$'000	Carrying value \$'000
Land	43,308	-	43,308	43,315	-	43,315
Buildings	14,564	(740)	13,825	12,628	(23)	12,605
Water infrastructure	533,707	(19,378)	514,328	518,693	(1,018)	517,675
Wastewater infrastructure	655,374	(25,828)	629,546	634,548	(1,524)	633,024
Plant, equipment and other	20,851	(13,231)	7,620	18,780	(11,194)	7,586
Motor vehicles	9,146	(3,474)	5,671	8,410	(3,085)	5,325
			<b>1,214,299</b>			<b>1,219,530</b>
Capital works in progress			61,375			49,815
<b>Total</b>	<b>1,276,950</b>	<b>(62,652)</b>	<b>1,275,674</b>	<b>1,236,374</b>	<b>(16,844)</b>	<b>1,269,345</b>

Notes:

(i) As a result the managerial revaluation process accumulated depreciation of infrastructure assets was netted off against costs and fair values were updated net of depreciation. The netting-off was performed under the provisions of FRD103H. This brought the accumulated depreciation down for the 2019 year. During 2020 the full year's depreciation is reflected in accumulated depreciation. The same netting off of accumulated depreciation will be seen again at 20 June 2021 as a result of the 2021 VGV Asset Revaluation, but then will build up over the following 5 years until the next VGV revaluation or until another managerial revaluation is required.

NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY **continued**

## 4.1.1 Reconciliation of movements in carrying values

	Land	Buildings	Water infrastructure	Wastewater infrastructure	Plant equipment and other	Motor vehicles	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2018</b>	<b>41,546</b>	<b>11,146</b>	<b>450,452</b>	<b>560,938</b>	<b>6,854</b>	<b>4,638</b>	<b>54,439</b>	<b>1,130,013</b>
Additions <sup>(i)</sup>	-	-	3,542	15,289	-	-	46,917	65,747
Disposal	-	-	(1,156)	(2,071)	(741)	(593)	-	(4,561)
Transfer between categories <sup>(iii)</sup>	1,769	827	22,866	19,101	3,428	1,992	(50,426)	(443)
Revaluation <sup>(iv) (v)</sup>	-	1,181	58,408	62,030	-	-	(1,117)	120,503
Impairment of assets	-	-	-	-	-	-	-	-
Depreciation	-	(550)	(16,437)	(22,262)	(1,955)	(714)	-	(41,918)
<b>Carrying amount at 30 June 2019</b>	<b>43,315</b>	<b>12,604</b>	<b>517,676</b>	<b>633,024</b>	<b>7,587</b>	<b>5,325</b>	<b>49,813</b>	<b>1,269,343</b>
Additions <sup>(i)</sup>	-	-	1,768	5,706	-	-	51,564	59,039
Disposal	(11)	-	(770)	(1,390)	-	(344)	-	(2,515)
Transfer between categories <sup>(vi) (vii)</sup>	4	1,936	15,411	16,560	2,072	1,607	(40,003)	(2,414)
Revaluation	-	-	(1,365)	-	-	-	-	(1,365)
Impairment of assets	-	-	-	-	-	-	-	-
Depreciation	-	(716)	(18,391)	(24,355)	(2,037)	(916)	-	(46,415)
<b>Carrying amount at 30 June 2020</b>	<b>43,308</b>	<b>13,824</b>	<b>514,329</b>	<b>629,545</b>	<b>7,621</b>	<b>5,671</b>	<b>61,374</b>	<b>1,275,673</b>

Notes (i) Additions for water and wastewater infrastructure reflect the owner cost works (gifted assets by developers & VicRoads)

(ii) \$0.162M was transferred to Intangibles (refer Note 4.3) in 2018-19

(iii) Prior year capex of \$0.282M was written off on the Comprehensive Operating Statement in 2018-19

(iv) Prior year capex of \$1.17M was written off against the Asset Revaluation Reserve for water meters that were part of revaluation during 2017-18

(v) Managerial revaluation at fair value of buildings and infrastructure assets at 30 June 2019 increased assets by \$121.6M

(vi) \$2.309M has been transferred to Intangibles (refer Note 4.3) in 2019-20

(vii) Prior year capex of \$0.032M was written off on the Comprehensive Operating Statements in 2019-20

(viii) Managerial revaluation to reverse the impact of incorrectly valued assets included in 2016 Valuer General Victoria revaluation and not corrected in the 2019 managerial revaluation.



**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****Initial recognition**

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water, wastewater infrastructure, plant and equipment, used by the Corporation in its operations. Items with a cost or value in excess of \$500 (2019: \$500) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

During construction the costs of new assets are recorded in capital work in progress accounts until the assets are completed and available for their intended use, at which point they are capitalised. Capital work in progress at the end of the reporting period is recognised as an asset in the balance sheet.

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, direct labour on the project and an appropriate proportion of variable and fixed overheads.

**Subsequent measurement**

Infrastructure, property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset). Refer to Note 4.1.1 for fair value disclosures.

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

Revaluations are conducted in accordance with FRD 103H Scheduled revaluation is undertaken every five years with an annual assessment of fair value to determine if it is materially different to the carrying value. If the difference to carrying value is greater than 10 per cent, a management revaluation is undertaken while a movement greater than 40 per cent will normally involve an Approved Valuer (usually the Valuer General of Victoria) to perform detailed assessment of the fair value. If the movement in fair value since the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts.

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

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

Revaluation increases and revaluation decreases relating to individual assets within a class of infrastructure, property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

Revaluation reserves are not transferred to accumulated surplus/(deficit) on derecognition of the relevant asset.

**4.1.2 Fair value determination - non-financial physical assets****Significant judgement: Fair value measurements of assets and liabilities**

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

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

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



NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY
 continued

Fair value hierarchy

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

Heirarchy	Fair value approach
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.
Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

In addition, the Corporation annually reviews categorisation of assets within the hierarchy levels and re-categorises assets as appropriate (based on the lowest level input that is significant to the fair value assessment as a whole) at the end of each reporting period.



**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****Non-financial physical assets**

Fair value measurement hierarchy for assets as at 30 June 2020

	Carrying amount	Fair value measurements at end of reporting period using:		
	\$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land at fair value				
Non-specialised land	1,378	-	-	1,378
Specialised land	41,390	-	-	41,390
<b>Total of land at fair value</b>	<b>43,308</b>	<b>-</b>	<b>-</b>	<b>43,308</b>
Buildings at fair value				
Non-specialised buildings	8,677	-	410	8,267
Specialised buildings	5,147	-	-	5,147
<b>Total of buildings at fair value</b>	<b>13,825</b>	<b>-</b>	<b>410</b>	<b>13,414</b>
Water infrastructure at fair value				
Headworks	114,894	-	-	114,894
Water transfer	83,411	-	-	83,411
Water storage	22,676	-	-	22,676
Water treatment	58,287	-	-	58,287
Water pump stations	4,729	-	-	4,729
Water reticulation	230,331	-	-	230,331
Water spares	-	-	-	-
<b>Total of water infrastructure at fair value</b>	<b>514,328</b>	<b>-</b>	<b>-</b>	<b>514,328</b>
Wastewater infrastructure at fair value				
Waste transfer	96,374	-	-	96,374
Waste storage	12,096	-	-	12,096
Waste treatment	211,035	-	-	211,035
Waste pump stations	73,877	-	-	73,877
Waste reticulation	236,164	-	-	236,164
Waste spares	-	-	-	-
<b>Total of wastewater infrastructure at fair value</b>	<b>629,546</b>	<b>-</b>	<b>-</b>	<b>629,546</b>
Plant, equipment and vehicles at fair value				
Vehicles	5,671	-	5,671	-
Plant and equipment	7,620	-	-	7,620
<b>Total of plant, equipment and vehicles at fair value</b>	<b>13,291</b>	<b>-</b>	<b>-</b>	<b>7,620</b>
<b>Total infrastructure, property, plant and equipment at fair value</b>	<b>1,214,299</b>	<b>-</b>	<b>6,082</b>	<b>1,208,217</b>

**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****Non-financial physical assets (continued)**

Fair value measurement hierarchy for assets as at 30 June 2019

	Carrying amount	Fair value measurements at end of reporting period using:		
	\$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land at fair value				
Non-specialised land	1,378	-	1,378	-
Specialised land	41,937	-	-	41,937
<b>Total of land at fair value</b>	<b>43,315</b>	<b>-</b>	<b>1,378</b>	<b>41,937</b>
Buildings at fair value				
Non-specialised buildings	8,655	-	8,655	-
Specialised buildings	3,950	-	-	3,950
<b>Total of buildings at fair value</b>	<b>12,605</b>	<b>-</b>	<b>8,655</b>	<b>3,950</b>
Water infrastructure at fair value				
Headworks	117,942	-	-	117,942
Water transfer	86,025	-	-	86,025
Water storage	21,302	-	-	21,302
Water treatment	58,526	-	-	58,526
Water pump stations	4,709	-	-	4,709
Water reticulation	229,171	-	-	229,171
Water spares	-	-	-	-
<b>Total of water infrastructure at fair value</b>	<b>517,675</b>	<b>-</b>	<b>-</b>	<b>517,675</b>
Wastewater infrastructure at fair value				
Waste transfer	96,335	-	-	96,335
Waste storage	12,699	-	-	12,699
Waste treatment	214,161	-	-	214,161
Waste pump stations	73,304	-	-	73,304
Waste reticulation	236,525	-	-	236,525
Waste spares	-	-	-	-
<b>Total of wastewater infrastructure at fair value</b>	<b>633,024</b>	<b>-</b>	<b>-</b>	<b>633,024</b>
Plant, equipment and vehicles at fair value				
Vehicles	5,325	-	5,325	-
Plant and equipment	7,586	-	-	7,586
<b>Total of plant, equipment and vehicles at fair value</b>	<b>12,911</b>	<b>-</b>	<b>5,325</b>	<b>7,586</b>
<b>Total infrastructure, property, plant and equipment at fair value</b>	<b>1,219,530</b>	<b>-</b>	<b>15,358</b>	<b>1,204,172</b>

**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued**

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 and non-specialised buildings**

Non-specialised land and non-specialised buildings are valued using the market approach, whereby assets are compared to recent comparable sales or sales of comparable assets that are considered to have nominal value.

As at 30 June 2016, fair values for non-specialised land and buildings were valued using the market approach determined using independent valuations prepared by the Valuer-General of Victoria (VGV). Comparable sales were analysed and differences in share, size, topography, location and any other relevant factors were taken into account in the valuations. The analysis resulted in establishment of rates per square metre which were applied to the subject assets.

The Corporation conducted an assessment at 30 June 2018 and fair value testing determined that there was a difference of more than 10% between the carrying value and the annual assessment of fair value of land. As such, a managerial revaluation of these assets was undertaken which resulted in no valuation increment from the 2016 valuation for non-specialised land.

The Corporation conducted an assessment at 30 June 2019 and fair value testing determined that there was a difference of more than 10% between the carrying value and the annual assessment of fair value of buildings. As such, a managerial revaluation of these assets was undertaken which resulted in a valuation increment of \$878,724 for non-specialised buildings from the 2016 valuation.

The Corporation conducted an assessment at 30 June 2020 with no material movement identified since the 2018 (land) and 2019 (buildings) managerial valuations. Reliance is placed on indices provided by the Valuer-General Victoria and there is a level of uncertainty inherent to this approach during the coronavirus (COVID-19) environment.

To the extent that non-specialised land and non-specialised buildings do not contain significant, unobservable adjustments, these assets are classified as Level 3 under the market approach.

**Specialised land and specialised buildings**

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 would be classified as Level 3 assets.

For the majority of the Corporation's specialised buildings, the current replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

The Corporation conducted an assessment at 30 June 2018 and fair value testing determined that there was a difference of more than 10% between the carrying value and the annual assessment of fair value of land. As such, a managerial revaluation of these assets was undertaken which resulted in a valuation increment of \$5,011,537 in specialised land from the 2016 valuation.

The Corporation conducted an assessment at 30 June 2019 and fair value testing determined that there was a difference of more than 10% between the carrying value and the annual assessment of fair value of buildings. As such, a managerial revaluation of these assets was undertaken which resulted in a valuation increment of \$302,510 in specialised buildings from the 2016 valuation.

The Corporation conducted an assessment at 30 June 2020 with no material movement identified since the 2018 (land) and 2019 (buildings) managerial valuations.



**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****Water and wastewater infrastructure assets**

Water and wastewater infrastructure assets are valued using the current replacement cost method less all forms of obsolescence and depreciation. This cost represents the replacement cost of the building/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 current replacement cost calculation.

An independent valuation of the Corporation's water and sewer infrastructure was carried out by Jones Lang LaSalle (JLL) on behalf of the Valuer General Victoria. The valuation was performed based on the current replacement cost of the assets. The effective date of the valuation is 30 June 2016.

The Corporation conducted an assessment at 30 June 2019 and fair value testing determined that there was a difference of more than 10% between the carrying value and the annual assessment of fair value. As such, a managerial revaluation of these assets was undertaken which resulted in a valuation increment of \$120,438,408 (water infrastructure \$58,408,444; wastewater infrastructure \$62,029,964) from the 2016 valuation.

The Corporation conducted an assessment at 30 June 2020 with no material movement identified since the 2019 managerial valuation.

These assets are classified as level 3 fair value as the lowest level input, the absence of an active market, has a significant impact on the fair value which is unobservable.

**Plant and equipment**

Plant and equipment are held at fair value. When plant 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 current replacement cost method.

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

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

These assets are classified as level 3 fair value as the lowest level input, the absence of an active market, has a significant impact on the fair value which is unobservable.

**Motor vehicles**

Fair values for motor vehicles can be determined from market sources as there are active markets for these assets and they can be made available for sale immediately.

These assets are classified as level 2 fair value as the lowest level input as measurement is directly or indirectly observable.

**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****Reconciliation of Level 3 fair value**

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.

2019-20		Opening balance 1 July 2019	Purchases (sales)	Transfers in (out) of Level 3	Gains or losses recognised in Comprehensive Operating Statement	Gains or losses recognised in Asset Revaluation Reserve	Depreciation	Impairment loss	Closing balance 30 June 2020
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Land</i>									
Non-specialised land <sup>(i)</sup>		-	-	1,378	-	-	-	-	1,378
Specialised land		41,937	(7)	-	(11)	-	-	-	41,919
<b>Total land</b>		<b>41,937</b>	<b>(7)</b>	<b>1,378</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,297</b>
<i>Buildings</i>									
Non-specialised buildings <sup>(i)</sup>		-	-	8,655	-	-	(388)	-	8,267
Specialised buildings		3,950	1,526	-	-	-	(328)	-	5,148
<b>Total buildings</b>		<b>3,950</b>	<b>1,526</b>	<b>8,655</b>	<b>-</b>	<b>-</b>	<b>(716)</b>	<b>-</b>	<b>13,415</b>
<i>Water infrastructure</i>									
Headworks		117,942	433	-	(14)	-	(3,466)	-	114,895
Water transfer		86,025	1,215	-	(10)	(1,336)	(2,483)	-	83,411
Water storage		21,302	2,294	-	(139)	-	(782)	-	22,676
Water treatment		58,526	4,594	-	(142)	-	(4,691)	-	58,287
Water pump stations		4,709	277	-	-	-	(257)	-	4,729
Water reticulation		229,171	8,365	-	(465)	(29)	(6,712)	-	230,331
Water spares		-	-	-	-	-	-	-	-
<b>Total of water infrastructure at fair value</b>		<b>517,675</b>	<b>17,179</b>	<b>-</b>	<b>(770)</b>	<b>(1,365)</b>	<b>(18,391)</b>	<b>-</b>	<b>514,328</b>

**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****Reconciliation of Level 3 fair value continued**

2019-20	Opening balance 1 July 2019	Purchases (sales)	Transfers in (out) of Level 3	Gains or losses recognised in Comprehensive Operating Statement	Gains or losses recognised in Asset Revaluation Reserve	Depreciation	Impairment loss	Closing balance 30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Wastewater infrastructure</i>								
Waste transfer	96,335	2,123	-	-	-	(2,084)	-	96,374
Waste storage	12,699	54	-	(363)	-	(295)	-	12,096
Waste treatment	214,161	7,033	-	(311)	-	(9,848)	-	211,035
Waste pump stations	73,304	3,841	-	(470)	-	(2,799)	-	73,876
Waste reticulation	236,525	9,215	-	(247)	-	(9,328)	-	236,165
Waste spares	-	-	-	-	-	-	-	-
<b>Total of wastewater infrastructure at fair value</b>	<b>633,024</b>	<b>22,267</b>	<b>-</b>	<b>(1,390)</b>	<b>-</b>	<b>(24,355)</b>	<b>-</b>	<b>629,546</b>
Plant and equipment	7,586	2,072	-	-	-	(2,037)	-	7,620
<b>Total Level 3 assets</b>	<b>1,204,172</b>	<b>43,036</b>	<b>-</b>	<b>(2,171)</b>	<b>(1,365)</b>	<b>(45,111)</b>	<b>-</b>	<b>1,198,561</b>

(i) Non-specialised land & building that were valued using indices at 30 June 2018 and 30 June 2019 have been reclassified as Level 3 assets.



**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****Reconciliation of Level 3 fair value continued**

2018-19	Opening balance 1 July 2018	Purchases (sales)	Transfers in (out) of Level 3	Gains or losses recognised in Comprehensive Operating Statement	Gains or losses recognised in Asset Revaluation Reserve	Depreciation	Impairment loss	Closing balance 30 June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Special purpose land</b>	<b>40,168</b>	<b>1,769</b>	-	-	-	-	-	<b>41,937</b>
<b>Specialised buildings</b>	<b>3,053</b>	<b>827</b>	-	-	<b>303</b>	<b>(233)</b>	-	<b>3,950</b>
<i>Water infrastructure</i>								
Headworks	105,093	991	-	(7)	14,937	(3,072)	-	117,942
Water transfer	76,622	893	-	(39)	10,781	(2,232)	-	86,025
Water storage	16,956	3,009	-	(130)	2,152	(685)	-	21,302
Water treatment	57,663	2,577	-	(862)	3,437	(4,289)	-	58,526
Water pump stations	3,154	1,359	-	(34)	463	(233)	-	4,709
Water reticulation	190,964	17,578	-	(84)	26,639	(5,926)	-	229,171
Water spares	-	-	-	-	-	-	-	-
<b>Total of water infrastructure at fair value</b>	<b>450,452</b>	<b>26,407</b>	-	<b>(1,156)</b>	<b>58,409</b>	<b>(16,437)</b>	-	<b>517,675</b>
<i>Wastewater infrastructure</i>								
Waste transfer	74,682	12,844	-	(533)	11,209	(1,867)	-	96,335
Waste storage	11,217	292	-	(78)	1,535	(267)	-	12,699
Waste treatment	203,788	7,755	(22)	(811)	12,693	(9,242)	-	214,161
Waste pump stations	58,645	8,955	-	(232)	8,681	(2,745)	-	73,304
Waste reticulation	212,606	4,565	-	(417)	27,912	(8,141)	-	236,525
Waste spares	-	-	-	-	-	-	-	-
<b>Total of wastewater infrastructure at fair value</b>	<b>560,938</b>	<b>34,411</b>	<b>(22)</b>	<b>(2,071)</b>	<b>62,030</b>	<b>(22,262)</b>	-	<b>633,024</b>
Plant and equipment	6,853	3,240	22	(574)	-	(1,955)	-	7,586
<b>Total Level 3 assets</b>	<b>1,061,464</b>	<b>66,654</b>	-	<b>(3,801)</b>	<b>120,742</b>	<b>(40,887)</b>	-	<b>1,204,172</b>

**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****Description of significant unobservable inputs to Level 3 valuations**

Asset category	Valuation technique	Significant unobservable inputs
Specialised land	Market approach	Community Service Obligation (CSO) adjustment
Specialised buildings	Depreciated replacement cost	Direct cost per square metre Useful life of specialised buildings
Headworks		
Water transfer		
Water storage		
Water treatment		
Water pump stations		
Water reticulation		
Water spares	Depreciated replacement cost	Cost per unit Useful life of the infrastructure, plant and equipment
Waste transfer		
Waste storage		
Waste treatment		
Waste pump stations		
Waste reticulation		
Waste spares		
Plant and equipment		

**4.1.3 Depreciation**

Depreciation charge for the period	2020 \$'000	2019 \$'000
Buildings	716	550
Water infrastructure	18,391	16,438
Wastewater infrastructure	24,355	22,262
Plant, equipment and other	2,037	1,955
Motor vehicles	916	714
<b>Total depreciation</b>	<b>46,415</b>	<b>41,919</b>



**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued**

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives, 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.

Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life, commencing from the time the asset is held ready for use.

Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Asset class	Useful life (years)		
	Corporate	Water infrastructure	Wastewater infrastructure
<b>Infrastructure</b>			
Treatment cells and vessels		10 – 80	10 – 80
Control and instrumentation		5 – 10	5 – 10
Ducting and pipework		5 – 80	5 – 80
Electrical		5 – 25	5 – 25
Cathodic protection		20	20
Health and safety equipment		4 – 15	4 – 15
Mechanical plant		5 – 40	5 – 40
Pumps/blowers/fans		4 – 50	3 – 28
Storages		9 – 100	9 – 100
Lab equipment		7	7
Valves		9 – 30	9 – 30
Civil assets		9 – 150	9 – 150
Earth embankments		350	
Bridge and headwall		50	50
Renewable energy		10-40	
<b>Other assets</b>			
Fleet	3 – 15		
IT equipment	1 – 17		
Plant and equipment	2 – 50		
Furniture and fittings	4 – 40		
Buildings	5 – 80		
Radio and telemetry equipment	3 – 50		
<b>Intangibles</b>			
Software	1 – 10		
Water licences	99		
Water entitlements	Indefinite		

The useful lives of revalued assets are based on the remaining life nominated by the Valuer at the time of the revaluation, on an asset by asset basis.

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.



**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****Indefinite life assets**

Land, earthworks, land under declared roads, and core cultural assets, which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

**4.1.4 Impairment**

Non-financial assets, including items of Property, Plant and Equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

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

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

The recoverable amount for most assets is measured at the higher of 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. As a consequence, that AASB 136 does not apply to such assets that are regularly revalued.

**4.1.5 Net gain/(loss) on disposal of non-current assets**

The surplus/(deficit) from ordinary activities includes the following specific net gains and expenses:

	2020 \$'000	2019 \$'000
Proceeds on sale	295	686
Written down value	(2,515)	(4,560)
<b>Net gain/(loss) on disposal of non-current assets</b>	<b>(2,220)</b>	<b>(3,874)</b>

**4.2 Biological assets**

The Corporation holds various biological assets that are recognised in its Balance Sheet. These assets are detailed in the table below.

Asset	Description
Crops	Cereal, forage and legumes stored on site at the Corporation's various farming properties.
Plantations	Forests established through planting of seedlings at specified spacings, following intensive site preparation.
Livestock	Heifers, steers, cows, and bulls located at the Corporation's various farming properties.

**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****4.2.1 Crops and plantations**

	2020 \$'000	2019 \$'000	2020 Qty	2019 Qty
<b>Consumable assets</b>				
<i>Mature assets</i>				
<i>Fodder</i>				
Silage (bales)	316	83	4,884	1,048
Cereal and legume silage (tonnes)	-	-	-	-
Hay (bales)	78	23	676	295
<i>Crops</i>				
Feed wheat (tonnes)	-	-	-	-
Feed mixed grain (tonnes)	-	-	-	-
Feed corn - winter crops (tonnes)	-	-	-	-
<b>Total consumable assets (CA1)</b>	<b>394</b>	<b>106</b>	<b>5,560</b>	<b>1,343</b>
<b>Non-bearer assets</b>				
<i>Immature assets (plantation)</i>				
Softwood pinus radiata (ha)	2,950	3,572	537	542
<b>Total non-bearer assets (NCA1)</b>	<b>2,950</b>	<b>3,572</b>	<b>537</b>	<b>542</b>

**4.2.2 Livestock**

	2020 \$'000	2019 \$'000	2020 Qty	2019 Qty
<b>Consumable assets</b>				
<i>Immature assets</i>				
Mixed sex calves and weaners	564	392	389	413
<i>Mature assets</i>				
Heifers	-	45	-	41
Bullocks/steers	-	28	-	22
<b>Total consumable assets (CA2)</b>	<b>564</b>	<b>465</b>	<b>389</b>	<b>476</b>
<b>Bearer assets</b>				
<i>Immature assets</i>				
Heifers	216	284	154	315
<i>Mature assets</i>				
Cows and bulls	1,679	1,039	951	863
<b>Total bearer assets (NCA2)</b>	<b>1,894</b>	<b>1,323</b>	<b>1,105</b>	<b>1,178</b>

	2020 \$'000	2019 \$'000
<b>Total current biological assets</b>		
Crops and fodder (CA1) and livestock (CA2)	958	571
<b>Total non-current biological assets</b>		
Plantations (NCA1) and livestock (NCA2)	4,844	4,895

10

Financial performance report

**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****Recognition**

These assets are recognised at fair value less costs to sell in accordance with the requirements of Australian Accounting Standard AASB141 *Agriculture*. There were no changes in the basis of valuation during the year.

**Valuation****Livestock**

Fair value for livestock is based on relevant market indicators, including store cattle prices, abattoir market prices and cattle prices received/quoted for the Corporation's cattle at reporting date. Prices for cattle generally reflect the shorter term spot prices available in the market and vary depending on the weight and condition of animals.

Any net increment and decrement in market value in the reporting year is recognised in the Comprehensive Operating Statement. Chris Stanley Livestock of Woori Yallock completed an independent valuation of livestock as at 30 June 2020 and previously at 30 June 2019.

**Plantations**

Plantations are recognised at fair value less estimated costs to sell.

Plantations have been independently valued based on expected volumes of merchantable timber that could be obtained from existing stands given current management strategies. The cost of growing the trees has been included in the assessment of net cash flows. Costs associated with the land on which the plantations are grown are rates, land tax and other related costs.

Agribusiness Valuations Australia, Certified Practicing Valuers completed an independent valuation of the plantations at 30 June 2020 and at 30 June 2019.

Any net increment and decrement in market value in the reporting year is recognised in the Comprehensive Operating Statement after allowing for the costs of acquiring and planting the trees.

**Crops**

The value of crops has been verified by reference to established market prices. These values are determined having regard to prevailing seasonal conditions in Gippsland and in other recipient markets for each category of produce.

**4.2.3 Reconciliation of movement in carrying amounts**

	2020 \$'000	2019 \$'000
Movement in carrying amount		
Carrying amount at 1 July	5,466	5,187
<i>Increases due to:</i>		
Purchases	14	35
Natural increase	308	291
New crops	-	-
Fair value increase – livestock and plantations	1,127	826
<i>Decreases attributable to:</i>		
Sales	(764)	(669)
Deaths	(14)	(20)
Movement in crops	288	(50)
Fair value decrease – livestock and plantations	(623)	(134)
<b>Carrying amount at 30 June</b>	<b>5,802</b>	<b>5,466</b>

**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****4.2.4 Fair value determination of biological assets**

Biological asset type	2020			2019				
	Carrying amount \$'000	Fair value measurement at end of reporting period using:			Carrying amount \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Crops and fodder	394	-	394	-	106	-	-	
Animals	2,458	-	2,458	-	1,788	-	-	
Plantations	2,950	-	2,950	-	3,572	-	-	
Total of biological assets at fair value	5,802	-	5,802	-	5,466	-	5,466	

These assets are classified as level 2 fair value as the lowest level input as fair value can be determined by valuation techniques for which measurement is directly or indirectly observable.

**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued****4.2.5 Cost of biological assets sold**

	2020 \$'000	2019 \$'000
Cost of biological assets sold – plantations	-	-
Cost of biological assets sold – livestock	764	669
<b>Total cost of biological assets sold</b>	<b>764</b>	<b>669</b>

**4.3 Intangible assets**

Intangible assets	Water entitlements \$'000	Software \$'000	Large generation certificates (iii) \$'000	Intangible works in progress \$'000	Total \$'000
<b>Balance at 1 July 2018</b>	<b>4,500</b>	<b>764</b>	<b>691</b>	<b>67</b>	<b>6,022</b>
Additions	-	-	48	228	276
Disposal	-	-	(235)	-	(235)
Transfers <sup>(i)</sup>	-	298	-	(135)	163
Amortisation	-	(461)	-	-	(461)
Gain/(loss) on LGC spot price movement	-	-	(293)	-	(293)
<b>Carrying amount at 30 June 2019</b>	<b>4,500</b>	<b>601</b>	<b>211</b>	<b>160</b>	<b>5,473</b>
Additions	-	-	76	168	244
Disposal	-	-	(220)	-	(220)
Transfers <sup>(ii)</sup>	-	2,464	-	(155)	2,309
Amortisation	-	(551)	-	-	(551)
Gain/(loss) on LGC spot price movement	-	-	10	-	10
<b>Carrying amount at 30 June 2020</b>	<b>4,500</b>	<b>2,515</b>	<b>77</b>	<b>174</b>	<b>7,265</b>

(i) \$0.162 was transferred from Infrastructure WIP (refer Note 4.1.1) in 2018-19

(ii) \$2.309M has been transferred from Infrastructure WIP (refer Note 4.1.1) in 2019-20

(iii) Large Generation Certificates were previously included in Note 5.4 Other financial assets and have been reclassified to Intangible assets

**Recognition**

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

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

Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begin when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. [AASB 138.74-75; FRD 109A]

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

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



**NOTE 4 KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY continued**

Permanent water entitlements (Bulk water entitlement in Blue Rock Lake) acquired after 1 July 2013 are recognised as intangible assets on the Balance Sheet at cost (in accordance with AASB 138 Intangible Assets and FRD 109A Intangible Assets), and will not be subject to amortisation, as the permanent water entitlements have an indefinite life. Permanent water entitlements purchased after 1 July 2013 will be tested annually for impairment. Bulk permanent water entitlements acquired prior to 1 July 2013 are not recognised as intangible assets on the Balance Sheet, as they cannot be reliably measured.

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

	<b>Computer software</b>	<b>Water licences</b>	<b>Water entitlements</b>	<b>LGCs <sup>(i)</sup></b>
Useful life	1 – 10 years	99 years	Indefinite	Indefinite
Method of amortisation	Straight Line	Straight Line	Not amortised or revalued	Not amortised and revalued each quarter based on market sot price
Type of asset	Internally generated and acquired assets	Acquired assets	Acquired assets	Internally generated
Impairment test	Amortisation and indicators of impairment are reviewed annually	Reviewed annually	Not reviewed	Reviewed quarterly

(i) Large Generation Certificates

**Amortisation**

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.

<b>Amortisation</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Computer software	551	461
<b>Total amortisation</b>	<b>551</b>	<b>461</b>

**Impairment of intangible assets**

Goodwill and 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.



## CENTRAL GIPPSLAND REGION WATER CORPORATION

**Notes to and forming part of the Financial Report for the year ended 30 June 2020**

10

Financial performance report

**NOTE 5 OTHER ASSETS AND LIABILITIES****Introduction**

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

**Note contents**

Section	Description	Page
5.1	Receivables	129
5.1.1	Impairment of contractual receivables	130
5.2	Payables	131
5.2.1	Ageing analysis of contractual payables	132
5.3	Inventories	132
5.4	Other financial assets	132
5.5	Other non-financial assets	133
5.6	Other provisions	133
5.6.1	Reconciliation of movements in other provisions	134



**NOTE 5 OTHER ASSETS AND LIABILITIES continued****5.1 Receivables**

	2020 \$'000	2019 \$'000
<b>Current receivables</b>		
<i>Contractual receivables</i>		
Private schemes unmatured capital	92	92
Services and usage charges	11,392	14,462
Allowance for expected credit loss	(470)	(499)
Loans to third parties	44	41
Other receivables	-	6,440
<i>Statutory receivables</i>		
Goods and Services Taxation refund due	1,619	1,612
<b>Total current receivables</b>	<b>12,676</b>	<b>22,148</b>
<b>Non-current receivables</b>		
<i>Contractual receivables</i>		
Private schemes unmatured capital	966	1,061
Loans to third parties	150	194
<b>Total non-current receivables</b>	<b>1,116</b>	<b>1,255</b>
<b>Total receivables</b>	<b>13,792</b>	<b>23,403</b>

Receivables recognised in the balance sheet consist of:

- Contractual receivables, classified as financial instruments and measured at amortised cost. 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; and
- Statutory receivables, such as amounts receivable from the Victorian Government and Goods and Services Tax input credits recoverable.

Contractual receivables are due for settlement no more than 30 days from date of recognition, except for loans to third parties which are represented in both current and non-current receivables. Loans to third parties can arise from new water supply pipelines and wastewater systems, where customers have long term payment arrangements.

Statutory receivables are not classified as financial instruments because they do not arise from any contractual arrangements. They are recognised similarly to contractual receivables, except that no provision is made for impairment.

**Private schemes unmatured capital**

Private scheme receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognised as current assets, except for those with maturities of greater than 12 months after the reporting date, which are classified as non-current assets. These assets are recorded at amortised cost less any impairment.

During the reporting period, the Corporation had private schemes only on wastewater schemes. A private scheme arises when wastewater is first connected to a previously unsewered small town. Residents are offered payment terms of up to 20 years which includes an interest component.



**NOTE 5 OTHER ASSETS AND LIABILITIES continued****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. The Corporation has grouped contractual receivables – service and usage charges on shared credit risk characteristics and days past due and select the expected credit loss rate based on the corporation's past history, existing market conditions, as well as forward-looking estimates at the end of the financial year, including consideration of the impact coronavirus might have on the impact of customers to make payments of their water bills.

On that basis, the loss allowance as at 30 June 2020 was determined as follows for receivables – service and usage charges:

30 June 2020	\$'000 Current	91-120 days	121-180 days	181-365 days	366-730 days	More than 730 days	Total
Expected loss rate -weighted average	1%	9%	14%	16%	28%	17%	
Gross carrying amount of contractual receivables	9,114	242	413	665	529	429	<b>11,392</b>
Loss allowance	59	23	56	108	150	74	<b>470</b>

1 July 2019	\$'000 Current	91-120 days	121-180 days	181-365 days	366-730 days	More than 730 days	Total
Expected loss rate -weighted average	0%	5%	18%	31%	30%	12%	
Gross carrying amount of contractual receivables	12,147	296	484	585	548	402	<b>14,462</b>
Loss allowance	-	16	89	184	164	46	<b>499</b>

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 on the accounts for a period of greater than six months after all reasonable debt recovery avenues have been exhausted.

Loss allowance on receivables from service and usage charges are presented in administrative and other operating expenses within the comprehensive operating statement.

There are no material financial assets that are individually determined to be impaired.

**NOTE 5 OTHER ASSETS AND LIABILITIES continued****5.2 Payables**

	2020 \$'000	2019 \$'000
<b>Current</b>		
<i>Contractual payables</i>		
Trade creditors	1,128	3,291
Accrued expenses	10,982	10,534
<i>Other</i>		
Security deposits	1,088	1,451
Retentions	859	713
Overpaid rates and charges	-	3,755
Unclaimed monies	-	-
Other	(26)	34
<b>Total</b>	<b>14,031</b>	<b>19,778</b>
<i>Statutory payables</i>		
GST payable	143	142
Other government payables	100	100
<b>Total</b>	<b>244</b>	<b>242</b>
<b>Total current payables</b>	<b>14,275</b>	<b>20,020</b>

Payables consist of:

- Contractual payables classified as financial instruments and measured at amortised cost. Accounts payable 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 they do not arise from contracts. [AASB 7.21, AASB 139.43 and 139.47]

Contractual payables are unsecured and usually due for settlement no more than 30 days from date of recognition. To support the local economy we have commenced the settlement of all approved invoices within 5-10 working days since the declaration of the coronavirus (COVID-19) pandemic in March 2020 by the Victorian government.

Contractual payables consist of:

- Trade creditors;
- Accrued expenses;
- Security deposits which are a single cash payment received by the Corporation from a contractor or customer and held by the Corporation as security;
- Retention amounts are cash security withheld from progress payments made to contractors by the Corporation;
- Overpaid rates and charges are payments by customers in advance of a bill being issued;
- Unclaimed monies are payments which cannot be identified within two months of receipt; and
- Other relates to various salary sacrifice payments from employees.

**NOTE 5 OTHER ASSETS AND LIABILITIES continued****5.2.1 Ageing analysis of contractual payables**

2020	Carrying amount \$'000	Less than six months \$'000	Maturity dates			
			6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	5+ years \$'000
Trade creditors	1,128	1,128	-	-	-	-
Accrued expenses	10,982	10,982	-	-	-	-
Other payables	1,921	1,921	-	-	-	-
<b>Total payables</b>	<b>14,031</b>	<b>14,031</b>	-	-	-	-

2019	Carrying amount \$'000	Less than six months \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	5+ years \$'000
Trade creditors	3,291	3,291	-	-	-	-
Accrued expenses	10,534	10,534	-	-	-	-
Other payables	2,197	2,197	-	-	-	-
<b>Total payables</b>	<b>16,022</b>	<b>16,022</b>	-	-	-	-

**5.3 Inventories**

	2020 \$'000	2019 \$'000
Stores and consumables – at cost	3,752	3,660
<b>Total inventories</b>	<b>3,752</b>	<b>3,660</b>

Inventories comprise stores and materials used in the construction of new works and for the repair and maintenance of existing assets. These inventories are held for consumption in the ordinary course of business operations and measured at the lower of cost and net realisable value. Costs are assigned to inventory quantities on hand at balance date on a weighted average cost (WAC) basis.

Inventories also include goods held for distribution at no or nominal cost. Inventories held for distribution are measured at cost, adjusted for any loss of service potential. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition. [AASB 102.9, 102.36]

Bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

**5.4 Other financial assets**

	2020 \$'000	2019 \$'000
Current		
Other	1	5
<b>Total current</b>	<b>1</b>	<b>5</b>
Non-current		
Westpac (TCV 2019) investment deposit - environmental bond	1,000	1,000
<b>Total non-current</b>	<b>1,000</b>	<b>1,000</b>
<b>Total other financial assets</b>	<b>1,001</b>	<b>1,005</b>

**NOTE 5 OTHER ASSETS AND LIABILITIES continued****Environmental bond**

The Corporation operates a prescribed (Industrial) waste treatment and storage facility at its Dutson Downs property which falls under EPA Licence CL62999, and is required to meet the conditions of Section 67B of the *Environment Protection Act 1970* (the Act). Pursuant to the Act, the Corporation is required to provide financial assurance as the occupier of a landfill. The financial assurance is intended to provide a guarantee that the costs of remediation and site closure and post closure costs are not borne by the local community in the event of the occupiers of the site abandoning the site, becoming insolvent or incurring clean-up costs beyond their financial capability. This assurance takes the form of a \$1 million deposit with Westpac under the Central Banking System and is recognised in the balance sheet as a non-current financial asset.

**5.5 Other non-financial assets**

	2020 \$'000	2019 \$'000
<b>Current</b>		
Prepayments	642	584
<b>Total other non-financial assets</b>	<b>642</b>	<b>584</b>

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

**5.6 Other provisions**

	2020 \$'000	2019 \$'000
<b>Current</b>		
Bioremediation Pond rehabilitation	700	304
Landfill site rehabilitation	611	247
<b>Total current other provisions</b>	<b>1,311</b>	<b>551</b>
<b>Total other provisions</b>	<b>1,311</b>	<b>551</b>

Other provisions are recognised when the Corporation has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured on the basis of cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle the provision are expected to be received from a third party, the receivable is recognised as an asset if recovery is virtually certain and the amount of the receivable can be reliably measured.

**Dutson downs rehabilitation provisions**

The Corporation operates a prescribed waste treatment and storage facility at its Dutson Downs property. Historically, the 350ha site was established in order to dispose of prescribed wastes using landfill technology. The facility is approved by the Environment Protection Authority (EPA) for this purpose due to its large buffer distances, its thick clay overlays and its well-developed management practices.

Two provisions have been established to recognise the future rehabilitation costs associated with this site:

*Bioremediation pond rehabilitation*

On 30 June 2008 the Bioremediation Pond ceased operating. The Corporation recognised through the establishment of a provision, the liability for the rehabilitation of the Bioremediation Pond. The provision is



**NOTE 5 OTHER ASSETS AND LIABILITIES continued**

reviewed each year to ensure that it is of sufficient value to cover the actual cost associated with the final rehabilitation of the site. A hydrological assessment was undertaken in June 2019. A closure plan is expected to be developed for this site within the next 18 months in consultation with technical experts and the environmental regulators. For 30 June 2020, we have increased the provision to \$700,000 based on us having to undertake work in 2020-21 to further determine the requirement of the rehabilitation works. This will cover the cost of the design work required to be undertaken to enable us to form a reliable estimate of the cost of the remediation works to be undertaken in future periods.

*Land fill site rehabilitation*

The Corporation operates an EPA licensed land fill for the disposal of inorganic waste. This provision recognises the final restoration cost to close and restore the land fill site. Based upon current utilisation management, recent survey data and re-design of the rehabilitation cap the landfill has an estimated remaining life of 2-3 years (2023-24). This provision is reviewed annually to ensure it adequately covers the rehabilitation costs and satisfies any current environmental regulations prevailing at the end of reporting period. A rehabilitation plan is currently being developed and will be approved by an EPA appointed auditor. For 30 June 2020, we have increased the provision to \$611,000 based on estimations received for the cost for final capping and reinstatement.

**5.6.1 Reconciliation of movements in other provisions**

	Bioremediation Pond	Landfill site	Total
	\$'000	\$'000	\$'000
Opening balance at 1 July	304	247	551
Utilised during reporting period	396	364	760
<b>Closing balance at 30 June</b>	<b>700</b>	<b>611</b>	<b>1,311</b>

## CENTRAL GIPPSLAND REGION WATER CORPORATION

## Notes to and forming part of the Financial Report for the year ended 30 June 2020

10

Financial performance report

**NOTE 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 7.2 provides additional specific financial instrument disclosures.

**Note contents**

Section	Description	Page
6.1	Interest bearing liabilities	136
6.1.1	Maturity analysis of interest bearing liabilities	136
6.1.2	Borrowing costs	136
6.2	Cash and cash equivalents	137
6.2.1	Reconciliation of net result to cash flow from operating activities	137
6.2.2	Financing facilities	137
6.3	Commitments for expenditure	138
6.3.1	Low value lease commitments	138
6.3.2	Capital commitments	138

**NOTE 6 HOW WE FINANCED OUR OPERATIONS continued****6.1 Interest bearing liabilities**

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<i>Current</i>		
Loans from TCV <sup>(i)</sup>	26,500	15,500
<b>Total current interest bearing liabilities</b>	<b>26,500</b>	<b>15,500</b>
<i>Non-current</i>		
Loans from TCV <sup>(i)</sup>	290,000	280,000
<b>Total non-current interest bearing liabilities</b>	<b>290,000</b>	<b>280,000</b>
<b>Total interest bearing liabilities</b>	<b>316,500</b>	<b>295,500</b>

(i) These are unsecured loans.

Interest bearing liabilities are recognised in the Balance Sheet and are entirely represented by borrowings from TCV.

Borrowings are initially recognised at fair value, net of transaction costs incurred. As borrowings are a financial liability, in subsequent years they are 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 borrowings, using the effective interest rate 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 sheet 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 Account are classified as current borrowings.

**6.1.1 Maturity analysis of interest bearing liabilities**

<b>Loans from TCV</b>	<b>Carrying Amount \$'000</b>	<b>Nominal Amount \$'000</b>	<b>Less than 1 month</b>	<b>1 - 3 months</b>	<b>3 months - 1 year</b>	<b>1 - 5 years</b>	<b>5+ years</b>
<b>2020</b>							
Loans from TCV	316,500	336,892	26,500	-	20,000	130,000	140,000
<b>Total</b>	<b>316,500</b>	<b>336,892</b>	<b>26,500</b>	<b>-</b>	<b>20,000</b>	<b>130,000</b>	<b>140,000</b>
<b>2019</b>							
Loans from TCV	295,500	312,577	15,500	-	50,000	130,000	100,000
<b>Total</b>	<b>295,500</b>	<b>312,577</b>	<b>15,500</b>	<b>-</b>	<b>50,000</b>	<b>130,000</b>	<b>100,000</b>

**6.1.2 Borrowing costs**

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Interest on TCV borrowings	8,923	9,605
Financial accommodation levy	4,226	4,050
<b>Total borrowing cost</b>	<b>13,150</b>	<b>13,655</b>

Borrowing costs are recognised as expenses in the period in which they are incurred.

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





**NOTE 6 HOW WE FINANCED OUR OPERATIONS continued**

of Victoria under section 40N (2) of the *Financial Management Act 1994*. The FAL is in place to remove the financial benefit obtained by the Corporation in securing lower than market interest rates as a result of being guaranteed by the State of Victoria.

**6.2 Cash flow information**

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

	2020 \$'000	2019 \$'000
Cash on hand	1	1
Cash at bank	16,620	10,229
<b>Total cash and cash equivalents</b>	<b>16,622</b>	<b>10,230</b>

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

	2020 \$'000	2019 \$'000
Net result	(6,233)	6,972
<i>Add/(less) non-cash flows in operating activities</i>		
Loss on sale and impairment of property, plant and equipment	2,220	3,874
Depreciation and amortisation	46,966	42,380
Assets received from developers (Note 2.1.2)	(7,475)	(18,831)
Provision for impaired receivables	-	-
Plantations revenue non-cash	-	-
Other revenue non-cash	-	-
Income tax expense/(benefit)	-	-
<b>Net cash provided by operating activities before change in assets and liabilities</b>	<b>35,478</b>	<b>34,395</b>
<i>Movements in assets and liabilities</i>		
(Increase)/decrease in trade receivables	2,958	(540)
(Increase)/decrease in contract assets	798	(222)
(Increase)/decrease in other current assets	4	1
(Increase)/decrease in inventory and biological assets	(427)	(457)
(Increase)/decrease in deferred tax liabilities / assets	(2,436)	2,981
(Decrease)/increase in payables	(3,658)	(13)
(Decrease)/increase in contract liabilities	890	101
(Decrease)/increase in provisions	760	-
(Decrease)/increase in employee benefits	(112)	430
<b>Net cash flows from operating activities</b>	<b>34,027</b>	<b>36,673</b>

**6.2.2 Financing facilities**

<b>Temporary purpose financial accommodation</b>	2020 \$'000	2019 \$'000
Total facilities – TCV temporary purpose financial accommodation – to be repaid by 30 June each year	5,000	5,000
Used at balance date	-	-
Unused at balance date	5,000	5,000



**NOTE 6 HOW WE FINANCED OUR OPERATIONS continued****6.3 Commitments for expenditure****6.3.1 Low value lease commitments**

Commitments for future expenditure include operating commitments arising from contracts entered into. Operating commitments are recorded below at their nominal value and exclusive 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.

	2020 \$'000	2019 \$'000
Non-cancellable low value lease commitments		
<i>Low value lease commitments for access to roads and infrastructure:</i>		
within 1 year	18	18
later than 1 year but not later than 5 years	14	19
later than 5 years	49	50
<b>Total non-cancellable low value lease commitments</b>	<b>81</b>	<b>87</b>

Low value lease payments (net of any incentives received from the lessor) are charged as expenses in the Comprehensive Operating Statement on a straight line basis over the period of the leases to reflect the pattern of benefits derived from the leased assets.

**6.3.2 Capital commitments**

Capital commitments for future expenditure arise from contracts entered into at 30 June 2020 but no asset or service has been provided. These commitments are recorded below at their nominal value and are exclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

	2020 \$'000	2019 \$'000
Capital commitments		
<i>Infrastructure, property, plant and equipment:</i>		
within 1 year	32,497	4,032
later than 1 year but not later than 5 years	11,675	-
later than 5 years	-	-
<b>Total capital commitments</b>	<b>44,172</b>	<b>4,032</b>

## CENTRAL GIPPSLAND REGION WATER CORPORATION

**Notes to and forming part of the Financial Report for the year ended 30 June 2020**

10

Financial performance report

**NOTE 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 higher level of judgement to be applied, which for the Corporation related mainly to fair value determination.

**Note contents**

Section	Description	Page
7.1	Financial instruments specific disclosures	140
7.1.1	Financial instruments: categorisation	141
7.1.2	Financial risk management objectives and policies	141
7.2	Contingent assets and contingent liabilities	144
7.3	Fair value determination of financial assets and liabilities	145

**NOTE 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS continued****7.1 Financial instruments specific disclosures****Introduction**

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

These financial instruments include:

Financial assets	Financial liabilities
Cash and deposits	Payables: For supplies and services Other payables
Receivables: Sale of goods and services Other receivables	Interest bearing liabilities: Borrowings

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.

**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; and
- receivables (excluding statutory receivables).

Financial liabilities are initially recognised at fair value, plus or minus 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 the 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.

**Offsetting financial instruments**

Financial instrument assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Corporation concerned has a legal right to offset the amounts and intends 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.

**De-recognition of financial assets**

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

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



**NOTE 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS**

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

**Impairment of financial assets**

At the end of each reporting period, the Corporation assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to an annual review for impairment. The impairment of contractual receivables has been considered under note 5.1.1.

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 the impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing the materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

Impairment losses are recognised in the Comprehensive Operating Statement. Impairment losses recognised in the comprehensive operating statement on equity instruments classified as available for sale are not reversed through the comprehensive operating statement.

**7.1.1 Financial instruments: categorisation**

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

**7.1.2 Financial risk management objectives and policies****Introduction**

The Corporation's activities expose it to a variety of financial risks, primarily through ownership of financial assets and liabilities. This note explains those exposures and how the associated risks could affect the Corporation's future financial performance.

**Types of financial risk**

The table below shows a summary of the risk exposures related to financial instruments held by the Corporation at the reporting date. The Corporation's approach to management of these risks is explained later in this note.

Risk	Source of exposure
Market risk – interest rates	Long term borrowings at variable rates
Credit risk	Cash and cash equivalents Trade receivables Private schemes Environmental bond
Liquidity risk	Borrowings and other liabilities

**Management of financial risk**

The Board of the Corporation is responsible for setting risk management policy and monitoring management's performance in compliance with the policy. The Board has established an Audit and Risk Committee to assist and support it in overseeing the effectiveness of risk management. The Board has also established various policies related to financial risk management that must be complied with and for which compliance is regularly reviewed through regular Board reporting and an internal audit program that is monitored by the Audit and Risk Committee.

The Corporation's financial risk management activities are carried out by the Financial Services Section in accordance with the Board approved Treasury Management Policy, which provides guidance on management of interest rate risk, credit risk and liquidity risk. The policy also provides guidance on the use of non-derivative financial instruments and investment of excess liquidity. The Board receives regular reports on the Corporation's performance with regard to these matters.



**NOTE 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS****Credit risk**

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

The Corporation measures credit risk on a fair value basis and monitors credit risk continually. The Corporation's Customer Assistance team has direct responsibility for monitoring collection performance on customer-by-customer and whole of portfolio bases and identifying any changes in collection performance trends across the entire customer database based on ageing of receivables, requests for extensions of time to pay, customer payment arrangements, comparison of actual and estimated collections on a monthly basis and review of impaired accounts. This information is reviewed regularly with the Financial Services Section in order to identify any significant impacts on the Corporation's operating cash flows.

The Corporation has large numbers of both water and wastewater customers. The Corporation provides water and wastewater services to a small number of large industrial customers under contractual arrangements.

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

**Credit quality of contractual financial assets that are neither past due nor impaired <sup>(i)</sup>**

2020	Financial institutions (AA- credit rating) \$'000	Government agencies (AAA credit rating) \$'000	Other \$'000	Total \$'000
Cash and cash equivalents	16,622	-	-	16,622
Receivables	-	-	11,058	11,058
Other financial assets	1,000	-	-	1,000
<b>Total contractual financial assets</b>	<b>1,000</b>	<b>-</b>	<b>11,058</b>	<b>28,680</b>

2019	Financial institutions (AA- credit rating) \$'000	Government agencies (AAA credit rating) \$'000	Other \$'000	Total \$'000
Cash and cash equivalents	10,230	-	-	10,230
Receivables	-	-	20,538	20,538
Other financial assets	-	1,000	-	1,000
<b>Total contractual financial assets</b>	<b>10,320</b>	<b>1,000</b>	<b>20,538</b>	<b>31,768</b>

\*Excludes Large Generation Certificates (2019: \$211K) due to reclassification to Intangible assets.

Notes:

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable).

**Liquidity Risk**

Liquidity risk arises from being unable to meet 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 of resolution.

The Corporation has detailed knowledge of the key cycles in the business for both cash inflows and outflows and therefore has excellent knowledge of its cash requirements. Nevertheless, it manages liquidity risk through careful planning of cash inflows and outflows based on known collection performance and the required timing of payment of obligations. In conjunction with these assessments, the Corporation undertakes regular reviews of current and future borrowing levels to ensure that cash requirements for the capital expenditure program are anticipated and met bearing in mind the maturity date profiles of borrowings. A key objective of cash flow planning is to ensure that the Corporation has adequate reserves at all times, and this includes ensuring that there are sufficient standby credit facilities available to meet all obligations as they fall due, including allowances for any unexpected short term cash flow needs.



**NOTE 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS****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 instrument. Market risk comprises of interest rate risk, foreign exchange risk and another price risk. The Corporation's exposure to market risk is primarily through interest rate risk, there is no exposure or insignificant exposure to foreign exchange risk and insignificant 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 minimises its exposure to adverse interest rate changes on its long-term borrowings by holding a mix of fixed and floating rate debt with a range of maturities. Debt is sourced from TCV and is managed within a range of Board approved limits. Debt levels and related interest rates are monitored regularly by the Board through reports from Management.

The Corporation has minimal exposure to interest rate risk arising from its holdings of cash and cash equivalents and other financial assets.

**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.

**Interest rate exposure of 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.

**Interest rate risk sensitivity**

The table below sets out the potential impact of 'reasonably possible' movements in interest rates on the net result, financial assets and liabilities and equity of the Corporation at 30 June 2020 and at 30 June 2019 for comparative purposes.

2020 Financial instruments	Carrying amount \$'000	Rate change of -0.25%		Rate change of +0.50%	
		Net result \$'000	Equity \$'000	Net result \$'000	Equity \$'000
<i>Financial assets</i>					
Cash and cash equivalents <sup>(i)</sup>	16,622	(42)	(42)	83	83
Trade receivables <sup>(ii)</sup>	10,922	-	-	-	-
Other receivables <sup>(ii)</sup>	136	-	-	-	-
Other receivables - Westpac deposit	1,000	(3)	(3)	5	5
<i>Financial liabilities</i>					
Payables <sup>(ii)</sup>	14,031	-	-	-	-
Interest bearing liabilities - fixed	270,000	-	-	-	-
Interest bearing liabilities - maturing	20,000	50	50	(100)	(100)
Interest bearing liabilities - variable	26,500	66	66	(133)	(133)
<b>Total</b>	<b>359,211</b>	<b>72</b>	<b>72</b>	<b>(144)</b>	<b>(144)</b>

(i) All cash and cash equivalents are held at variable interest rates.

(ii) Receivables and payables balances at 30 June 2020 are not subject to interest rate risk.



**NOTE 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS continued**

2019 Financial instruments	Carrying amount	Rate change of -0.25%		Rate change of +0.50%	
		Net result	Equity	Net result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>					
Cash and cash equivalents <sup>(i)</sup>	10,230	(26)	(26)	51	51
Trade receivables <sup>(ii)</sup>	13,963	-	-	-	-
Other receivables <sup>(ii)</sup>	6,575	-	-	-	-
Other receivables – TCV deposit	1,000	(3)	(3)	5	5
<i>Financial liabilities</i>					
Payables <sup>(ii)</sup>	19,778	-	-	-	-
Interest bearing liabilities - fixed	230,000	-	-	-	-
Interest bearing liabilities - maturing	50,000	125	125	(250)	(250)
Interest bearing liabilities - variable	15,500	39	39	(78)	(78)
<b>Total</b>	<b>347,045</b>	<b>135</b>	<b>135</b>	<b>(272)</b>	<b>(272)</b>

\*Excludes Large Generation Certificates (2019: \$211K) due to reclassification to Intangible assets.

Notes:

(i) All cash and cash equivalents are held at variable interest rates.

(ii) Receivables and payables balances at 30 June 2019 are not subject to interest rate risk.

**7.2 Contingent assets and contingent liabilities**

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed 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.

In 2016, the EPA published a new reformed system in relation to landfill licence conditions, including new calculations to advise current licence holders with a financial assurance obligation.

Now that the reformed system is in place EPA will be conducting a review of all existing licences. This will be done according to a planned program, where the highest risk sites will be reviewed first. It is expected that the implementation process will take some time to complete. While the Corporation is encouraged to review the effect of the guidelines, there is no requirement to act until EPA initiates a review at Corporation's site.

Our Soil and Organic Recycling Facility operates landfills, to which the new conditions apply. The Corporation's initial review indicated that the current bond of one million dollars will be increased to approximately three million dollars. No further progress has been made on resolving this issue during 2019-20 year.

**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.





**NOTE 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS**

Dutson Downs has been used for waste management and waste disposal activities since 1956. This includes historic and current landfill activities. The introduction of the amended *Environment Protection Act 2018* from 1 July 2021 includes a new general environmental duty, which will require businesses and individuals conducting activities that pose a risk to human health and the environment to understand those risks and take reasonably practicable steps to eliminate or minimise them. As a result of this significant change in the Act, there is a possibility that additional costs associated with remediation will be incurred by us (2019: nil).

Whilst we are aware further costs will be required for the bioremediation pond rehabilitation we do not have a reliable estimate for this work, as we do not know the required extent of the work required, and therefore are not able to make a provision for these costs at this point. In order to recognize a provision, a reliable estimate of the costs is required, however the rehabilitation works, rehabilitation methods, and types of materials required are not yet known. We expect to go out for design for this work in 2020-21. Therefore we are not able to make a reliable estimate of the full remediation costs at this point.

**7.3 Fair value determination of financial assets and liabilities**

The fair values and net fair values of financial assets and liabilities are determined as follows:

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

**Financial assets**

For financial assets, carrying value less impairment adjustments is considered to be a reasonable approximation of fair value due to their short term nature as indicated in the table below.

**Financial liabilities**

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the market interest rate that is available to the Corporation for similar financial instruments.

For payables, carrying value is considered to be a reasonable approximation of fair value due to their short term nature as indicated in the table below.

In assessing fair value for interest bearing liabilities, the market rates used vary from 2.14% to 7.07% (2019: 2.55% to 7.56%).

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>				
Cash and cash equivalents	16,622	16,622	10,230	10,230
Trade receivables	10,922	10,922	13,963	13,963
Other receivables*	136	136	6,575	6,575
Deposits at TCV	1,000	1,000	1,000	1,005
<b>Total</b>	<b>28,680</b>	<b>28,680</b>	<b>31,768</b>	<b>31,773</b>
<i>Financial liabilities</i>				
Payables	14,031	14,031	19,778	19,778

\*Excludes Large Generation Certificates (2019: \$211K) due to reclassification to Intangible assets.



CENTRAL GIPPSLAND REGION WATER CORPORATION  
Notes to and forming part of the Financial Report for the year ended 30 June 2019

NOTE 8 STATUTORY OBLIGATIONS

Introduction

This section includes disclosures in relation to the Corporation’s statutory obligations.

Note contents

Section	Description	Page
8.1	Taxation	147
8.1.1	Income tax expense	147
8.1.2	Deferred tax assets and liabilities	148
8.2	Environmental contribution	149
8.2.1	Environmental commitments	149

**NOTE 8 STATUTORY OBLIGATIONS continued****8.1 Taxation****8.1.1 Income tax expense**

The Corporation is subject to the National Tax Equivalent Regime (NTER), 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 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The income tax expense for the financial year differs from the amount calculated on the net result. The differences are reconciled as follows:

	2020 \$'000	2019 \$'000
<i>Comprehensive Operating Statement</i>		
Current income tax expense (paid or payable)	(2,664)	2,981
Adjustments to prior years	-	-
<i>Deferred income tax expense</i>		
Temporary differences	-	-
Adjustment for prior years	-	-
<b>Income tax reported in the comprehensive operating statement</b>	<b>(2,664)</b>	<b>2,981</b>
<i>Statement of changes in equity</i>		
Current tax – credited/(debited)	-	-
Net deferred tax – debited/(credited) directly to equity	(455)	36,151
<b>Income tax reported in equity</b>	<b>(455)</b>	<b>36,151</b>

	2020 \$'000	2019 \$'000
<i>Tax reconciliation</i>		
Net result before income tax expense	(8,897)	9,953
Tax at the Australian tax rate of 30% (2019: 30%)	(2,669)	2,986
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	9	4
Expenditure not allowable for income tax purposes	-	-
Benefit of tax losses not brought to account	-	-
Other permanent adjustment	(3)	(9)
<b>Income tax on profit before tax</b>	<b>(2,663)</b>	<b>2,981</b>

	2020 \$'000	2019 \$'000
<i>Tax expense (income relating to items of other comprehensive income)</i>		
Gain/(loss) on revaluation of infrastructure, property, plant and equipment	(455)	36,151
<i>Tax losses</i>		
Unused tax losses for which no deferred tax asset has been recognised	-	-
Potential tax benefit @ 30%	-	-



**NOTE 8 STATUTORY OBLIGATIONS continued****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 and liabilities 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 is probable that future taxable amounts will be available to utilise those temporary differences and losses.

	2020 \$'000	2019 \$'000
<i>Deferred tax asset</i>		
<i>Amounts recognised in the comprehensive operating statement</i>		
Provisions and accrued expenditure not deductible	6,571	6,126
Other	209	182
Tax losses	27,093	30,465
<b>Total deferred tax assets</b>	<b>33,873</b>	<b>36,773</b>
<i>Movements:</i>		
Opening balance at 1 July	36,773	44,498
Credited / (charged) to the comprehensive operating statement	476	138
Tax losses	(3,376)	(7,863)
<b>Ending balance at 30 June</b>	<b>33,873</b>	<b>36,773</b>

	2020 \$'000	2019 \$'000
<i>Deferred tax liabilities</i>		
<i>Amounts recognised in the comprehensive operating statement</i>		
Depreciation	45,742	51,100
Other	3,685	3,891
<i>Amounts recognised in equity</i>		-
Asset revaluations	116,943	117,398
<b>Total deferred tax liabilities</b>	<b>166,370</b>	<b>172,389</b>
<i>Movements:</i>		
Opening balance at 1 July	172,389	140,982
Credited/(charged) to the comprehensive operating statement	(5,564)	(4,035)
Credited/(charged) to the equity	(455)	35,442
<b>Closing balance at 30 June</b>	<b>166,370</b>	<b>172,389</b>
Deferred tax liabilities to be recovered after more than 12 months	166,370	172,389

**NOTE 8 STATUTORY OBLIGATIONS continued****8.2 Environmental contribution**

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 contribution 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 new contribution period has been extended until 30 June 2024.

The new tranche of Environmental Contribution retains the existing percentages of revenue to be paid as Environmental Contribution with 5 per cent for associated urban water revenue and 2 per cent for associated rural water revenue. For this tranche of Environmental Contribution, the required payment amounts have also been set to the 2018-19 revenue base figures for the entire period commencing on 1 July 2020. As such, the final expected annual payment of \$5,952,500 and total expected four years payments are \$23,810,000.

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

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

**8.2.1 Environmental commitments**

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

	2020 \$'000	2019 \$'000
<i>Environmental contribution</i>		
– within one year	5,953	5,181
– later than one year but not later than five years	17,858	-
– later than five years	-	-
<b>Total environmental contribution commitment</b>	<b>23,810</b>	<b>5,181</b>

## CENTRAL GIPPSLAND REGION WATER CORPORATION

## Notes to and forming part of the Financial Report for the year ended 30 June 2019

10

Financial performance report

## NOTE 9 OTHER DISCLOSURES

## Introduction

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

## Note contents

Section	Description	Page
9.1	Equity	151
9.1.1	Contributed capital	151
9.1.2	Asset revaluation reserve	151
9.1.3	Accumulated surplus	151
9.2	Events occurring after the balance date	151
9.3	Responsible persons	152
9.4	Related parties	152
9.5	Remuneration of executives	155
9.6	Remuneration of auditors	155
9.7	Ex-gratia expenses	155
9.8	Changes in accounting policies	156
9.9	Australian Accounting Standards issued that are not yet effective	158

**NOTE 9 STATUTORY OBLIGATIONS continued****9.1 Equity****9.1.1 Contributed capital**

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Opening balance at 1 July	255,971	255,971
Capital contributions	-	-
<b>Closing balance at 30 June</b>	<b>255,971</b>	<b>255,971</b>

Additions to net assets which 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 in contributed equity.

**9.1.2 Asset revaluation surplus**

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<i>Asset revaluation surplus</i>		
- Land (net of tax)	19,526	19,526
- Buildings (net of tax)	3,031	3,031
- Infrastructure (net of tax)	250,311	251,371
<b>Total reserves</b>	<b>272,868</b>	<b>273,928</b>

*Movements during the reporting period*

Opening balance at 1 July	273,928	189,577
Revaluation increment/(decrement) on non-current assets (gross)	(1,515)	120,502
- less tax on revaluation increments/(decrement)	455	(36,151)
<b>Closing balance at 30 June</b>	<b>272,868</b>	<b>273,928</b>

**9.1.3 Accumulated surplus**

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Opening balance at 1 July	328,170	321,198
Net result for the period	(6,233)	6,972
<b>Closing balance at 30 June</b>	<b>321,937</b>	<b>328,170</b>

**9.2 Events occurring after the balance date**

While we continue to monitor the impact of coronavirus (COVID-19), as at reporting date we do not consider that coronavirus has 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. Coronavirus stage 3 "stay at home" restrictions have been in place in our region since 5 August 2020. We have implemented our business continuity plan in minimise risk of disruption to delivery of our services.

As at the date of this report there has been no significant change to our revenue or cash receipts position due to coronavirus. The introduction of temporary Jobkeeper payments and increased Jobseeker payments have assisted our customers. To support the local economy we continue to pay all approved invoices within 5-10 working days.

We continue to monitor the impact of coronavirus but it is difficult to assess the full economic impact of the pandemic. We will continue to monitor the impact coronavirus is having on our customers and any possible increase in customer debt and hardship cases. Other key areas we are monitoring are for any decrease in developer activity and impact on our suppliers, contractors and other stakeholders. We will also keep reviewing any potential change in the fair value of our assets.



**NOTE 9 OTHER DISCLOSURES continued****9.3 Responsible persons**

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period. The names of persons who held the positions of Ministers and Accountable Officers in the Corporation are as follows:

Responsible person	Period
The Hon. Lisa Neville MP	1 July 2019 - 30 June 2020
<i>Board members</i>	
Therese Ryan (Chair)	1 July 2019 - 30 June 2020
Greg Hade (Deputy Chair)	1 July 2019 - 30 June 2020
Jane Oakley	1 July 2019 - 30 June 2020
Margaret Supplitt	1 July 2019 - 30 Sept 2019
Jo Benvenuti	1 July 2019 - 30 June 2020
Malcolm Eccles	1 July 2019 - 30 June 2020
Christopher Badger	1 July 2019 - 30 June 2020
Rod Touzel	1 July 2019 - 30 June 2020
Katrina Lai	1 Oct 2019 - 30 June 2020
Sarah Cumming (Managing Director)	1 July 2019 - 30 June 2020

**Remuneration**

The compensation of responsible persons detailed below excludes the salaries and benefits received by the Minister for Water. 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.

Remuneration received or receivable by the Managing Director/Accountable Officer in connection with the management of the Corporation during the reporting period was in the range: \$310,000 - \$319,999 in 2019-20 (\$310,000 - \$319,999 in 2018-19).

**Appointments as acting Managing Director during the financial year**

Simon Aquilina was appointed as acting Managing Director and held associated delegated authority for the period from 17 January to 30 January 2020. This temporary/relieving arrangement has not been included as part of the remuneration disclosure due to the short-term nature of the arrangement and given remuneration of the substantive Key Management Personnel has already been reported.

**9.4 Related parties**

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

Related parties of the Corporation include:

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

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

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Key management personnel includes:

- The responsible Minister, The Hon Lisa Neville, MP
- All Directors listed in note 9.3





**NOTE 9 OTHER DISCLOSURES continued**

- The Company Secretary (Sarah Heath 1 July 2019 – 30 June 2020)

Key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Corporation directly or indirectly, during the financial year.

The compensation of key management personnel detailed below excludes the salaries and benefits received by the Minister for Water. 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.

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.

Income bands (\$)	Total remuneration	
	2020	2019
Less than 20,000	1	-
20,000 - 29,999	1	-
30,000 - 39,999	6	7
60,000 - 69,999	1	1
100,000 - 119,000	-	1
200,000 - 219,000	1	-
310,000 - 319,999	1	1
Total numbers	11	10

**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.

Compensation of key management personnel	2020 \$'000	2019 \$'000
Short-term employee benefits	570	559
Post-employment benefits	46	45
Other long-term benefits	-	7
Termination benefits	-	-
<b>Total</b>	<b>616</b>	<b>611</b>



**NOTE 9 OTHER DISCLOSURES continued****Significant transactions with government-related entities**

During the year, the Corporation undertook a range of government-related entity transactions (receipts and payments) that were business as usual in nature. During the year, the Corporation had the following government-related entity transactions:

**Government-related entity receipts**

Entity name	Brief description of main activity	2020 \$'000	2019 \$'000
Department of Human Services	Refund of concession rebates	6,652	5,173
Department of Human Services	Payment of fixed charge on properties	2,726	2,778
Latrobe City Council	Rates and charges	638	942
Department of Defence	Rates and charges	552	369
Wellington Shire Council	Rates and charges	419	358
State Revenue Office	Refund of charities rebates	289	305
Latrobe Regional Hospital	Rates and charges	280	269
West Gippsland Hospital	Rates and charges	211	183
VicRoads	Rates and charges	5	5

**Government-related entity receivables**

Entity name	Brief description of main activity	2020 \$'000	2019 \$'000
Department of Human Services	Refund of concession rebates	-	596
Department of Human Services	Payment of fixed charge on properties	136	162

**Government-related entity payments**

Entity name	Brief description of main activity	2020 \$'000	2019 \$'000
Treasury Corporation Victoria	Interest on borrowings	8,981	9,702
Department of Environment, Land, Water and Planning	Environmental contribution	5,313	5,354
Department of Treasury and Finance	Financial accommodation levy	4,189	4,204
Southern Rural Water	Storage management and recreation facilities fees	846	766
Environment Protection Authority	Licence fees and levies	381	435
South East Water Limited	Tarago water usage	148	267
VicRoads	Registration fees	112	103

**Government-related entity payables**

At 30 June 2020 there were no government-related entity payables.

**Transactions with key management personnel and 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.



**NOTE 9 OTHER DISCLOSURES continued****9.5 Remuneration of executives**

The Corporation has reviewed the role of the Executive Leadership Team and the extent of control these executives are delegated. Total remuneration for all members of the Executive Leadership Team 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 in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Remuneration categories (short-term employee benefits, post-employment benefits, other long-term benefits and termination benefits) have the same definitions as outlined section 9.4.

<b>Total remuneration</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Short-term employee benefits	1,439	1,236
Post-employment benefits	136	116
Other long-term benefits	-	28
Termination benefits	-	-
<b>Total remuneration <sup>(i)</sup></b>	<b>1,575</b>	<b>1,380</b>
<b>Total number of executives</b>	<b>8</b>	<b>7</b>
<b>Total annualised employee equivalents <sup>(ii)</sup></b>	<b>7</b>	<b>7</b>

(i) Other than the Managing Director and Secretary no other executive officers meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and have not been reported within the related parties note disclosure (Note 9.4).

(ii) Annualised employee equivalent is based on the time fraction worked over the reporting period.

**9.6 Remuneration of auditors**

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<i>Victorian Auditor-General's Office</i>		
Audit and review of financial statement	95	92
<i>Other non-audit services</i>		
Internal audit – RSM <sup>(i)</sup>	114	155
ESC audit – BECA	27	24
<b>Total remuneration for auditors</b>	<b>235</b>	<b>271</b>

**9.7 Ex-gratia expenses**

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Forgiveness or waiver of debt	231	159
Property damage payments	21	10
Other	10	-
<b>Total ex-gratia expenses</b>	<b>252</b>	<b>169</b>



**NOTE 9 OTHER DISCLOSURES continued****Forgiveness or waiver of debt**

Forgiveness or waiver of debt is where the Corporation has made a commercial decision to no longer pursue customers who have a debt with us. This will generally be after having exhausted all avenues of debt collection, where it is no longer commercially viable to pursue and is subject to sign-off at General Manager level. Individual amounts are typically less than \$1,000.

**Property damage payments**

Property damage payments represent a contribution to owners who have experienced property damage due to unforeseen events such as a sewerage spill. Property damage payments in 2019-20 included no claims associated with a major treated sewer overflow or a major water overflow (\$nil and \$nil) (2019: \$nil, \$nil) with all seven claims being less than \$5,000 each. Where incurred, these cost have been included in administration expenses in the comprehensive operating statement.

**Other**

Other represents the settlement of two personal injury claims paid in 2019-20, there were no instances (2019: nil).

**9.8 Changes in accounting policies****AASB 15 Revenue from contracts with customers**

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

Additionally, as mandated by the DTF, the Corporation applied the practical expedient described in AASB 16.C5 (c), for contracts that were modified before the date of initial application. In applying this practical expedient, the Corporation, did not retrospectively restate the contract for those modifications in accordance with AASB 15.20-21. Instead, it reflected the aggregate effect of all of the modifications that occur before the date of initial application when:

- identifying the satisfied and unsatisfied performance obligations,
- determining the transaction price, and
- allocating the transaction price to the satisfied and unsatisfied performance obligation.

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

AASB 15 accounting policies are disclosed in note 2.1.1 and 2.1.4.

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

The Corporation has transitioned to AASB 1058 *Income for not-for-profits* from 1 July 2019. In accordance with the transition provisions in AASB 1058 and as mandated by FRD 122 Transitional requirements on the application of AASB 1058 *Income of not-for-profit entities*, this new standard has been adopted retrospectively (under the modified retrospective method). Under this transition method, the entity has elected to apply this standard retrospectively only to contracts and transactions that are not completed contracts at the date of initial application. A completed contract is a contract or transaction for which the entity has recognised all of the income in accordance with AASB 1004 *Contributions*. Comparatives for the 2019 financial year have not been restated. The reclassifications and the adjustments arising from this new standard are therefore recognised in the opening balance of retained earnings on 1 July 2019.

The Corporation has not applied the fair value measurement requirements for right-of-use assets arising from leases with significantly below-market terms and conditions principally to enable the entity to further its objectives as allowed under temporary option under AASB 16 and as mandated by FRD 122.

AASB 1058 accounting policies are disclosed in note 2.2 and 5.7.



**NOTE 9 OTHER DISCLOSURES continued****AASB 16 Leases**

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

**(i) Practical expedients applied**

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

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

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

**(ii) Reconciliation of operating lease commitment to lease liability****2020  
\$'000**

Operating lease commitments disclosed as at 30 June 2019	86
Discounted using the lessee's incremental borrowing rate of at the date of initial application	-
Add: finance lease liabilities recognised as at 30 June 2019	-
(Less): short-term leases not recognised as a liability	-
(Less): low-value leases not recognised as a liability	(86)
Add/(less): contracts reassessed as lease contracts	-
Add/(less): adjustments as a result of a different treatment of extension and termination options	-
Add/(less): adjustments relating to changes in the index or rate affecting variable payment	-
Lease liability recognised as at 1 July 2019	-
Of which are:	
Current lease liabilities	-
Non-current lease liabilities	-

**(iii) Peppercorn leases**

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

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

**(iv) Low value leases**

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



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

The change in accounting policy regarding AASB 16 *Leases* had no effect on any items in the balance sheet on 1 July 2019 as our leases met the low-value practical expedient in which expenses continue to be recognised in Notes 3.2 and 3.4. The net impact on retained earnings on 1 July 2019 was \$Nil.

The change in accounting policy regarding AASB 15 *Revenue from contracts with customers* resulted in the reclassification of accrued revenue from Receivables to Contract assets and Customers paid in advance from Payables to Contract liabilities. The net impact on retained earnings on 1 July 2019 was \$nil.

	30 June 2019 \$'000	Impact of AASB 15	1 July 2019 \$'000
Accrued revenue (receivables)	6,438	-6,438	-
Accrued revenue (contract asset)	-	6,438	6,438
Customers paid in advance (payables)	3,755	-3,755	-
Customers paid in advance (contract liability)	-	3,755	3,755

**9.9 Australian Accounting Standards issued that are not yet effective**

Certain new and revised accounting standards have been issued but are not effective for the 2019-20 reporting period. These accounting standards have not been applied to these financial statements. The State is reviewing its existing policies and assessing the potential implications of these accounting standards which includes:

- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*

This Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. It applies to reporting periods beginning on or after 1 January 2020 with earlier application permitted. The Corporation has not earlier adopted the Standard.

The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.

The Corporation is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*

This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued ED 301 Classification of Liabilities as Current or Non-Current – Deferral of Effective Date with the intention to defer the application by one year to periods beginning on or after 1 January 2023. The Corporation will not early adopt the Standard.

The Corporation is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods, but are considered to have limited impact on the Corporation's reporting.

- AASB 17 *Insurance Contracts*.
- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C)*.
- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*.
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*.
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*.
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*.
- AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.



## CENTRAL GIPPSLAND REGION WATER CORPORATION

### Statutory Certification

We certify that the attached financial statements for the Central Gippsland Region Water Corporation have been prepared in accordance with Standing Direction 5.2 of the *Financial Management Act 1994* (Vic), and the Assistant Treasurer, applicable Financial Reporting Directions, Australian Accounting Standards, 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 Notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2020 and the financial position of the Corporation as at 30 June 2020.

We are not aware of any circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.

At the time of signing we authorise the attached financial statements for issue.



**Therese Ryan**  
Board Chair  
Central Gippsland Region Water Corporation



**Sarah Cumming**  
Managing Director  
Central Gippsland Region Water Corporation



**Sarah Heath**  
Chief Financial Officer  
Central Gippsland Region Water Corporation

Dated 28 September 2020

---

## VAGO ATTESTATION



10

Financial performance report

### Independent Auditor's Report

#### To the Board of Central Gippsland Region Water Corporation

<b>Opinion</b>	<p>I have audited the financial report of Central Gippsland Region Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2020</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• statutory certification.</li> </ul> <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</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 financial report in Victoria. My staff and I 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>
<b>Board's responsibilities for the financial report</b>	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>





## VAGO ATTESTATION CONTINUED

10

Financial performance report

### 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  
29 September 2020



Paul Martin  
as delegate for the Auditor-General of Victoria

## CENTRAL GIPPSLAND REGION WATER CORPORATION

### Financial Management Compliance Attestation Statement

I, Therese Ryan, on behalf of the Responsible Body, certify that Central Gippsland Region Water Corporation has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.

A handwritten signature in black ink, appearing to be 'TR' with a long horizontal stroke extending to the right.

**Therese Ryan**

Board Chair

Central Gippsland Region Water Corporation

Dated 28 August 2020

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Our annual report is prepared in accordance with all relevant Victorian legislation. This index facilitates identification of our compliance with statutory disclosure requirements.

# PART 11

## Disclosure index

## FINANCIAL REPORT INDEX

### Report of operations

#### CHARTER AND PURPOSE

FRD 22H	Manner of establishment and the relevant ministers	7
FRD 22H	Objectives, functions, powers and duties	7
FRD 22H	Nature and range of services provided	7
FRD 22H	Key initiatives and projects	9

#### GOVERNANCE AND ORGANISATIONAL STRUCTURE

FRD 22H	Organisational structure and corporate governance	23
FRD 22H	Governing board	55
FRD 22H	Audit committee membership	62
FRD 22H	Board committees	62
FRD 22H	Occupational Health and Safety	24
FRD 22H	Employment and conduct principles	18

#### WORKFORCE DATA

FRD 22H	Public sector values and employment principles	18
FRD 22H	Workforce data	21
FRD 22H	Workforce Inclusion Policy	19
FRD 15E	Executive Officer data	23

Disclosure index **continued**

OTHER DISCLOSURES		PAGE
FRD 10A	Disclosure index	163
FRD 12B	Details of major contracts	67
FRD 22H	Application and operation of <i>Disability Act 2006</i> (Vic)	18
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i> (Cth)	67
FRD 22H	Application and operation of <i>Public Interest Disclosure Act 2012</i>	68
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i> (Vic)	69
FRD 22H	Details of consultancy expenditure	65
FRD 22H	Disclosure of government advertising expenditure	67
FRD 22H	Disclosure of Information and Communication Technology expenditure	67
FRD 22H	Environmental performance	80
FRD 22H	Significant changes or factors affecting performance	73-75
FRD 22H	Statement of availability of other information	67
FRD 22H	Statement of Competitive Neutrality Policy Victoria	67
FRD 22H	Subsequent events	151
FRD 24D	Office-based environmental impacts	33
FRD 25D	Local Jobs First	39
FRD 29C	Workforce data disclosures in the Report of Operations – Public Service employees	21-22
<b>MINISTERIAL REPORTING DIRECTIONS</b>		
MRD 01	Performance reporting	21-22
MRD 02	Reporting on water consumption and drought response	50
MRD 03	Environmental and social sustainability reporting	25
MRD 04	Disclosure of information on bulk entitlements	46
MRD 05	Annual reporting of major non-residential water users	36
MRD 06	Greenhouse gas and energy reporting	32
MRD 07	Disclosure of information on Letter of Expectations	13-24

Disclosure index **continued****Financial reporting directions**

FRD 11A	Disclosure of ex-gratia expenses	155
FRD 21C	Disclosures of responsible persons and executive officers	155
FRD 21C	Manner of establishment and relevant ministers	7
FRD 22H	Performance reporting	76
FRD 22H	Significant changes or factors affecting performance	73-75
FRD 22H	Subsequent events	151
FRD 27C	Performance against key financial performance indicators	76
FRD 103H	Non-financial physical assets	111
FRD 105B	Borrowing costs	136
FRD 106B	Impairment of assets	141
FRD 109A	Intangible assets	89
FRD 110A	Cash flow statement	91
FRD 112D	Defined benefit superannuation obligations	104
FRD 120N	Accounting and Reporting pronouncements applicable to the 2019-20 reporting period	150-158

**Other requirements under Standing Directions**

SD 5.1.4	Financial Management Compliance Attestation	162
SD 5.2.2	Declaration in Financial Statements	159
SD 5.2.3	Responsible body's declaration	5
SD 3.2.1	Audit and Risk committee membership and roles	62

**Legislation**

<i>Building Act 1993 (Vic)</i>	69
<i>Disability Act 2006 (Vic)</i>	18
<i>Financial Management Act 1994 (Vic)</i>	69
<i>Freedom of Information Act 1982 (Cth)</i>	67
<i>Public Interest Disclosure Act 2012 (formerly Protected Disclosure Act)</i>	68
<i>Water Act 1989 (Vic)</i>	7

## GLOSSARY

A

AWO Annual Water Outlook

B

BAU Business as usual

Biosolids Organic solids and minerals that accumulate as a final product of wastewater treatment processes, and have been stabilised through treatment or long-term storage.

C

Catchment The area drained by a stream, lake or other body of water. Frequently referred to as the area used to feed water into reservoirs, dams, and water courses.

CO<sub>2</sub> equivalent A variety of atmospheric gas compounds, collectively known as greenhouse gases. As each component has a different level of impact on the environment, greenhouse gas emissions are converted to CO<sub>2</sub> equivalents, which is the concentration of carbon dioxide (CO<sub>2</sub>) that would contribute an equivalent degree of impact as the total amount of greenhouse gases emitted.

D

DELWP Department of Environment, Land, Water and Planning

DTF Department of Treasury and Finance

E

EPA Environment Protection Authority

ESC Essential Services Commission

EWOV Energy and Water Ombudsman Victoria

F

FOI Freedom of Information

FRD Financial Reporting Direction – a financial reporting direction issued by the Department of Treasury and Finance, on behalf of the Minister for Finance under the *Financial Management Act 1994* (Vic).

G

GLaWAC Gunaikurnai Land and Waters Corporation

GROW Growing Regional Opportunities for Work program

GWF Gippsland Water Factory

IBAC Independent Broad-based Anti-corruption Commission Victoria

I

ICT Information Communication and Technology

## GLOSSARY

I	IWM	Integrated Water Management Framework – A Victorian government initiative to help government, the water sector, and the community work together to better plan, manage and deliver water in Victoria’s towns and cities.
K	KPI	Key Performance Indicator
	Kilolitres (kL)	1,000 litres
L	LoE	Letter of Expectations – The Victorian Minister for Water’s expectations of water corporations for the 2019-20 business planning year, outlining seven policy areas that the Minister expects water corporations to focus on for performance improvement.
	LTIFR	Lost Time Injury Frequency Rate
M	Megalitres (ML)	1 million litres
	M	Million
	MRD	Ministerial Reporting Direction – a Ministerial reporting direction issued by the Department of Treasury and Finance under the <i>Financial Management Act 1994</i> (Vic).
N	NAIDOC	National Aboriginal and Islanders Day Observance Committee Week – celebrating the history, cultural and achievements of Aboriginal and Torres Strait Islander people.
O	Ocean outfall	A pipeline that carries effluent to the ocean where it is dispersed and diluted. Gippsland Water’s two ocean outfalls are strictly monitored in accordance with EPA licence regulations to ensure water quality.
	OHS	Occupational health and safety
P	Price Submission	Our five-year plan for the period 2018-2023. The plan outlines our customer values, the price we intend to charge our customers for water and wastewater services, the projects we plan to deliver, and the introduction of enhanced guaranteed service levels.
R	Regional Outfall System (ROS)	The ROS pipeline transports approximately 50 per cent of central Gippsland’s wastewater to the Dutson Downs wastewater treatment facility.
S	Saline Wastewater Outfall Pipeline (SWOP)	A Gippsland Water pipeline used to transfer saline wastewater from the Loy Yang Ash Pond to Bass Strait.

# GLOSSARY

S	SDWR	Safe Drinking Water Regulations
	SHE	Safety, Health and Environment
	SORF	Soil and Organic Recycling Facility
	STEM	Science, Technology, Engineering, Maths
V	VIPP	<i>Victorian Industry Participation Policy Act 2003</i> (VIPPA) is an Act administered by the Department of Economic Development, Jobs, Transport and Resources (DEDJTR). <i>Local Jobs First</i> – VIPPA improves opportunities for local suppliers to compete for work on all types of government contracts. This policy is about local industry development.
W	Water for Victoria	The Victorian Government’s plan for a future with less water as Victoria responds to the impact of climate change and a growing population. The actions set out in the plan support a healthy environment, a prosperous economy with growing agricultural production, and thriving communities.
	WGCMA	West Gippsland Catchment Management Authority
	WIOA	Water Industry Operators Association of Australia
	WIOG	Water Industry Operations Group New Zealand



## GENERAL INDEX

A

Annual water consumption	51
Audit and Risk Committee	62
Auditor General's Report (VAGO attestations)	160-161

B

Beneficial reuse of treated wastewater and biosolids	25
Beneficial reuse summary	27
Biodiversity and natural asset management	25
Board Safety, Health and Environment (SHE) Committee	62
<i>Building Act 1993</i> (Vic)	69
Bulk water entitlement reporting	46-48

C

Certificate of Performance Report	81
Climate change	32
Community consultation and engagement	13
Community education	14
Community service obligations	31
Comparative workforce data	21
Competitive Neutrality Policy Victoria	67
Complaints management policy and framework	31
Conflict of interest	68
Consultant services	65
Coongulla to Heyfield interconnect	11
Corporate key performance indicators	69
Corporate water consumption	54

## GENERAL INDEX

D

Director attendance at Board and Committee meetings	64
Disclosure index	163
Disclosure of major contracts	67
Diversity and inclusion data set	20
Drought assistance and water trading	54
Drought preparedness	53
Drouin Wastewater Treatment Plant upgrade	9

E

Employment and development opportunities	19
Energy consumption	35
Environment Protection Authority (EPA) compliance summary	29
Energy and Water Ombudsman Victoria	31
Equal Opportunity	18
Executive Remuneration and Capability Committee	63

F

<i>Financial Management Act 1994</i> (Vic)	69
Financial Management Compliance Attestation	162
Financial performance report	74
<i>Freedom of Information Act 1982</i> (Vic)	67
Freedom of Information (FOI) requests	68
Future initiatives and projects	11-12

G

General index	169-172
General reporting requirements	49
Gippsland Integrated Water Management Forum	16
Glossary	166-168
Government advertising expenditure	67
Greenhouse gas emissions	32

## GENERAL INDEX

11

Disclosure index

I	Inclusion and diversity	19
	Index for Notes to the Financial Report	84
	Information and Communication Technology expenditure	67
K	Key results for the financial year	75
L	Lead with purpose	18
	Local Jobs First	39
	Local Jobs First- Major Projects Skills Guarantee	40
	Local Jobs First Standard Projects	41
M	Major customer consumption	36
	Major customers and their participation in water conservation programs	37
	Message from the Chair and Managing Director	2
	Mirboo North water main replacement	10
N	Non-revenue water summary	52
	Notes to Key Performance Indicators	72
	Notes to the Financial Report	92-158
O	Occupational health and safety management measures	24
	Organisational structure	23
	Our values	6
	Our vision	6
	Overseas travel	69
P	Performance Report	84-162
	Profile of the Board	56-58
	Profile of the Executive Leadership Team	59-61
	<i>Public Interest disclosure Act 2012 (Vic)</i>	68
	<i>Public Administration Act 2004 (Vic)</i>	69

## GENERAL INDEX

R	Re-use water	27
	Residential daily drinking water consumption	51
	Responsible Body's Declaration	5
S	Safety, Health and Environment (SHE) Board committee	62
	Sale Outfall Sewer Pump Station	9
	Social procurement strategy	39
	Social sustainability	31
	Sponsorship	14
	State Environment Protection Policy (Waters of Victoria)	30
	Statement of availability of other information	67
	Statutory Certification	159
	Total groundwater	28
	Total residential bill	74
T	Urban Water Strategy	53
U	VAGO attestation (Auditor General's Report)	160-161
V	Warragul Queen and Alfred Street water main replacement and Victoria Street rider main projects	10
W	Warragul water supply western ring main upgrade	11
	Water main replacement and sewer main relining	10
	Water and Sewerage Performance Indicators	77
	Water quality reporting	28
	West Gippsland Regional Catchment Strategy	30
Y	West Gippsland Waterway Strategy	30
	Year in review	73

# APPENDIX

11

Disclosure index

## DISCLOSURE OF INFORMATION ON LETTER OF EXPECTATIONS

Strategy	PAGE
<u>Inclusion and Diversity Framework</u>	19
All strategies can be viewed on our website at <a href="https://www.gippswater.com.au/annual-reports">https://www.gippswater.com.au/annual-reports</a> .	

**Additional copies**

This annual report is available for viewing or download from our website at <https://www.gippswater.com.au>.

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