




Gippsland
Water

Annual report 2020-21



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

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Message from the Chair and Managing Director

We are pleased to present Gippsland Water's 2020-21 Annual Report.

Our customers are at the heart of everything we do. The water and wastewater services we provide to them are essential, and it is also imperative that we engage with them to inform our work today, and our planning for the future.

Customer engagement has been a main focus for the 2020-21 year and as we begin the work on our 2023-28 Price Submission and 2022 Urban Water Strategy. Both documents set out our strategic plans and priorities for the immediate and long-term future and both are driven by customer expectations, priorities, issues and concerns.

To inform these plans, we spoke with customers through a combination of in person and online activities. We also heard our customers' feedback in our annual Customer Satisfaction Survey in October. We're pleased to say we received our best ever results. This year we achieved improvements across all four of the main areas we measure: trust, value for money, overall satisfaction and our reputation. Ultimately this is a reflection of our efforts over the past few years to improve our customer service and involve them in what we do.

Over the last twelve months, we've worked hard to find savings across our business. By tightening internal costs wherever we could and responding to stronger than predicted connections growth, we turned a forecast loss into a positive financial position by the end of the financial year.

Supporting our customers in financial difficulty, including those affected by the coronavirus (COVID-19) pandemic, remained a key area of focus this last year. Due to early engagement, we have seen a reduction in the number of customers in our hardship program, compared to last year.


We continued to work with all levels of government and the private sector in responding to the population boom experienced right across our region, and particularly in the west. Our contribution towards the development of the Central and Gippsland Sustainable Water Strategy and early planning work undertaken on the development of our next Urban Water Strategy in particular, will potentially have long-lasting and significant benefits for both current and future generations.

The \$55.1 million Drouin wastewater treatment plant upgrade is well-advanced with construction progressing as planned and due to be completed in 2022-23. This upgrade will allow us to meet the demand of the town's increasing population until at least the early 2030s.

Meanwhile, in the east of our region, we've almost completed work on a major new sewer pump station in Sale, which will cater for the growth of Sale, Wurruk and Fulham and service the area in line with the local council's long-term planning.

We worked with the community to take the next steps towards improving water security for Briagolong in the east of our region. In February we began drilling an exploratory bore at our Briagolong water treatment plant to investigate whether accessing a deeper bore targeting a lower aquifer could provide the town with a more reliable water source. Early results look promising and we expect to have enough information to make a decision in the coming months.

Our customers have also benefitted from the completion of a significant project, with the new Moe-Warragul interconnect pipeline allowing us to transfer water between two independent systems.



We also made progress on a project to improve Coongulla and Glenmaggie residents' water reliability. In June, we awarded the contract to the successful tenderer, who will soon begin construction on our Coongulla-Heyfield interconnect pipeline. Coongulla and Glenmaggie are currently supplied by Lake Glenmaggie. This project will connect customers to the more reliable Heyfield system, sourced from the Thomson River.

Of course, we couldn't achieve any of this without the hard work of our employees. We know the importance of an engaged workforce, which is why we were pleased to see our employee engagement score was a moderate 61 per cent. We improved our already strong safety culture, demonstrated by sustaining our good safety result in our most recent safety culture survey, maintaining a COVIDSafe workplace and achieving the excellent result of zero lost-time injuries recorded.

We know that a huge part of maintaining an engaged workforce is by ensuring our organisation is an inclusive place to work for all people. This year we updated and strengthened our Diversity and Inclusion Plan, which sets out actions, which are underway and will continue in the coming year, focused on three key areas; reflecting our community, gender equity, and Aboriginal participation. To help us get there is our recently formed Diversity and Inclusion Committee.

This year we worked closely with our Traditional Owner partners - the Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC) and Bunurong Land Council Aboriginal Corporation - and Victorian Government to explore future water resource sharing opportunities for our region, and we'll continue this work next year. We completed three cultural heritage management plans for several of our key infrastructure projects to ensure cultural heritage is not damaged by our activities; and partnered to support an Aboriginal Water Officer to work with us to develop a deeper understanding of how we can incorporate Aboriginal values in our water planning and management. More broadly, our partnership with GLaWAC has continued to develop and with an ongoing focus on the recognition of Aboriginal cultural values and economic inclusion in water management.

As part of our role as environmental steward for the land we work in, we made progress on several projects to protect biodiversity at our sites. We also planted more than 100,000 additional plants as part of our carbon offset project, and further reduced our overall carbon emissions by installing 200kWp solar arrays at our Traralgon water treatment plant and our Moe wastewater treatment plant. Now, six of our largest sites are powered by solar.

We're on track to meet our target of reducing our carbon emissions by 24 per cent by 2025, as part of our commitment to the Victorian Government's target of net zero emissions by 2050, and we're slightly ahead of schedule.

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. We look forward to working with you as 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 2021.

A handwritten signature in black ink, appearing to be 'Therese Ryan', with a stylized, looped design.

Therese Ryan
Board Chair

Dated 27 August 2021

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 Victorian water corporation established under the *Water Act 1989* (Vic) and constituted on 21 December 1994. The responsible Minister for the period from 1 July 2020 to 30 June 2021 was the Hon Lisa Neville MP, Minister for Water. The Hon Richard Wynne acted as the Minister for Water from 15 February 2021 to 30 June 2021.

With 313 operational, engineering, financial, environmental and administrative employees, we are a major local employer for the region serving an estimated population base of 157,200.

We deliver water to 73,641 households and businesses and wastewater services to 66,195 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 and 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, including an agricultural business and an organic waste management facility. These businesses are an integral part of what we do and they provide benefits to us, our customers, the region and the state.

Our agribusiness operations help us to effectively manage and reuse treated wastewater and by-products. Our Gippsland Regional 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 Gippsland Regional Organics. Primarily founded to process our internal waste streams and offset the costs of disposal, the facility transforms approximately 180,000 tonnes of waste each year into valuable, nutrient rich composts that are then used by farms and other horticultural and industrial enterprises right across Victoria.

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. They are informed by engagement with our staff and Board as well as community input received through our ongoing engagement program, and are focused on delivering our obligations as set out by the Victorian Government.

This past year we worked toward the strategic priorities for 2020-25, which 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.



Enabling our people

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



Customer focused

We will learn from our customers and deliver on our promises.



Business sustainability

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



Clever thinking

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



Strengthening relationships

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

Part 1: Key initiatives and projects

Our annual capital expenditure program reflects the commitments we made in our 2018-23 Price Submission and assists us to deliver on our customer promises.

In 2020-21, we saw significant growth in residential land development activities and we subsequently invested in shared assets (large water and sewer infrastructure) to support this development. The investment was larger than we originally expected during a year affected by a pandemic, but the migration of Melbourne residents to regional areas saw us process a significantly higher number of new connections (1,633 wastewater connections and 1,665 water connections) than we budgeted for in our Price Submission (annual budget of new connections is 864 for both water and wastewater connections). These investments continue to support our regional residential growth.

Projects are determined based on customer priorities, alignment with the Victorian Government's Water for Victoria plan, asset condition reviews, regional development priorities, opportunities to reduce operational costs or gain revenue streams, and risk assessments. Major capital projects are also prioritised based on their ability to provide increased efficiency to our network and operations, and deliver value to our customers.

Drouin wastewater treatment plant upgrade \$55.1 million	<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 Drouin wastewater treatment plant upgrade involves a significant investment of \$55.1 million to enable continued growth in the region.</p> <p>The upgrade includes a new treatment plant that has been 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>Initial construction started in 2019, with the main construction contract underway since January 2020. Construction is progressing well and the project is on track both in terms of budget and timing, and should be completed during 2021-22 with the plant to become fully operational in 2022-23. Some optimisation works will be completed in 2023-24.</p>
Water main replacements and sewer main relining \$2.2 million	<p>We replaced more than 3.3km of reticulated water mains of varying pipe sizes across our service area, providing more than 220 customers with connections to new sections of pipe.</p> <p>An additional 109 sections of sewer main, translating to around 6.1km of pipe, have been relined throughout our region. As a result, more than 300 of our customers have had their connections renewed.</p> <p>The combined total spend for the renewal program was \$2.2 million.</p>

<p>Warragul treated water pump station</p> <p>\$3.2 million</p>	<p>The Warragul water treatment plant supplies water to more than 14,000 connections in Warragul, Drouin, Rokeby, Buln Buln and surrounds.</p> <p>Construction of the new treated water pump station was completed and commissioned in 2020-21 and will ensure security of supply to these growing communities to 2040.</p> <p>This project included the supply and installation of about 130 metres of above and below ground pipework along with three large pumps to supply water to Warragul and Drouin townships as well as two smaller pumps to supply water to Buln Buln and Rokeby.</p> <p>After these works were completed, the ageing and now redundant Tyssen Street treated water pump station and the Buln Buln booster pump station were able to be decommissioned.</p>
<p>Sale outfall sewer pump station</p> <p>\$13.5 million</p>	<p>Construction has been completed on the new outfall sewer pump station in Foster Street, Sale.</p> <p>The \$13.5 million project will cater for the growth in local towns including Sale, Wurruk and Fulham. The new sewer pump station will provide more capacity to cope with peak flows during wet weather events, and reduce the likelihood of odour.</p> <p>The design includes a facade and landscaping that complements the adjacent tourist and recreational precinct of the Port of Sale.</p> <p>It is expected to be in full operation in July and we'll then demolish the old sewer pump station.</p>
<p>Sale and Morwell basin liner and cover replacements</p> <p>\$1.8 million</p>	<p>The Sale number one basin is a 12.5ML storage within the Sale water supply system and is supplied directly from the Sale water treatment plant. It supplies water to major customers and almost 8000 residential customers in the Sale and Wurruk area.</p> <p>The Buckley's Hill basin is a 21.3ML storage within the Morwell water supply system and is supplied directly from the Morwell water treatment plant. It supplies water to Morwell, Churchill, Yinnar, and Boolarra and surrounds with almost 10,000 connections.</p> <p>A \$1.8 million combined project was completed in November 2020, prior to the summer peak period, to replace the basin liner and cover on these storage facilities.</p>

Future initiatives and projects

Heyfield to Coongulla interconnect	<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.</p> <p>Treating water from the lake can have its challenges as it has been impacted by low lake levels, poor water quality and bushfires upstream. Water has had to be trucked into the town from Heyfield several times for extended periods, the latest being in the 2019-20 summer and autumn period.</p> <p>To provide Coongulla and Glenmaggie residents with greater water security, we are constructing a pipeline that will connect the townships to Heyfield's more reliable water supply, which is sourced from the Thomson River.</p> <p>Tenders have closed for the construction of the pipeline to Heyfield with the contract expected to be awarded in July with construction expected to be complete in 2022-23.</p>
Moe new treated water basin	<p>This year we completed planning for the construction of a new clear water storage basin at the Moe water treatment plant.</p> <p>The project will support growth and development in the future and ensure our ability to service the west of our region through the Moe-Warragul interconnect.</p> <p>Part of our work to date has included an assessment of the storage volume requirements for the Moe and Newborough water supply system, identifying the need to augment the system.</p> <p>The water treatment plant has only one clear water storage basin with a volume of 22ML, whereas many of our other large water treatment plants have at least two clear water storage basins within their supply system. Having two basins allows for greater operational flexibility and the ability to take one offline for maintenance and still have storage available.</p> <p>We have completed the detailed design for an additional 25ML storage basin, with construction to begin in 2021-22.</p>

Gippsland Water Factory solar project	<p>This year we completed the planning stage of a project to install a photovoltaic solar array at the Gippsland Water Factory.</p> <p>Our pledge to reduce our carbon emissions by 24 per cent by 2025 requires us to achieve a renewable generation target of 4700 tonnes of CO₂ equivalent per year (t CO₂-ey-1). This project contributes about 2100 tCO₂ey-1 to the overall pledge target.</p> <p>We've undertaken site assessments and statutory approvals for a ground mounted single axis tracking photovoltaic solar array. The construction of the total system will be completed in 2021-22, which includes complex reconfiguration and commissioning of the electrical system.</p>
Regional Outfall System renewal program	<p>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 our most important assets, with the capacity to transfer 35ML of treated wastewater from the Gippsland Water Factory daily.</p> <p>The ROS renewal program was created after assessments of the system. It sets out how we will replace high-risk sections of the pipeline, allowing the ROS to continue to meet requirements and operate long term.</p> <p>Stage one of the program was completed this year, and involved replacing a 300m long section of the ROS near Marshalls Road, Traralgon next to a public park.</p> <p>Stage two will replace 590m of pipeline from Tyers Road to the Wirilda Crescent and Cross's Road intersection in Traralgon.</p> <p>We're now undertaking the conceptual design of stage two, with construction expected to commence in 2022-23.</p>
Warragul water supply western ring main upgrade	<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.</p> <p>Due to high growth in Drouin and the western part of Warragul, planning has been completed to construct a new western ring water main around Warragul.</p> <p>The new main will service the growing demand in both Warragul and Drouin and provide an alternative supply to service both towns. This year, we completed the detailed design and associated environmental assessments for the main. The project is expected to be completed in 2022-23.</p>

Warragul wastewater treatment plant upgrade	<p>The population of Warragul 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 strategy is to invest in upgrades at the site of the current plant.</p> <p>As part of planning for our 2023-28 Price Submission this year, we have been assessing options to grow the capacity of the current plant to cater for the future. Several options are currently under investigation including, if viable, an upgrade to the existing bioreactors, which would increase the treatment capability and delay significant capital expenditure.</p> <p>We are committed to engaging with our customers on this strategic project to achieve the right solution.</p> <p>Along with capacity expansion in the medium term, we are also investigating the long-term investment requirements.</p>
Warragul north-east sewer augmentation	<p>The Warragul north-east sewer was installed in 1971 and services the north and east of Warragul.</p> <p>This project will involve replacing the main with a larger pipeline to allow the system to have sufficient hydraulic capacity to support the future growth expected in the north and east of Warragul.</p> <p>This year we established the alignment and commenced functional design for the pipeline. This will allow for easement acquisitions and statutory approvals to commence shortly.</p> <p>The construction of the replaced sewer main is now scheduled to occur in the 2023-28 Price Submission period, after recent hydraulic modelling identified that there is capacity to extend the existing main's useful life by three to five years before upgrading. This has allowed for reallocation of capital funds to higher priority projects for inclusion in this 2018-23 Price Submission period, such as the Moe new treated water storage basin.</p>

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 38) for details.

Customer and community outcomes

Community consultation and engagement

Over the last 12 months, we've embarked on the most comprehensive and sophisticated engagement program we've ever seen, setting the tone for our approach to community engagement going forward.

The primary focus of this work has been to develop a richer understanding of our customer, community and stakeholder expectations, priorities, issues and concerns, to help shape the development of our 2023-28 Price Submission and Urban Water Strategy.

We spoke face-to-face with more than 200 customers across 19 towns (46 per cent of our service area) at community events, coffee shops and shopping centres, conducting in-depth interviews to find out what's important to them.


At the same time, we significantly increased our online engagement activity, with detailed customer insights gathered through online surveys and social media, both supported by our purpose-built website engagement hub *Let's talk* and complementary communication campaigns.

One of these was a new monthly opt-in community e-newsletter, containing useful tips and information, project and works updates and regular opportunities to engage with us and provide feedback. Another was our new regular customer bill insert newsletter, which is now sent with every customer invoice. It aims to provide customer-specific updates and tips, like ways to save water and concession entitlements, as well as being an alternative way of engaging with us on current issues and future plans.

We launched a customer and community webinar series, where people can learn more about what we do, how we go about it and how they can help us plan for the future. Three webinars were broadcast during the year with topics including how customer tariff revenue is used, our water outlook and our environmental management work.

We redeveloped our website content, making it the main source of all information and a central point for all other communication channels to anchor back to. High-interest content was reviewed and reshaped to provide more relevant, up-to-date information based on customer feedback and insights.

Our social media audience also grew to 4,467 followers on Facebook, 1,068 on Instagram, 3,661 on LinkedIn and 1,972 on Twitter. Our Facebook page's role as an important communications channel in an emergency was once again highlighted when, after the huge rainfall event in June,



we used social media to update customers on emerging issues. It was no surprise that one of these posts, which asked customers to consider putting off non-essential water use, was our most viewed post, reaching 63,119 people and receiving 5,999 engagements.

In May, we began recruiting for our new Customer Reference Group. Made up of diverse members from our community, each member of the group will contribute their insight and experience and help to ensure that our future plans reflect customer expectations.

Sponsorship

We're committed to spending at least \$30,000 each year towards projects that support the wellbeing of Gippslanders.

Through our annual community support sponsorship program, we helped 10 community groups bring their water, environment and wellbeing-related projects to life. These included rainwater tanks installations, supporting two community garden projects, and donating drinking fountains to be installed at five locations across our service area.

We supported Stockdale Road Primary and Neerim South Primary schools, and sporting clubs including Traralgon City Soccer Club, Drouin Dragons Soccer Club and Stratford Cricket Club.

Community organisations and initiatives such as Girl Guides Victoria, the Gippsland Plains Rail Trail and the Eastern Park Community Garden in Warragul also benefitted from this program.

We continued to provide in-kind support to local charity, the Gippsland Emergency Relief Fund, by way of media and communications assistance. This included supporting the group's fundraising efforts, developing and distributing media releases, coordinating media interviews and managing its social media accounts.

Community education


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

Face-to-face educational visits and site tours were put on hold in March 2020 and remained so for the bulk of the financial year. During this time we supported teachers and students by developing digital content including downloadable teaching resources, videos and virtual learning experiences.

We worked in partnership with Department of Environment, Land, Water and Planning (DELWP) and 16 other water corporations around the state to develop the inaugural National Water Week Online Learning Festival. More than 4,000 participants from around Victoria enjoyed access to a range of educational content including webinars, a pre-recorded theatrical performance, story time videos, science experiments, downloadable resources and yoga and mindfulness videos.

Our National Water Week poster competition was held from July to September 2020, with students from schools across our service area taking part. A new online entry process was developed to facilitate entries during the period of remote schooling.

Our face-to-face educational sessions for kindergartens and schools recommenced in April 2021



with a COVIDSafe plan in place. Face-to-face sessions were again placed on hold at the end of May 2021. A virtual session was held with Year 12 Environmental Science students in June. A total of 408 people from four schools participated in our program.

Sessions continued to focus on topics including the natural and urban water cycle, water and wastewater treatment, water efficient behaviours and water for health, all with a strong emphasis on the broader theme of sustainability. Feedback from teachers is that they are pleased to have us back in their classrooms sharing relevant, age appropriate messages that support learning.

While site tours remained closed to the public over the course of the year due to coronavirus (COVID-19) restrictions, we developed a prototype virtual tour of the Gippsland Water Factory for a local primary school. This approach will continue to be developed and enhanced in the year ahead. From late March, small groups of senior secondary, tertiary students and industry members visited our sites, resulting in a total of 45 participants attending our sites for the year.

Other education activities included continuing to work with schools to support their ongoing commitment to improving water efficiency, with 35 schools in our region actively involved in the Schools Water Efficiency Program; and forging closer partnerships with our regional education partners.

These include the Baw Baw Latrobe Local Learning and Employment Network, who we are working with on our STEM Sisters program; and the Gippsland Tech School. We are working with the 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 performance report for the year ended 30 June 2021' (page 92) for details.

Water for Aboriginal cultural, spiritual and economic values

Water for Traditional Owners

Traditional Owners' connection to water is a key part of Water for Victoria – the Victorian Government's long-term strategy for managing the state's water resources.

We're working closely with Traditional Owners and the Victorian Government to explore significant options for supporting Aboriginal use and access to water, both through our own planning activities and as a stakeholder in the development of the Central and Gippsland Sustainable Water Strategy, and we will continue this important collaborative work into the new year.

We've recently commenced comprehensive engagement programs for our next Price Submission and Urban Water Strategy and we are working with Traditional Owner groups to not only ensure their aspirations and priorities are carefully considered, but involving them in the design of our engagement approaches.



Aboriginal Engagement Plan: Pathway to Partnership

This year our Board endorsed our Aboriginal Engagement Plan: Pathway to Partnership 2020 – 2022, which has two key objectives:

1. We will establish and maintain sustainable, trusted and mutually beneficial relationships with Traditional Owners and Aboriginal communities in our operational area.
2. Through these relationships, we will raise cultural awareness in our organisation, the region, support Traditional Owners to reconnect with the cultural values associated with water and deliver improved employment and economic benefits to both Aboriginal communities and the Gippsland region.

This plan establishes the framework of how we will deliver meaningful outcomes for Gippsland Traditional Owners and our local Aboriginal communities.

Working with Traditional Owners to care for Country

We have continued to work with Gunaikurnai Land and Water Aboriginal Corporation (GLaWAC) and Bunurong Land Council Aboriginal Corporation to incorporate Aboriginal values into our planning and delivery of services. Some key milestones achieved this year have been:

- We completed three cultural heritage management plans for key infrastructure projects, to ensure cultural heritage is not damaged by our activities.
- We undertook carbon offset plantings in partnership with GLaWAC.
- Together with GLaWAC, we co-presented to the Gippsland Integrated Water Management Forum on how to effectively build partnerships and collaborate across agencies to deliver outcomes aligned with Traditional Owner values.
- We partnered with GLaWAC to support an Aboriginal Water Officer to work with us to develop a deeper understanding of how we can incorporate Aboriginal values in our water planning and management. The outcomes and learnings from this work is being integrated into our long-term planning in our Urban Water Strategy and upcoming 2023-28 Price Submission, where Traditional Owners are engaged continually from the early stages of these key projects.
- We participated in the process of developing the Central and Gippsland Region Sustainable Water Strategy. This is the first sustainable water strategy to formally include Traditional Owners as a member of the consultative committee, alongside representatives of the water sector and DELWP. It has been a privilege to have the opportunity to listen and learn from the Traditional Owner partnership about how our organisation can contribute to reinstating water justice to our First Nations people.



Cultural awareness training

We are committed to working with our local Traditional Owners to deliver cultural awareness training for our people, to ensure local values and aspirations are shared. Due to the coronavirus (COVID-19) constraints this year, delivery of the three-tier cultural awareness training program by GLaWAC was not possible, as the delivery of the program is largely on Country, in groups.

This program will resume when conditions are safe again.

We took advantage of online options to continue engaging our people on the significance of Traditional Owners, using podcasts to build an understanding of the range of work undertaken. One was focused on how we are building relationships with Traditional Owners and the second, produced for NAIDOC Week, was about why collaboration and trust are important to preserve cultural values while providing our community with water and wastewater services.

Resilient and liveable cities and towns

Gippsland Integrated Water Management Forum

Integrated Water Management (IWM) is a whole-of-water cycle approach to managing water across multiple Victorian government agencies to ensure the best community liveability outcomes.

Multiple Victorian government agencies manage water in various settings. Urban water corporations deliver water supply and wastewater services to cities and towns. Rural water corporations manage agricultural water. Traditional Owners are having an increasing role in the management of water to care for Country. Local councils manage stormwater and urban parklands. Catchment management authorities have a statutory role in looking after waterways.

The Victorian Government recognised the need for a collaborative approach between all of these stakeholders to realise the benefits of IWM. Through the Water for Victoria plan, the Victorian Government established regional IWM forums to bring these groups together at an executive management level, to identify and implement water related beneficial outcomes for communities.

The Gippsland IWM Forum has continued to work together on a range of initiatives in our region, including:

- Completing IWM municipal plans for four out of five councils in the region
- Progressing the Warragul Western Park Stormwater Reuse Scheme
- Completing a revegetation project at Willow Grove to better protect Blue Rock Lake from stormwater runoff pollution
- Completing the Water and Wastewater Availability in Central Gippsland publication outlining the region's water resource and infrastructure strengths to promote prosperity and wellbeing



Payment management and hardship program

We aim to make receiving assistance from us as simple as possible. Our Customer Care team proactively reaches out to customers who are experiencing financial difficulties. This is an opportunity for us to let customers know the options that are available to assist them.

For our customers who prefer to interact with us via our website, enhanced online services functionality provides an easy and convenient way to register concession entitlements, access payment options and additional assistance.

Some of the ways our Customer Care team help customers experiencing financial difficulties include:

- Making proactive customer engagement calls
- Establishing affordable payment arrangements
- Coordinating our payment incentive program
- Assisting customers in exceptional circumstances
- Assisting with applications for Government-funded assistance
- Proactively notifying of increased water use, identifying potential leaks
- Processing leak allowance applications

Through these proactive initiatives and engaging early with customers we can let them know what assistance is available and tailor a solution to meet their needs. Customers requiring ongoing support are encouraged to join our hardship program, which has been developed to assist customers who are experiencing financial difficulties. Our trained staff engage with customers to develop a tailored plan that best suits customers' individual circumstances, enabling them to take back control of their bill. Due to early engagement, we have seen a reduction in the number of customers in our hardship program, compared to last year.

To assist our customers with the impact of the coronavirus (COVID-19) pandemic, we extended the eligibility for our hardship program to include businesses. As at 30 June 2021, we continue to provide support to 171 customers within our hardship program as a direct result of the impacts of the coronavirus (COVID-19) pandemic.

In addition, we have continued to help our customers apply for assistance through the Department of Families, Fairness and Housing's Utility Relief Grant program. This year, 508 applications and \$216,394.16 of funding was approved to help customers pay their water bills.

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 2021	30 June 2020
Customers on payment plan (excluding hardship)	7,399	7,404
Hardship program customers on payment plans	885	980
Total payment plans	8,284	8,384
Percentage of customers on payment plans	11.3	11.7
Hardship program customers	1,437	1,629
Percentage of hardship customers on payment plans	62	60

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 2020-21, we supported 151 customers through this scheme.

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

Community Rebate Program

In previous years we have also supported customers with the Victorian Government's Community Rebate Program, through which eligible customers can receive up to \$750 worth of plumbing works for free.

Visits under the program paused in March 2020 due to the coronavirus (COVID-19) pandemic and have not resumed yet. However, we expect the program to resume in the near future.

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 Water Advice and Intelligent Water Networks (water efficiency) initiatives.

Throughout the year, particularly during summer, we created and shared social media content that supports the Victorian Government's Target Your Water Use campaign. These messages included water saving tips adapted from Smart Approved WaterMark advice; promotion of the Permanent Water Saving Rules; and promotion of online tools, such as a household water use calculator.

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) and WSAA Educator Managers.



Our water bills

Please see our 'Year in review' (page 84).

Recognising recreational values

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

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

In addition to providing picnic facilities at Moondarra Reservoir, we worked with the Friends of Tyers Park who maintain the Wirilda Walking Track on our land and Parks Victoria land along the Tyers River and the spillway.

We've updated our website with more information on our recreational facilities to help community members plan their visits.

We also collaborated with other organisations and agencies to explore and progress opportunities to support recreational activities. These include:

- Taking part in the DELWP/VicWater Recreational Access Project
- Contributing to the Tarago Reservoir review
- Taking part in the Recreational Values Sustainable Water Strategy
- Working with Heyfield Wetlands Committee, West Gippsland Catchment Management Authority, Southern Rural Water and the Victorian Environmental Water Holder to support the periodic delivery of environmental water to the Heyfield Wetlands
- Collaborating with Southern Rural Water, Tanjil Landcare Group, West Gippsland Catchment Management Authority, graziers and Baw Baw Shire Council to protect water quality in Blue Rock Lake from stormwater runoff pollutants

We enable access to many of our sites for passive recreational activities. 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 are continuing to look more broadly at how we can offer recreational enjoyment of our sites and, to review our assets for opportunities for providing recreational benefits. Our ongoing engagement with local communities aims to develop a deeper understanding of the shared benefits of water, including recreational benefits, in planning and decision-making.



Leadership and culture

Employee engagement survey results

Our fourth employee engagement survey was conducted by Kincentric (previously Aon Hewitt) in November 2020.

Employee participation was excellent, with 89 per cent of our people completing the survey. We returned an employee engagement score of 61 per cent, placing us in the moderate zone of employer engagement.

While our engagement score had decreased by eight percentage points from our previous survey completed in 2018, Kincentric provided contextual information about the broader impact of the 2020 year and noted this has played a significant contribution towards the decline in employee engagement across the board.

Our results reflected that our people continue to enjoy what they do and felt actively supported during the coronavirus (COVID-19) pandemic. Our commitment to diversity and inclusion was reflected strongly, with employees reporting they feel our work environment is accepting of different backgrounds and ways of thinking, and that we value diversity.

The feedback from the survey provided us with a clear map of our current state, and we are now implementing actions to amplify what's great about our current employee experience, and working to change areas identified as needing improvement.

Lead with purpose

Our success and ability to meet the needs of our community and customers is inextricably linked to the role of our strategy and the capability of our people. Effective leadership is paramount to supporting and enabling our people to thrive. Our purpose-built leadership programs and our targeted organisational development activities allow our current and emerging leaders to develop and extend their capabilities.

Our second Aspiring and Adaptive leadership program commenced in early 2021. The program is designed to equip the 29 participants with the skills to lead through times of change and to improve our overall employee experience.

The participants have started working intensively in the leadership development space, including working collaboratively on value-adding projects.

In response to coronavirus (COVID-19) and the new challenges faced during this period, we also provided our leaders with specific development to best support our people, with a particular focus on mental health; building resilience, at both an individual and team level; and support for adapting to our new hybrid way of working.



Graduate development program

Our first graduate development program successfully concluded in late 2020, with two graduates transitioning into ongoing roles, adding to our engineering and scientific talent streams.

To continue to assist in bridging the engineering recruitment gap, we launched our second graduate program with two new graduates formally commencing in an 18-month program in late January 2021.

The program includes mentorship and learning and development support as they each rotate through three six-month-long engaging and diverse business programs. 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), the *Gender Equality Act 2020* (Vic) and the *Charter of Human Rights and Responsibilities Act 2006* (Vic).

Our people are provided with information and training in relation to discrimination, bullying, harassment and violence as part of their new employee induction, with all employees also completing biennial equal opportunity training.

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 training, 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 program, water and wastewater traineeships, and hosting of plumbing apprentices.

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, with four of our people having volunteered as ambassadors to promote STEM-related careers.

We have also established a relationship with the Gippsland Tech School and are working together to find new ways of delivering water-related learning opportunities to young people.

Due to coronavirus (COVID-19) restrictions in 2020-21, we were unable to provide the work experience and employment opportunities we usually offer through partnering with local high schools and local community groups, but we plan to resume as soon as it's safe to do so.



Inclusion and diversity

We are committed to building a diverse and inclusive organisation, where our people feel safe to bring their full and authentic self to work. Our employee engagement survey results consistently support our commitment, with our employees reporting they feel our work environment is accepting of different backgrounds and ways of thinking, and that we value diversity.

To enable us to make some real, sustainable and accelerated change with the resources we have available, our current Diversity and Inclusion Plan focuses on three key areas; reflecting our community, gender equity, and Aboriginal participation.

Our plan co-exists with other complementary initiatives, including our health and wellbeing programs, gender equity review, flexible work options, Executive Leadership for Women in Water projects, and our Aboriginal engagement strategy.

Further inclusion and diversity initiatives and highlights include:

- Our Diversity and Inclusion committee was established. It's an avenue for employees to identify and drive initiatives from our Diversity and Inclusion Plan.
- 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, Mental Health First Aid training and 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 former Chief Financial Officer's graduation from the Department of Environment, Land, Water and Planning inaugural Women in Water program.
- Our Managing Director being named in the top 50 Public Sector Women (Victoria) 2020, awarded by the Institute of Public Administration Association.

You can view our Inclusion and Diversity Framework in the Appendix or visit www.gippswater.com.au/annual-reports

The following table outlines the targets and progress to date.

Diversity and inclusion data set	% Target	% Actual progress 2020-21	% Actual progress 2019-20	% Actual progress 2018-19	% Actual progress 2017-18
Women in senior leadership – (Managing Director and general managers)	40	25	38	25	13
Women in senior leadership – (Board, Managing Director and general managers)	40	38	44	38	31
Identified disability	5.80	3	3	3	3
ATSI	1.30	3	3	3	1
Language Other Than English (LOTE)	9.70	10	10	10	6.14
Caring responsibilities	35	62.28	62.28	62.28	62.28
LGBTI	7	3	3	3	2.61
Workforce flexibility	25	21	22.40	18.95	16.78

Comparative workforce data

Gender	30 June 2021							
	All employees		Ongoing			Fixed term and casual		
	Number (Headcount)	FTE	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE	
Women	103	85.31	58	33	77.52	12	7.79	
Men	210	205	180	0	180	30	25	
Self-described	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Prefer not to say	0	0	0	0	0	0	0	

^FTE (full time equivalent) is inclusive of casual hours worked in the last full pay period in June.

Note: Comparative workforce data for the self-described category has not been collected for 2020-21, but will be available in the 2021-22 reporting period for employees to disclose in accordance with the *Gender Equality Act 2020*.

	2020-21	2019-20	2018-19	2017-18
Executive employees (including Managing Director)	8	8	8	8
Women	2	3	2	1
% Women	25	38	25	13
Men	6	5	6	7
% Men	75	62	75	87
Senior managers	17	17	16	14
Women	3	2	2	3
% Women	18	12	13	21
Men	14	15	14	11
% Men	82	88	87	79

Comparative workforce data **continued**

	2020-21	2019-20	2018-19	2017-18
Full time	238	252	252	240
Part time	33	31	30	31
Casual/fixed term	42	23	24	15
Total employees	313	306	306	286
FTE [^]	290.31	286.38	283.38	258.66
Executive	5	3	3	2
Assets	38	38	39	33
Commercial Business	43	27	25	27
Finance and Governance	25	28	26	25
People and Customer	38	11	11	9
Customer and Community*		52	56	51
Business Transformation	42	29	28	26
Operations	121	118	118	113
Total employees	313	306	306	286
Women	103	102	105	97
% Women	33	33	34	34
Men	210	204	201	189
% Men	67	67	66	66

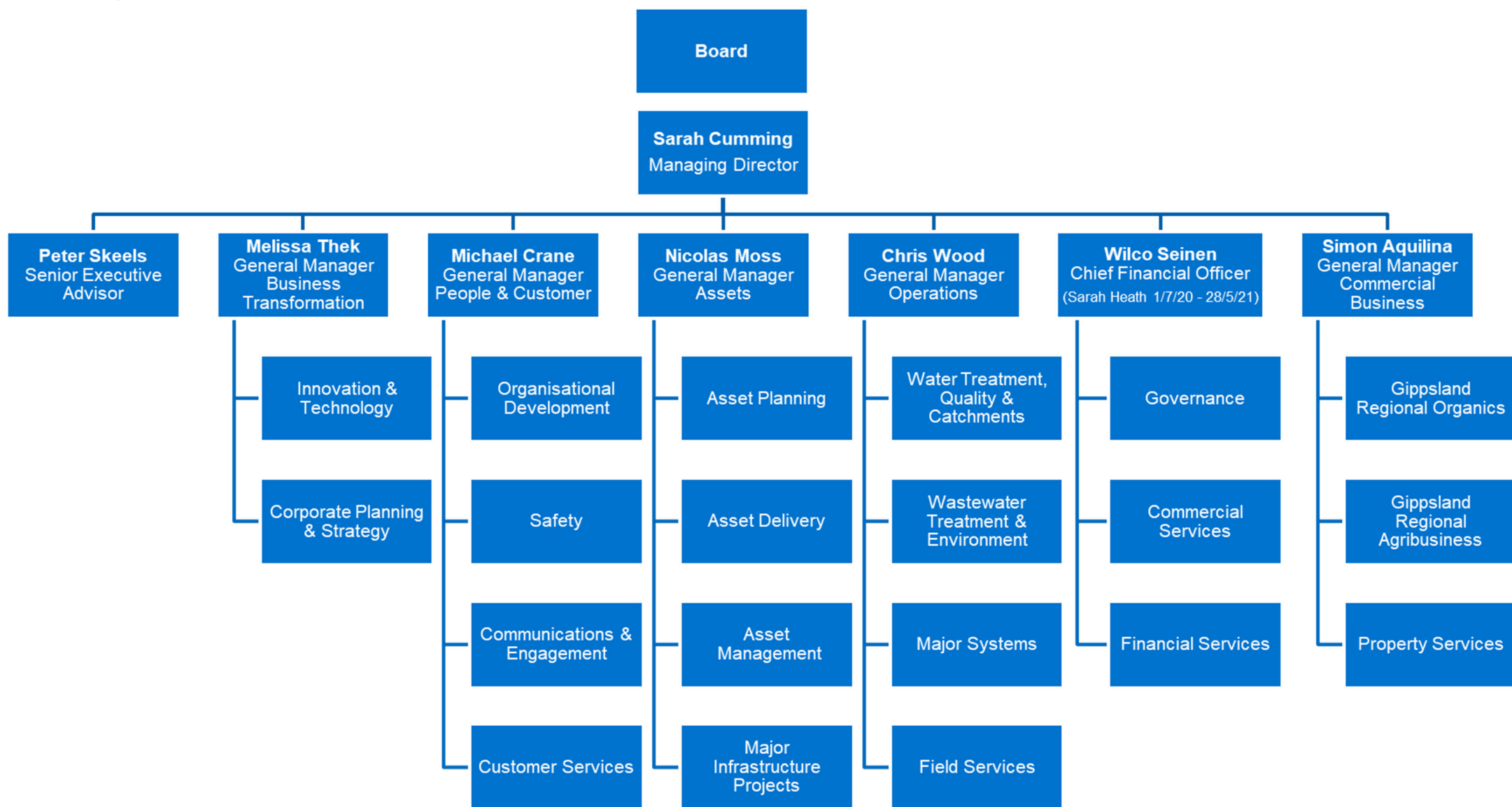
[^]FTE (full time equivalent) is inclusive of casual hours worked in the last full pay period in June.

Notes:

*Organisational structure changed in 2020 when Customer and Community was dispersed and its people absorbed into other departments.

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

Organisational structure as at 30 June 2021





Health and safety

In a year like no other, we continued our efforts to further improve and build upon our strong safety culture.

Of note in particular was that we reached a rolling lost time injury frequency rate of 0.0 in June, meaning none of our people had taken a full shift off work due to an injury at work over the previous 12 months.

Our safety culture survey demonstrated a slight improvement in our safety culture index, remaining at 'sustainable' when measured in March 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
- Leading audits and inspections of both our own and our contractor's works
- Each department conducting a detailed review of its safety risks and presented its top five safety risks to our Board during the year

Despite the challenges presented by alternative working arrangements during coronavirus (COVID-19) restrictions, our people continued to proactively report near-misses and hazards. This was the result of ongoing education and awareness activities presented in a variety of online ways, as part of our safety strategy, combined with a focus on making sure we followed through on any follow-up actions. 77 per cent of reports made were proactive (hazard identification, report only and near miss).

We 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. We continue working on systems to capture contractor statistics in our reporting so that we have the full picture of safety in our enterprise.

Occupational Health and Safety management measures

Measure	KPI	2020-21	2019-20	2018-19	2017-18	2016-17
Incidents	No. of safety reports (excl. contractors)	623	693	704	575	465
	No. of safety reports (incl. contractors)	690	777	767	647	515
	Rate per 100 FTE (excl. contractors)	214.6	242	240	204	182
Claims	No. of standard claims	3	6	5	4	4
	FTE	290.31	286.38	283.38	258.66	255.97
	Rate per 100 FTE	1.03	2.10	1.76	1.55	1.56
	No. of lost time claims	1	5	3	3	4
	Rate per 100 FTE	0.34	1.75	1.06	1.16	1.56
	No. of claims exceeding 13 weeks	1	1	2	0	1
	Rate per 100 FTE	0.34	0.35	0.71	0	0.39
Fatalities	Fatality claims	0	0	0	0	0
Claim costs	Average cost per standard claim	\$10,777.67	\$4,938.01	\$21,058.80	\$11,107.75	\$14,436.00

Financial sustainability

Please see 'Finance sustainability' section (page 89).



Part 3: Our environment and community

Environmental sustainability

Biodiversity and natural asset management

We have a long and proud history of protecting and enhancing the environment in our region. Despite the challenges that 2020-21 presented us in completing field work, we managed to deliver significant outcomes on key projects:

- We delivered our largest pest animal control program to date at Dutson Downs. This was the third year of a Victorian Government-funded Biodiversity Response Planning project to reduce the number of rabbits and foxes in the area. The project has delivered benefits to agricultural production and biodiversity far beyond our property boundaries.
- We had a hands-on approach to protecting threatened species on our properties in the west of our region by partnering with DELWP on a second Biodiversity Response Planning project: *Landscape-scale conservation of threatened invertebrates of the Western Strzeleckis*. This project has allowed us to determine where habitat for threatened invertebrates like burrowing crayfish occurs on land we manage, and implement controls to protect these areas.
- We planted more than 100,000 native plants as part of our biodiverse carbon offset project.
- We continued to develop an Integrated Catchment Land Use Options Plan for the land surrounding Moondarra Reservoir. The plan is focused on improving water quality by managing the natural resources on the site and ensuring they are protected.

We also continued to manage and improve the quality of almost 600 hectares of permanently protected native vegetation across our region including rainforests, heathlands, woodlands and wetlands and monitor threatened species such as the New Holland Mouse.

All these efforts contribute to our ongoing commitment to sustainable land and biodiversity management.



Sustainable water and biosolids reuse

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 reuse customers, such as local farmers and sporting grounds.

During 2020-21, we saw an eight per cent increase in the total volume of treated wastewater reused across the region. This can be attributed to a drier spring-summer period and the availability of reuse water during these prime irrigation months. We have been successful in exceeding our annual reuse target, with 27.9 per cent of available treated wastewater reused across our operational areas. This is an excellent outcome given the majority of water treated is from major industry.

We recycle 100 per cent of the biosolids from our wastewater treatment plants and turn it into compost at our recently renamed Gippsland Regional Organics facility (formerly the Soil and Organics Recycling Facility), contributing to Victoria's circular economy.

In 2020-21, 19,690 tonnes of biosolids from our wastewater treatment plants and an additional 6,261 tonnes from external water corporations were transported to Gippsland Regional Organics for composting. These biosolids are combined with approximately 72,500 tonnes of green waste from Melbourne and surrounds, and other prescribed and non-prescribed organic wastes from the region to create a final product. The result is high quality compost, produced and tested to Australian standard (AS4454) for use on farms across Victoria.

Beneficial reuse summary

Treatment system	Destination of wastewater	Treated water disposed by Gippsland Water (ML)		Volume reused (ML)		Volume discharged (ML)	
		2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Drouin	Irrigation to pasture or discharge to Shillinglaw Creek	1,037	954	89	70	948	884
Heyfield	Irrigation to pasture or emergency discharge to Back Creek	100	22	100	22	0	0
Maffra	Irrigation to pasture and sporting / playing field. Emergency discharge to Macalister River	342	151	274	151	68	0
Mirboo North	Irrigation to pasture and sporting / playing field	81	39	81	39	0	0
Morwell	Supplement flow to wetlands	635	722	635	722	0	0
Seaspray	Irrigation to pasture	9	0	9	0	0	0
Stratford	Irrigation to pasture	149	71	149	71	0	0
Willow Grove	Irrigation to pasture or emergency discharge to Latrobe River	22	13	22	13	0	0
Neerim South	Discharge to Red Hill Creek	58	59	0	0	58	59
Rawson	Discharge to Coopers Creek	31	30	0	0	31	30
Warragul	Discharge to Hazel Creek	1,734	2,107	0	0	1,734	2,107
Moe	Discharge to Moe River	2,376	2,566	0	0	2,376	2,566
Sale	Irrigation to pasture and diversion to Dutson lagoons	999	875	755	875	243	875
Regional Outfall System - urban wastewater¹	Recycled to Pine Gully (Australian Paper) or discharge to Bass Strait (Delray Beach)	0	0	0	0	0	0
Total water available for reuse		7,573	7,609	2,114	1,963	5,458	5,646
% reuse of water available for reuse				27.91	25.80	72.07	74.20

1. Most of the 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 us, 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 13), 'Resilient and liveable cities and towns' (page 17) and 'Managing our water resources' (page 51).

For Sustainable Water Strategies, please see section 'Managing our water resources' (page 51).

Total groundwater

Raw water taken (ML)	2020-21	2019-20	2018-19	2017-18
Briagolong	66	77	88	96
Sale	1,830	1,901	2,035	1,921
Dutson	86	113	138	69
Total	1,982	2,091	2,261	2,086

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 site specific risk-based compliance sampling and testing program. This is undertaken to meet the *Safe Drinking Water Regulations 2015* (SDWR) under section 56 of the *Safe Drinking Water Act 2003* (Vic) (SDWA).

During 2020-21 we successfully passed our two-yearly external compliance audit against the requirements of the SDWA and SDWR. This SDWA regulatory audit was for the period 31 May 2018 to 30 August 2020.

We complete weekly water testing to verify compliance with our risk management obligations under the SDWR 2015. Test results are available to our customers via our website, our SDWA Annual Report on Drinking Water Quality, or upon request.

During 2020-21 there were no Department of Health (DH) notifiable incidents under section 18 or 22 of the SDWA. We made one submission to DH under the *Fluoride Code of Practice 2019* for an interruption to dosing to undertake repair and maintenance works at our Moe water treatment plant.

This past year, 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

- Moe-Warragul interconnect operation to ensure security of supply to both water supply systems
- Upgrades to our fluoride dosing systems at our water treatment plants to improve operation
- Installation on a new chemical dosing facility at Moe water treatment plant
- Installation of a new flow meter at Morwell for improved process control
- Construction of an investigation bore to see if a deeper bore could improve water quality and reliability at Briagolong water treatment plant
- Installation of ultra-violet (UV) disinfection at Maffra water treatment plant to provide additional water quality protection, which is to be commissioned in 2021-22
- Upgrade of our secondary disinfection systems, including installation of a new site at Newborough and replacement of the Rosedale basin treated water storage site
- Upgrades to treated water storage tanks, covers and liners to maintain safe drinking water quality as part of our rolling upgrade program
- Upgrading various process controls for improved water treatment plant operation
- Continued promotion of our 'Five Cs for Protecting Water Quality' initiative for unplanned water main breaks. The program ensures that when operators attend a water main break, the focus is on:
 - Clean pipes: check before installing
 - Clearance: stop contaminated water running into pipes
 - Chlorination: flush after repair
 - Cleanliness: clean tools and separate from contamination
 - 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 pipes

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 environment.

In areas where population growth is rapidly increasing, there is a requirement to expand the capacity of our wastewater treatment plants. This allows us to treat wastewater to a higher quality, protecting the ecology of local waterways. For more on the work we are doing to address this, see Key Initiatives and Projects (page 8).



Environment Protection Authority Victoria compliance

In March 2021 we paid a fine to Environment Protection Authority Victoria for breaching our Drouin wastewater treatment plant operating licence.

The infringement related to low-level technical breaches in wastewater quality discharged from the Drouin wastewater treatment plant during higher than average rainfall events over the last two years. During these events, we undertook extensive monitoring to ensure no harm was done to the environment.

We are currently upgrading our Drouin wastewater treatment plant to cater for current and future growth. The EPA's decision was further evidence that this investment is timely and necessary.

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.

We are a stakeholder in the review of the West Gippsland Regional Catchment Strategy and West Gippsland Waterway Strategy. These strategies are due to be reviewed in the coming year. We are working with WGCMA to ensure water quality considerations include potable water supply catchments. The recently reviewed *Environment Protection Act 2017* (Vic) and environmental regulations will sharpen the focus on the public health implications of potable water supply protection in these regional strategies.

We contributed \$40,000 into a joint project with Wellington Shire Council to assess and rectify with landowners' risks associated with the working condition of septic tanks installed within drinking water catchments. The aim of this program is to reduce human impacts on water quality. We also continue to contribute to a Baw Baw Shire project for septic tanks installed within drinking water catchments as risk and opportunities are identified.

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.

We delivered a project from the Gippsland Integrated Water Management Plan, which involved planting native shrubs and grasses at Willow Grove to protect Blue Rock Lake from pollutants. We partnered with Southern Rural Water, WGCMA, Tanjil Landcare, the grazier who leases the land and Baw Baw Shire Council to revegetate a section of land by the lake to capture pollutants in stormwater coming from nearby homes. We will monitor the impacts of this project on water quality at this site for five years.

Please see 'Managing our water resources' (page 51) for our bulk water entitlements environmental management outcomes.

Social sustainability

Community service obligations

Value of community service obligation provided	2020-21 \$	2019-20 \$	2018-19 \$	2017-18 \$	2016-17 \$	2015-16 \$
Provision of concessions to pensioners	6,361,899	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	278,762	284,503	328,222	272,594	279,443	274,263
Utility Relief Grant Scheme* payments	216,394	414,948	121,327	163,446	116,752	92,391
Water concession on life support machines – Haemodialysis	1,607	1,285	2,571	1,285	1,607	1,928


*The Utility Relief Grant Scheme is administered and managed by the Department of Families, Fairness and Housing. It is accessed via direct application to the department by eligible concession cardholders.

Complaints management – Listening to our customers

Our enhanced complaint management processes continue to deliver customer insights that are proactively used to identify pain points and remedy them wherever possible.

Customer feedback indicates that proactive customer engagement performed by our Customer Care team to assist customers requiring financial assistance has been very positive.

Our emphasis on training for Customer Services team members enhances their knowledge, with the aim to optimise our first point of contact with customers. This contributes to greater customer satisfaction and fewer complaints.



Overall we have seen a downward trend in complaints of 23 per cent compared to the previous financial year.

For more information on our complaints management, please see Key Performance Indicators (page 81).

Energy and Water Ombudsman Victoria

This year, the Energy and Water Ombudsman Victoria (EWOV) handled 27 cases on behalf of our customers. These cases consisted of one investigation, 20 assisted referrals, five unassisted referrals and one enquiry.

All cases that EWOV referred to us were resolved, requiring no further escalation. This is the fourth consecutive year we have resolved cases referred to us without further escalation.

Part 4: Our environmental impact

Climate change

Greenhouse gas emissions

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

- We planted more than 100,000 plants on 100 hectares of former farmland at Dutson Downs as stage two of our carbon offset program. This was a key project that strengthened our relationship with Traditional Owners and achieved our emissions reduction goals, with these plants estimated to sequester 30,000 tonnes of carbon dioxide over the life of the project.
- We continued to invest in renewable energy technology at key sites across our network, with the installation of solar arrays at our Traralgon water treatment plant and Moe wastewater treatment plant.

Our greenhouse gas emissions increased by 635 tonnes of CO₂ equivalent (t CO₂-e), compared to 2019-20. While this is a very slight increase on last year's overall emissions, we actually produced 6,146 t CO₂-e (14.8%) less than our projected emissions, as detailed in the table on the following page. We have been able to once again beat our projected totals and meet our targets thanks to our focus on energy and process efficiencies across the business.

Our fugitive (scope 1) emissions produced through wastewater experienced an increase of 8.6 per cent (741 t CO₂-e) compared to last year. This minor increase is largely a result of variable quality in the wastewater entering our treatments plants, increasing the emissions attributed to the treatment process at these sites. No major desludging activities occurred during the year and overall we experienced steady operating conditions across this financial year. We retired 1000 renewable energy certificates (RECs) in 2020-21 to reduce our scope 2 wastewater emissions.

Fuel emissions from our vehicle fleet fell by 6.7 per cent (88 t CO₂-e) as a result of reduced travel and remote working requirements brought on by the coronavirus (COVID-19). The introduction of hybrid working arrangements across the organisation also contributed to this reduction, and is expected to support a continued trend of declining vehicle fleet emissions.

Our overall emissions from electricity consumption (scope 2) decreased by less than one per cent (177t CO₂-e) from last financial year. An ongoing focus on operational efficiencies has allowed us to keep our emissions consistent in a year where we successfully undertook major maintenance activities that caused extended periods of downtime in the Biogas (Cogen) renewable energy system at the Gippsland Water Factory.

This year saw a minor one per cent (40 t CO₂-e) decrease in our water treatment emissions compared to the previous year. We commissioned a major water pipeline in the west of our region that will allow greater flexibility with the distribution of water across our network.

We have continued our focus on investments into renewable energy projects with large solar installations completed at a further two of our sites. These sites are now contributing to reducing our overall emissions from the consumption of electricity by a combined 1142 t CO₂-e – which

equates to four 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.

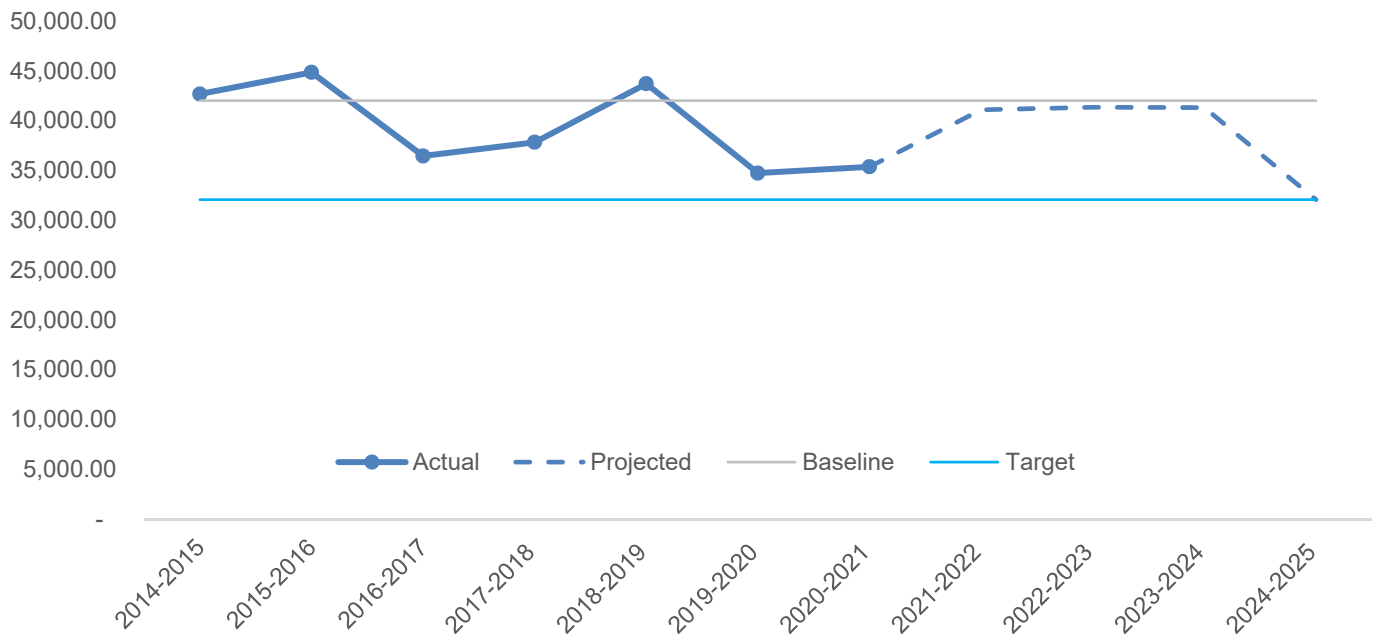
We also planned and budgeted for the next stage of our solar installations at the Gippsland Water Factory, which will see a 1200 kWp ground mounted solar array installed and operational in 2021-22. This system is expected to generate enough energy to reduce our annual greenhouse gas emissions by more than 2,000 t CO₂-e each year.

These projects are all 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.

The net greenhouse gas emissions, expressed as tonnes of CO₂ equivalent (tCO₂-e), for the whole business and our activities are shown in the table below.

Performance Indicator	Emissions in tonnes CO ₂ -e				Variance %	Commentary
	2020-21 projected	Scope 1 emissions	2020-21 result Scope 2 emissions	Total emissions		
Water treatment and supply	10,362	6	8,469	8,475	-18.2	Significant positive variation due to a number of efficiency projects across the relevant sites reducing electricity.
Sewerage collection, treatment and recycling	27,755	9,347	14,332	23,679	-14.7	1000 large-scale generation certificates from self-generated sources were retired to the clean energy regulator.
Transport	1,441	1,232	0	1,232	-14.5	Positive variation due to reduced travel and modified working conditions associated with coronavirus (COVID-19) restrictions.
Other	1,973	1,312	687	1,999	1.3	
Total net emissions (a)	41,531	11,897	23,488	35,385	-14.8	

Net greenhouse gas emissions (tonnes of CO2 equivalent)



Climate adaptation

We've continued to adapt our business and operations to a changing climate.

Our focus this year was on contributing to our regional community and state-wide water industry initiatives. As an active member of the Gippsland Regional Climate Change Adaptation Working Group, we played a role in the development of the first Regional Climate Change Adaptation Strategy for Gippsland, providing technical insight on water and environment-related matters in the strategy.

We continued to play a role in the adaptation of the Victorian water industry by providing feedback on the pilot Water Sector Adaptation Action Plan (WSAAP) and contributing to the formation of the 2021-2026 WSAAP.

We contributed to the Gippsland Region Sustainable Water Strategy and worked on our next Urban Water Strategy. Both these strategies help us understand the water resources we rely on to supply our customers and communities into the future, and take into consideration impacts of climate change.

Energy consumption

Total electricity use	2019-20 result ¹ (MWh)	2020-21 result (MWh)	Commentary
Water treatment and supply	8,513	9,120	Slight increase due to required water extraction from less energy-efficient sources.
Sewerage collection, treatment and recycling	17,479	18,025	
Other (office, workshops, depots etc)	1,038	916	Continued decline in consumption due to periods of restricted office access, combined with ongoing hybrid working arrangements Figure includes contribution from charging of an electric vehicle.
Total (a)	27,029	28,061	

1. Electricity consumption values for 2019-20 have been revised to conform to the current calculation methodology.

Performance Indicator	2019-20 renewable electricity consumption (MWh)	2020-21 renewable electricity consumption (MWh)	20-21 renewable electricity consumption (% of total consumption)	Commentary
Renewable electricity consumption from the electricity we receive from the electricity grid as a result of the Australian Government's LRET				
Total grid-sourced: mandatory ¹	4,398	4,536	16.2	
Renewable electricity consumption as a result of corporation led/self-sourced activities and initiatives				
Biogas	698	528	1.9	The Gippsland Water Factory Biogas (Cogen) system underwent a series of outages for maintenance activities over the year, which reduced the system uptime.
Hydroelectric	2,526	3,400	12.1	1000 large-scale generation certificates from self-generated sources were retired to the clean energy regulator.
Solar	603	1,165	4.2	An additional two large solar installations were commissioned during the year, with six systems now in place across our network.
Wind	0	0	0	
Other ²	0	0	0	
Total Gippsland Water led/self-sourced	3,827	5,093	18.1	
Total renewable electricity consumption	8,225	9,629	34.3	

1. Values for 2019-20 have been recategorised and revised to conform to the 2020-21 reporting method.
2. Prior to this reporting year, this category was used to report the total grid-sourced renewables.

Part 5: Supporting our local economy

Major customer consumption

We are required to report on the number customers who consume more than 100ML per annum are shown below:

Volumetric range – ML per year	No. of customers
Equal to or greater than 100ML and less than 200ML	2
Equal to or greater than 200ML and less than 300ML	3
Equal to or greater than 300ML and less than 400ML	2
Equal to or greater than 400ML and less than 500ML	0
Equal to or greater than 500ML and less than 750ML	0
Equal to or greater than 750ML and less than 1,000ML	0
Greater than 1,000ML	3
Total no. of customers	10

Major customers and their participation in water efficiency programs

We are required to share the water conservation programs our 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
AGL Loy Yang Pty Ltd (Traralgon)	<p>This financial year AGL Loy Yang completed the resin replacement program in their 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 chemicals used.</p> <p>Instrumentation at AGL Loy Yang's water clarification plant was upgraded this financial year, which has resulted in greater plant reliability. Water is consumed during every plant restart, therefore greater plant reliability reduces the number of restarts and hence reduces water usage.</p> <p>AGL Loy Yang continues to:</p> <ul style="list-style-type: none">• Divert rainfall run-off, wash down water and artesian water which collects in the base of the mine for fire service pond make-up water.• Repurpose groundwater to maintain mine stability in the cooling water system instead of using raw water from Gippsland Water to improve clarity.• Maintain robust monitoring and maintenance programs to ensure water used in the various plant processes including the cooling water system and demineralised water plant is kept to as low as practical.

**Alinta Loy Yang B
(Traralgon)**

During 2020-21, Alinta Loy Yang B:

- Participated on a range of bulk water review committees, including committees related to water for existing operations and water for future mine rehabilitation.
- Routinely monitored and reported water usage rates and used the information to identify opportunities for further improvement; and benchmark usage against others in the industry.

Key operational water-saving improvements are integrated into normal day-to-day operations. As such, usage rates for both high and low grade water supplies remains low in comparison to industry benchmarking.

**Opal Paper
Australia Pty Ltd
(Maryvale)**

Opal Paper Australia Pty Ltd continued 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.

**Energy Australia
Yallourn Pty Ltd**

Programs that Energy Australia completed in 2020-21 consist of:

- Completing the repair of the regulating basin liner preventing water loss prior to delivery to site.
 - Initiating a monitoring and testing program for intake valves from the Yallourn basins.
 - Completing bathroom and amenities upgrades with water-saving fixtures.
 - Completing sprinkler testing in line with AS1851 2012 reduced testing regime of deluge and water fire response systems.
 - Undertaking repairs and improvements on No 1 main and mine main supply line.
 - Upgrading deluge valves across the site to an air-operated solenoid system, which is an ongoing program.
-

**ENGIE Australia
(Hazelwood)**

ENGIE ceased coal mining and power generation operations in March 2017 and has continued with site demolition and rehabilitation works.

Raw water and potable water usage is lower than when the power station was operational, with a reduced amount of water used across the site for works such as dust and fire readiness/suppression during the power station demolition and rehabilitation.

**Darnum Park Pty
Ltd - Fonterra**

Fonterra reported the following water-saving activities:

- Evaporator vacuum pumps cooling system installed, with level of water running through pumps lowered.
 - Further work undertaken to introduce and/or improve reverse osmosis (RO) water purification and clean in place (CIP) systems with recovery tanks in several areas. The CIP system captures water used during a cleaning cycle in a recovery tank for reuse.
-

**GEO Group
(Fulham)**

This year, GEO Group installed:

- A programmable negative wear system, which controls and regulates, basin, shower and toilet water.
- Flick mixer taps installed in lieu of twist taps
- Water-saving shower heads.

It has also committed to the following water saving measures to be introduced in the near future:

- Rain water collection tanks for storage sheds (20 kilolitres).
 - As established cells are upgraded, flick mixer taps and water-saving shower heads will be installed in lieu of less water efficient systems.
-

**Bega – Dairy and
Drinks Pty Ltd
(Morwell)**

Bega had no initiatives to report for this financial year. However, the organisation is working on a project that will deliver ongoing water savings from the second half of next financial year.

**PureHarvest
(Drouin)**

PureHarvest is constantly reviewing its water use and exploring options and actions it can take to improve its water system.

The company has officially engaged water treatment and process improvement consultant, Nalco Water, to help it to continuously review and identify water improvement options.

Some actions taken so far include:

- Improve and optimise boiler water use.
 - Adding data sensors on water loops to help identify possible improvements.
 - Renewed factory-wide lagging to steam lines to reduce steam loss and therefore water loss.
-

Saputo (Maffra)

Saputo has no major initiatives ready to implement, but is doing some due diligence on reclamation opportunities internally, to reduce its draw on the Maffra potable supply.



Social procurement strategy

Our social procurement strategy sets out clear expectations that social procurement is 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, as per the Victorian Government Purchasing Board Guidelines (VGPB).

This is in addition to our ongoing involvement with GROW Gippsland, which has a strong emphasis on social and local procurement. Our strategy was adopted in April 2020, and our social procurement objectives are clearly communicated to the market in our procurement documentation.

To support positive social outcomes in our community, we have focused on the following four social procurement objectives: sustainable Victorian regions; opportunities for disadvantaged Victorians; opportunities for Victorians with disability and employment for Victorian Aboriginal people.

We have been educated in the importance of certified social benefit suppliers and including them in sourcing activities wherever possible. In order to promote local supplier opportunities, such as those offered by GROW Gippsland, we have run articles through our e-newsletter and engagement sessions. This helps local suppliers to connect with major regional projects and develop a culture of inclusion that creates the best opportunity for social enterprises to work with our organisation.

In 2020-21, we engaged with 10 certified social benefit suppliers in purchases to the value of \$122,230 and we will continue to educate both external and internal stakeholders on the importance of this framework.

Local Jobs First projects 2020-21

We're proud to support growth and sustainability in our region, in accordance with the *Local Jobs First Act 2003*. During the reporting period, 13 contracts contained provisions supporting the Local Jobs First initiative. This has resulted in more than 530 local small and medium enterprises being provided opportunities to contribute to these projects. This work has contributed to the creation of 22 jobs, and at least three apprenticeships being planned or created.

Strategic projects

There were no projects with a budget of \$50 million or more, or any other projects declared to be strategic projects by the Minister for Water, commenced or completed in 2020-21.

Major Project 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 2020-21.

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
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
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
Moe wastewater treatment plant chemical storage dosing and building upgrades	GW507	23/02/2021	30/11/2021	Beachley Constructions Pty Ltd	\$1.46 million	104	1.34	3.96	.67	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. traineeship and cadetships)
Warragul Tyssen St treated water pump station upgrade mechanical and electrical works	GW467	12/12/2019	13/07/2020	Broadspectrum (Australia) Pty Ltd	\$1.02 million	7	0	0.87	0	0.17
Warragul South high level tank replacement – Tank - tower works	GW477	15/11/2020	17/7/2020	Beachley Constructions Pty Ltd	\$0.85 million	31	0	4	0	0
Sale sewer outfall pump station - design and 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
Sale sewer pump station outfall - civil works	GW488	1/7/2019	08/04/2021	GBG Concrete & Construction Pty Ltd	\$2.16 million	63	2.56	3.48	0	0

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)
Sale outfall sewer pump station - mechanical - electrical works	GW489	1/7/2019	05/03/2021	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
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 Ltd	\$1.71 million	13	0	1.15	0	0

PART 6: Managing our water resources

Bulk water entitlement reporting

Bulk entitlement	Source of supply	Bulk entitlement volume (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with bulk entitlement clauses
Boolarra ¹	Walkleys and O'Gradys Creeks	145	0	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): - Environmental program implemented. - Metering program not required as no diversions are taking place.
CGRWA - Blue Rock ²	Tanjil River	20,000	1,844 (2,268)	<ul style="list-style-type: none"> Location and volume of water taken pursuant to clause 10: None Implementation of programs under sub-clause 12.3 (Metering): Implemented 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. Specified point A - Blue Rock Headworks Outlet (supply to Moondarra Reservoir and Willow Grove water treatment plant): 2020-21 total = 50.2ML; three-year rolling avg.: = 200.0ML. Specified point B - Tanjil River Pump Station: 2020-21 total = 2,218.2ML; three-year rolling avg.: = 1,644.5ML. Specified point C - Latrobe River Pump Station: 2020-21 total = 0.0ML; three-year rolling avg.: = 0.0ML.
Erica-Rawson	Trigger Creek	340	60	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): - Environmental program implemented. - Metering program implemented.

Bulk entitlement	Source of supply	Bulk entitlement volume (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with bulk entitlement clauses
Mirboo North	Little Morwell River (North Arm)	270	178	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): - Environmental program implemented. - Metering program implemented.
Moe - Narracan Creek	Narracan Creek	3,884	2,299	Applications under clause 8 (Making Allowances): Nil Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): - Environmental program implemented. - Metering program implemented.
Moondarra ³	Tyers River	62,000	32,868 (32,480)	• Diversion at Tyers River pump station for 2020-21 = 0.0ML. • Approval, amendment and implementation of programs under clauses 12 (Environmental Program) and 13 (Metering Program): - Environmental program implemented. - Metering program implemented.
Noojee ⁴	Deep Creek / Loch River	73	0	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): - Environmental program implemented. - Metering program not required as no diversions are taking place.
Seaspray	Merrimans Creek	133	34	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): - Environmental program implemented. - Metering program implemented.

Bulk entitlement	Source of supply	Bulk entitlement volume (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with bulk entitlement clauses
Tarago	Tarago River	4,825	3,598	<ul style="list-style-type: none"> • Approval, amendment and implementation of programs under clauses 11 (Environmental Program) and 13 (Metering Program): - Environmental program implemented. - Metering program implemented. • Pederson Weir/Westernport Pipeline diversions 2020-21: 3,401.1ML of 4,070ML entitlement. • Labertouche Creek diversions 2020-21: 0ML of 480ML entitlement. • Tarago Reservoir (Neerim Sth) diversions 2020-21: 196.9ML of 275ML entitlement.
Thomson-Macalister	Thomson River / Macalister River	2,335	1,387	<ul style="list-style-type: none"> • Credits granted under clause 11: None • Approval, amendment and implementation of programs under clause 12 (Metering Program): Implemented • Clause 13.1 (b) Extraction at Maffra Weir: 1,127.2ML Extraction at Thomson River at Heyfield: 216.3ML Extraction at Lake Glenmaggie: 43.4ML Extraction at Main Southern Channel: 0ML Extraction at Cowwarr Weir: 0ML • Clause 13.1 (d) Annual amount and location of water taken at any other works of the corporation = 0ML. • Clause 13.1 (g) Period and degree of restriction of supplies of annual entitlement: 1/7/2020 - 30/6/2021: 100% allocation
Thorpdale ⁵	Easterbrook Creek	80	0	<ul style="list-style-type: none"> • Approval, amendment and implementation of programs under clauses 9 (Environmental Program) and 10 (Metering Program): - Environmental program implemented. - Metering no longer required from September 2015 as supply not being used.

1 Boolarra bulk entitlement not currently used.

2 Bulk entitlement volume calculated as three-year rolling average (figure in brackets is volume for 2020-21).

3 Bulk entitlement volume calculated as two-year rolling average (figure in brackets is volume for 2020-21).

4 Noojee bulk entitlement not currently used.

5 Thorpdale bulk entitlement not currently used.

General reporting requirements

Temporary or permanent transfer of authority entitlements and licences

We have ongoing arrangements with third party irrigators for temporary transfer of groundwater from the Sale groundwater licence. In 2020-21 a total of 570ML was transferred.

Temporary or permanent transfers of licences or entitlements to authority

We have access to 400ML/y in Tarago Reservoir under a Bulk Water Supply Agreement (BWSA) with the Melbourne retailers. This BWSA is used to supplement the Tarago bulk entitlement during periods of high demand. The BWSA agreement has been extended to 30 June 2023. We used 49ML under the BWSA in 2020-21. The Moe-Warragul interconnect has allowed us to reduce the amount of water purchased under this arrangement in 2020-21.

Amendments to bulk entitlements and licences

No amendments to bulk entitlements in 2020-21. The Sale groundwater licence was amended to include two new bores at the Maffra and Dutson agribusiness sites.

New bulk entitlements and licences

No new bulk entitlements or licences in 2020-21.

Failure by authority to comply with provisions of bulk entitlements

No failures to comply in 2020-21.

Difficulties experienced in complying with entitlement and remedial actions

None.

Water use and drought preparedness

Residential daily drinking water consumption

The following table details residential water consumption per capita on a daily basis.

Month	L/person/day 2020-21	L/person/day 2019-20	L/person/day 2018-19	L/person/day 2017-18
July	207	192	193	194
August	153	160	190	184
September	185	181	182	174
October	150	144	153	133
November	216	195	182	187
December	170	165	129	163
January	215	210	269	227
February	220	237	256	218
March	240	230	257	252
April	208	200	223	215
May	200	193	268	248
June	171	167	191	182
TOTAL	2,336	2,274	2,493	2,377

Note: This data is approximate. It is based on a population served estimate for 2020-21. 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 ⁶	Total supplied	Five-year average annual demand	Consumption variation
	Billed Connections ³	Billed Volume ⁵ (ML)	Billed Connections ³	Billed Volume ⁵ (ML)	Billed Volume ⁴ (ML)	Volume (ML)	(ML)	(ML)	(ML)	
Briagolong	374	50.8	23	2.8	0.0	0.0	8.8	62.5	75.7	-17%
Coongulla	464	34.5	9	4.6	0.0	0.0	3.4	42.5	47.8	-11%
Erica-Rawson	316	38.6	46	12.3	0.0	0.0	7.8	58.6	62.0	-5%
Heyfield	924	144.8	105	45.0	0.0	2.6	19.7	212.1	237.7	-11%
Maffra	3,429	571.5	311	88.8	315.7	2.8	134.3	1,113.2	1,135.8	-2%
Mirboo North	772	109.0	83	30.6	0.0	0.3	35.3	175.1	184.4	-5%
Moe-Warragul¹	27,876	4,192.5	2,161	615.3	2,040.6	54.1	591.0	7,493.4	7,360.2	2%
Moondarra²	26,584	4,490.6	2,485	725.5	25,356.0	21.6	1,886.3	32,480.0	37,112.8	-12%
Neerim South	779	124.9	63	31.1	0.0	0.0	22.3	178.2	186.5	-4%
Sale	7,445	1,212.6	882	263.2	167.9	5.3	153.5	1,802.5	1,854.1	-3%
Seaspray	364	23.5	10	5.7	0.0	0.0	7.0	36.3	32.9	10%
Willow Grove	184	35.5	12	3.4	0.0	0.0	4.5	43.4	45.2	-4%
Total	69,511	11,028.9	6,190	1,828.2	27,880.2	86.6	2,873.9	43,697.9	48,335.0	-10%

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/Jeeralang 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	2,000.9
Infrastructure Leakage Index (ILI)	1.08
Real water losses (kL/connection/day)	0.069
Real water losses (kL/km/day)	2.9
Target:	12%
Result:	12.8%

Note: This data is 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 reuse water sources for potable water. Reuse water is used for other purposes as described below.

Town/system	Annual total (ML)	Use
Drouin	89.2	Agriculture
	10.3	Recreation
Heyfield	100.0	Agriculture
Maffra	272.0	Agriculture
Maryvale	0.0	Industry
Mirboo North	64.4	Recreation
	20.5	Agriculture
Morwell	635.5	Wetlands irrigation
Sale	755.5	Agriculture
Seaspray	9.2	Agriculture
Stratford	149.3	Agriculture
Willow Grove	22.0	Agriculture
Total	2,127.9	



Our drought preparedness

Our Urban Water Strategy (UWS) plays a key role in our drought preparedness.

This strategy is our principal water resource planning tool and identifies what we need to do to ensure urban and industrial water availability in our region for the next 50 years. We update it every five years, and report annually on its progress each December through our Annual Water Outlook.

This year, we began developing our next UWS, which will be finalised in April 2022. This process involves assessing each of our water and wastewater systems to determine their current and future resilience to impacts such as climate variability and drought, climate change and demand growth. We use this information to assess the timing and potential cost of actions and the impact that may have on customer bills.

As well as commencing the technical work on the UWS, we are talking with our customers and stakeholders to ensure our strategy delivers what customers want, while considering the impact our operations have on our community and region.

Gippsland's climate is highly variable. This results in varying water availability from year to year, and even, in some supply systems, from month to month. This year, rainfall has been close to average across most of our region, with the exception of some isolated catchments in the Strzelecki ranges. This has provided more than adequate water resources for our needs this year, with no drought response necessary.

The Victorian Water and Climate Initiative, a collaborative research program involving the Victorian Government, Bureau of Meteorology, CSIRO and University of Melbourne, has prepared updated guidance for use by the water sector in planning for the impacts of climate variability and change.


We are adopting this guidance in our UWS to ensure our water supply systems are resilient and adaptable to both the inherent variability in climate, as well as an increased future likelihood of a drier and hotter climate with more frequent and severe droughts.

Our last UWS in 2017, identified our Warragul and Drouin water supply system (Tarago system) as being our most urgent priority in terms of water security, to ensure the needs of these fast growing towns are addressed. During the past year we completed a detailed assessment of a wide range of options to secure the area's supply into the future.

The Warragul and Drouin system is interconnected to Victoria's south central water grid, a focus area of the Victorian Government's Central and Gippsland Region Sustainable Water Strategy (SWS) which is currently being developed. To ensure alignment between our preferred options for Warragul and Drouin and the policy direction of the SWS, we have been engaging regularly with the Department of Environment, Land, Water and Planning as well as other stakeholders.

We've also been progressing investigation of a preferred option for improving the water supply reliability for Briagolong, a town hit hard by the 2017-19 drought and our only town to experience water restrictions in the last decade.

We have updated the water resource model for the shallow aquifer to include the record low rainfall and aquifer level conditions of recent years, and it now shows that this supply system no longer meets our target supply reliability.



We've continued to engage with the local community on this issue and keep them informed. They told us they'd like us to pursue the option of accessing the deeper aquifer, which we have done, with an observation bore drilled in February. This will help us determine whether a production bore into the deeper aquifer will be a sustainable outcome for Briagolong.

Find more information on our current water supply levels on our website:
www.gippswater.com.au/residential/what-we-do/water-supply

Regional water strategies

Central and Gippsland Region Sustainable Water Strategy

The Victorian Government is currently developing the Central and Gippsland Region Sustainable Water Strategy (SWS).

Following on from the policies articulated in the 2016 Water for Victoria Water Plan, the SWS is the primary strategy for identifying threats to the region's water resources and how water will be shared and managed into the future.

DELWP is leading this strategy, which will cover the region from the Otways to far-east Gippsland. This strategy is being developed with input from across the water sector and the public, and we have been actively contributing during this year at both a working group and management level.

The SWS development is concurrent with our Urban Water Strategy (UWS) and is due to be completed in the first half of 2022. The two strategies are closely tied. Our UWS provides critical inputs to the SWS, and the SWS provides the policy settings for the UWS. We've been an active contributor and participant in the SWS DELWP consultative committee.

More on the Central and Gippsland Region SWS can be found at
www.water.vic.gov.au/planning/long-term-assessments-and-strategies/sws/central-gipps-sws

Latrobe Valley Regional Rehabilitation Strategy

The Victorian Government's Latrobe Valley Regional Rehabilitation Strategy (LVRRS) was published in June 2020.

The LVRRS responded to the Hazelwood Mine Fire Inquiry with a remit to examine the geotechnical and water resource issues relevant to rehabilitation of the Latrobe Valley's coal mines from a holistic regional perspective.

The strategy does not prescribe a mine rehabilitation approach, but instead outlines the key matters that mine owners will need to address when preparing mine rehabilitation plans.

The final LVRRS provided a set of principles that will be adopted by regulators in assessing plans for mine rehabilitation, in particular in assessing any application for use of the region's water resources for this purpose.

The strategy also set out six implementation actions, three of which were directly related to water

resources and were developed during this year. These actions related to climate change and its impact on water resources; conditions for the licensing of water resources for mine rehabilitation; as well as alternative water resources for use in mine rehabilitation. We have continued to work closely with DELWP and other stakeholders this year in the development of these actions.

Drought assistance and water trading

We have ongoing arrangements with third-party irrigators for temporary transfer of groundwater from the Sale groundwater licence. In 2020-21 a total of 570ML was transferred.

Corporate water consumption

During 2020-21 our water consumption at the Traralgon head office at 55 Hazelwood Road was 1,485kL.

	Total full-time equivalent (FTE) employees	Office space (m ²)	Water consumption (kL)	kL/FTE	Water consumption by office space (kL/m ²)
2020-21	225.05	3,335	1,485†	6.60	0.45
2019-20	213.93	3,335	1,684*	7.87	0.51
2018-19	216.06	3,335	1,532	7.09	0.46
2017-18	220.51	3,335	1,337	6.1	0.40

* Faulty water meter was not reading correctly.

† Back flow prevention device installed 23 January 2021.

Part 7: Governance

Governance

Our Board

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, VicForests and Sustainable Timber Tasmania. She is also an independent member of the Audit and Risk Committee of the City of Melbourne. She was previously a director of WA Super, 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 Equipsuper, 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 Practicing Accountant and a Graduate of the Australian Institute of Company Directors.

Sarah Cumming (Managing Director)

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

Sarah was appointed as Managing Director of Gippsland Water in April 2017.

Her qualifications include a Bachelor of Law (Honours) (ANU), Bachelor of Arts (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.

A Board Member of the Institute of Water Administration since 2018, Sarah is also current Vice-President.

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.

She 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.

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, GADP
(London BS UK), LC&OR
(Stanford University BS
USA), GAICD, 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 a Director of Gippsland Ports and Resource Recovery Gippsland Group, member of CarbonNet Community Reference Group, and formerly Non-Executive Director South Gippsland 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 both Wellington and South Gippsland Council's Audit and Risk Committees and an independent member of East Gippsland Council's Audit and Risk Committee.

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

Malcolm Eccles

MSc, CEng, MIET, SMIEEE,
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 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, post graduate diplomas in Strategic Management & Project Management and a HNC in Industrial Measurement & Control Engineering.

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 Diploma at Henley Business School (UK) and the Australian Institute of Company Directors course. He is also a qualified health and safety practitioner, holding an International NEBOSH certificate and an IOSH construction management certificate.

Jane Oakley

Dip. Comp. Systems,
GCARLP, GAICD

Appointed October 2015.
Current term expires
September 2023.

Jane was 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.

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 a Director of Rowville Transmission Facility Pty Ltd. 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.

Rod has 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.

Our Executive Leadership Team

Sarah Cumming (Managing Director)

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

See Sarah's profile under 'Our Board'.

Wilco Seinen, Chief Financial Officer (commenced 28 June 2021)

MSc (Business
Administration), EMFC
(Executive Master of
Finance and Control)

Wilco is responsible for financial sustainability, corporate governance, procurement, risk management and legal and economic regulatory compliance. Wilco has nearly 20 years of experience in senior and executive roles in rail and energy industries, in both the Netherlands and Australia.

Wilco's expertise covers wide ranging aspects of finance; such as financial planning, business partnering and performance, financial modelling, feasibility, risk, project and contract management and governance. In previous roles, he successfully provided guidance to organisations going through dynamic transformational change, bringing people together to achieve organisational strategy and objectives. As a leader, Wilco is passionate about continuous improvement, acquiring new skills and transferring those skills to the people he works with.

Sarah Heath, Chief Financial Officer (until 28 May 2021)

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

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

Sarah is 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.

During this year Sarah graduated from the inaugural Executive Leadership for Women in Water program, a sector wide initiative to elevate the role and representation of women in leadership roles throughout the Victorian Water sector.

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 and a Master's degree in Project Management from RMIT University.

Michael Crane, General Manager People and Customer

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.

Simon Aquilina, General 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 Gippsland Regional Agribusiness, Gippsland Regional Organics (organics waste management and compost manufacturing facility), and Property Services business streams. Simon's responsibilities focus on enabling and supporting regional growth, achieving the required safety, financial, business, and environmental outcomes, while enhancing the customer experiences and meeting their product expectations.

Simon is a qualified industrial chemist and has a broad background with experience in both the private and public sector, which has focused on product quality, operational efficiency, economic viability and customer satisfaction. His experiences range from the power industry, laboratory, chemical manufacture, water and wastewater treatment, and for the past 14 years in the water industry.

Nic Moss, General Manager Assets

B.Eng (Mechanical)(Hons)

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' 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.

Chris Wood, General Manager Operations

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

Chris is responsible for management and leadership of the organisation's operational areas of water and wastewater treatment, bulk water storage and supply, bulk waste transport, potable water distribution, sewer reticulation and information technology.

Chris is a qualified Industrial Chemist and has over 30 years' experience in both the private and public sector in the power industry and technical services, environmental and public health fields and has a passion for implementing innovation and process improvements in an operational environment. His experiences range from the power industry, laboratory, environmental and engineering consultancy and for the past 15 years in the water industry. Chris is passionate about developing people and creating a culture of innovation for a positive employee and customer experience.

Peter Skeels was Acting Chief Financial Officer from 29 May to 30 June 2021.



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 three times and its members were:

- Malcolm Eccles (Chair)
- Therese Ryan
- Jo Benvenuti

Audit and Risk Committee

Our Audit and Risk Committee supports the Board in its oversight responsibilities associated with financial reporting, risk management, internal process and procedural control. The committee plays an important role in strategy, policy, governance, monitoring and evaluation and compliance, including providing assurance to the Board through oversight of internal and external audits and reviewing 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:

- Greg Hade (Chair)
- Chris Badger
- Katrina Lai
- Jane Oakley



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:

- Jane Oakley (Chair).
- Therese Ryan
- Christopher Badger
- Rod Touzel

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:

- Rod Touzel (Chair)
- Greg Hade
- Jo Benvenuti
- Malcolm Eccles
- Katrina Lai

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	3	2	0	3	2	2	0	0
Greg Hade	6	6	0	0	4	4	0	0	3	3
Christopher Badger	6	6	0	0	4	4	2	2	0	0
Jo Benvenuti	6	5	3	3	0	1	0	0	3	3
Sarah Cumming	6	5	0	3	0	4	0	2	0	3
Malcolm Eccles	6	6	3	3	0	1	0	0	3	3
Katrina Lai	6	6	0	0	4	4	0	0	3	3
Jane Oakley	6	6	0	0	4	4	2	2	0	0
Rod Touzel	6	5	0	0	0	1	2	2	3	3

Consultant services

In 2020-21, there were 28 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2020-21 in relation to these consultancies was \$1,747,078.54 (excl. GST). In 2020-21, there were 20 consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2020-21 in relation to these consultancies was \$93,404.40 (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 2020-21	Future Expenditure
Russell Kennedy Solicitors - (Trust Account)	Commercial and legal advisory services	1/08/2020	30/06/2021	744.7	744.7	-
In2project Management Pty Ltd	Asset planning consulting	1/11/2020	30/06/2021	161.6	161.6	-
GHD Pty Ltd	Hydrological, geotechnical and groundwater assessments	1/09/2020	30/04/2021	110.6	110.6	-
Ventia Australia Pty Ltd	Performance audit	1/05/2020	31/05/2021	77.8	77.8	-
Mills Oakley Lawyers	Contract development	1/12/2020	30/06/2021	48.8	48.8	-
Riskcom Pty Ltd	Technical services panel	1/10/2020	30/06/2021	46.9	46.9	-
SMEC Australia Pty Ltd	Water and sewerage designs	1/09/2020	30/06/2021	45.8	45.8	-
Organic Recyclers Solutions Pty Ltd	Asset management plans and Gippsland Water Factory system capacity	1/01/2021	31/05/2021	43.1	43.1	-
ERM Business Energy	Project pre-feasibility study	1/01/2021	28/02/2021	40.7	40.7	-
WSP Australia Pty Ltd	Geotechnical investigation	1/06/2021	30/06/2021	40.2	40.2	-
Dench McClean Carlson Pty Ltd	Business case development	1/09/2020	30/06/2021	38.7	38.7	-
DNY GL Australia Pty Ltd	Project pre-feasibility study	1/02/2021	28/02/2021	35.0	35.0	-
RM Consulting Group	Financial modelling	1/05/2021	30/06/2021	35.0	35.0	-
Alvearium Pty Ltd	Risk workshop	1/08/2020	30/11/2020	30.2	30.2	-
KPMG	Accelerated reporting model	1/06/2021	30/06/2021	23.8	23.8	-
CDM Smith Australia Pty Ltd	Financial assurance consulting	1/06/2021	30/06/2021	23.5	23.5	-
RSM Bird Cameron	Tax advice	1/08/2020	31/12/2021	22.9	22.9	-

Consultant	Purpose of Consultancy	Start Date	End Date	(\$ thousand)		
				Total Approved	Expenditure 2020-21	Future Expenditure
Centre For New Energy Technologies Ltd	Industrial and commercial demand FLEXing (Inflexion)	1/05/2021	31/05/2021	20.0	20.0	-
Chemical Aust Operations - Chemical	Audit of gas chlorine	1/06/2021	30/06/2021	20.0	20.0	-
Westernport Water	GRWA ICT project	1/11/2020	30/11/2020	18.3	18.3	-
Pitcher Partners Consulting Pty Ltd	Probity services	1/09/2020	30/06/2021	17.4	17.4	-
Adra Group Pty Ltd	Regional Outfall System upgrade designs	1/08/2020	31/05/2021	17.3	17.3	-
Discover EI Solutions Pty Ltd	UWS dashboard development	1/05/2021	30/06/2021	16.7	16.7	-
Bioaction Pty Ltd	Odour investigation	1/05/2021	31/05/2021	16.7	16.7	-
Jacobs Group (Australia) Pty Ltd	Gippsland Water Factory cost estimate	1/01/2021	28/02/2021	14.1	14.1	-
Insync	Customer satisfaction survey	1/11/2020	30/11/2020	13.5	13.5	-
Mott Macdonald Australia Pty Ltd	Operational system plan	1/06/2021	30/06/2021	12.2	12.2	-
Collab It Systems Pty Ltd	Hach WIMS development	1/04/2021	30/04/2021	11.7	11.7	-

For the requirements of FRD 22I, 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
2020-21	8.7	0.1	0.0	0.1
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

Note: BAU = Business as usual.

Disclosure of major contracts

During the reporting period, we did not enter into any major contracts 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.

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 our organisation.

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
- 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.

During the 2020-21 reporting period, we received two 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 through Freedom of Information. Both requests were made within the statutory 30 day time period.

One of the request decisions went to the Office of the Victorian Information Commissioner for review. As at 30 June 2021, this review is still ongoing.

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

Mailed applications can be sent to:
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 \$30.10 effective from 1 July 2021, 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 the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving our decision letter.

More information on Freedom of Information can be found on OVIC's website at ovic.vic.gov.au

Public Interest Disclosure Act 2012

A Public Interest Disclosure (Disclosure) is a complaint of improper conduct by a public officer or a public body. Our organisation 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.

We can't 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've 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

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 2020-21, 112 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) 22I is held at our Traralgon office and is available on request, subject to the *Freedom of Information Act 1982 (Vic)*.

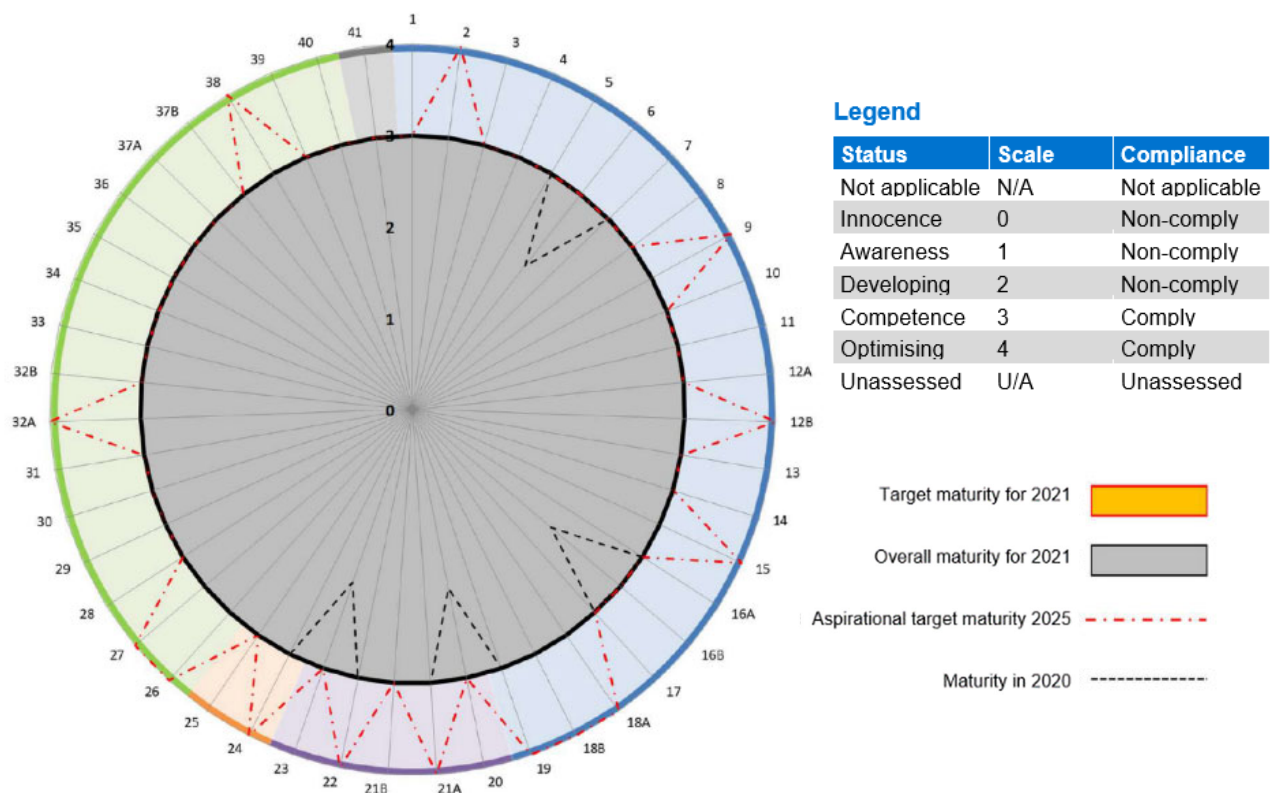
Overseas travel

There was no work-based overseas travel this year.

Asset Management Accountability Framework (AMAF) maturity assessment

Maturity assessment

We have satisfied the attestation requirements of the Asset Management Accountability Framework for the Victoria public sector. All mandatory requirements and improvement actions are in progress, in accordance with our refreshed 2020 Asset Management Strategy, to deliver our aspirational maturity targets, which go beyond conformance with mandatory requirements.



The background shading to Figure S.1 represents the different AMAF lifecycles: **Blue** for Leadership and accountability, **Purple** for Planning, **Orange** for Acquisition, **Green** for Operations and **Grey** for Disposal.

Leadership and accountability (requirements 1-19)

We have met our target maturity level for all requirements within this category. The 2020 maturity assessment identified two areas of developing maturity in this category, regarding the clear documentation of asset management responsibilities (Q6) and setting aspirational maturity targets (Q16B). Improvements have been delivered in both these areas in the last period, supporting an uplift in maturity to level 3 competence.



Planning (requirements 20-23)

We have met our target maturity level for all requirements within this category. The 2020 maturity assessment identified two areas of developing maturity in this category regarding embedding an Asset Management Strategy (Q20) and having an effective process in place for reviewing the effectiveness of risk mitigation measures (Q23). Improvements have been delivered in both these areas in the last period supporting an uplift in maturity to level 3 competence.

Acquisition (requirements 24 and 25)

We have met our target maturity level for all requirements within this category. There are no material non-compliance areas in this category.

Operation (requirements 26-40)

We have met our target maturity level for all requirements within this category. There are no material non-compliance areas reported in this category.

Disposal (requirement 41)

We have met our target maturity level in this category. There are no material non-compliance areas reported in this category.

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 2020-21 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 Price Submission and are aligned with the service standards reported annually to the ESC.

Key Performance Indicators

KPI no.	Key Performance Indicator	Unit of measure	2020-21 Target	2020-21 Actual ¹	2019-20 ²	2018-19 ³	2017-18 ³	2016-17 ³
Water								
1	Unplanned water supply interruptions	Per 100km	19.5	18.24	14.63	19.21	16.92	15.37
2	Average time taken to attend bursts and leaks (priority 1)	Minutes	35	27.56	26.33	28.87	27.69	27.15
3	Average time taken to attend bursts and leaks (priority 2)	Minutes	90	51	55.67	67.00	42.68	60.30
4	Average time taken to attend bursts and leaks (priority 3)	Minutes	1,500	1,011	1,143.28	1,430.40	1,157.95	1,166.79
5	Unplanned water supply interruptions restored within 5 hours	Per cent	98%	98.50%	97.16%	98.30%	98.62%	98.78%
6	Planned water supply interruptions restored within 5 hours	Per cent	90%	98.58%	96.81%	93.46%	97.58%	98.52%
7	Average unplanned customer minutes off water supply	Minutes	10.8	7.46	8.49	13.04	7.99	8.63
8	Average planned customer minutes off water supply	Minutes	21.9	15.66	10.34	14.32	12.22	11.15
9	Average frequency of unplanned water supply interruptions	Number	0.10	0.10	0.09	0.14	0.09	0.10
10	Average frequency of planned water supply interruptions	Number	0.13	0.09	0.05	0.08	0.07	0.08
11	Average duration of unplanned water supply interruptions	Minutes	90	69.32	90.77	93.46	85.16	87.37
12	Average duration of planned water supply interruptions	Minutes	168.40	166.5	195.74	172.80	167.08	141.98
13	Number of customers experiencing more than 5 unplanned water supply interruptions in the year	Number	0	1 ⁴	0	1	0	36
14	Unaccounted for water	Per cent	12%	12.8% ⁵	13.2%	14.7%	14.0%	14.7%

KPI no.	Key Performance Indicator	Unit of measure	2020-21 Target	2020-21 Actual ¹	2019-20 ²	2018-19 ³	2017-18 ³	2016-17 ³
Sewerage								
15	Sewerage blockages	Per 100 km	18	7.14	12.08	12.80	17.41	17.09
16	Average time to attend sewer spills and blockages	Minutes	40	6.48	20.37	26.11	20.64	20.42
17	Average time to rectify a sewer blockage	Minutes	95	65.40	73.84	73.82	76.50	72.67
18	Spills contained within 5 hours	Per cent	98%	100%	100%	100%	100%	100%
19	Customers receiving more than 3 sewer blockages in the year	Number	0	0	0	0	0	0
Customer service								
20	Complaints investigated by Energy and Water Ombudsman Victoria	Per 1,000 customers	0.03	0.01	0	0	0	0.06
21	First point resolution	Per cent	88%	96.93%	97.00%	96.00%	83.71%	83.76%
Additional service standards								
22	Population receiving water meeting E.coli standards	Per cent	100%	99.70% ⁶	100%	100%	100%	100%
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%	100%	93%	100%	100%	100%
25	Total CO2 equivalent emissions	Tonne (000s)	43.1	35.38	34.75	43.73	37.88	37.55
26	Recycled water target	Per cent	25.0%	27.91%	25.80%	32.60%	9.33%	8.46%
27	Bio-solids reuse	Per cent	100%	100%	100%	100%	100%	100%

KPI no.	Key Performance Indicator	Unit of measure	2020-21 Target	2020-21 Actual ¹	2019-20 ²	2018-19 ³	2017-18 ³	2016-17 ³
Our people								
28	No. of significant incidents per month/total number of reports per month	Per cent	1.0%	0.85%	1.19%	1%	2%	2%
29	Lost Time Injury Frequency Rate	Number	< 3	0.0	10.68	3	5	9
30	Total Report to Injury Index	Number	≤ 4	2.62	2.47	2.93	3	2.96
31	No. of reported incidents without injury (near misses) per monthly/total no. of reports per month	Per cent	20%	23.76%	23%	28%	26%	27%
32	Employee Availability	Hours	≤ 34 annually per employee	28.43	30.46	31.95	33.85	32.07

Notes to Key Performance Indicators:

1. 2020-21 Actual – Unaudited data.
2. Previous years' data – Unaudited data.
3. Previous years' data – Audited data.
4. The target of zero was not achieved this year. Number of customers experiencing more than five unplanned water supply interruptions in the year increased by one due to issues with the road authority and the roadworks they were completing over our infrastructure. While completing the roadworks, the road authority's contractor hit our water main on numerous occasions. Each repair required the water main to be isolated. This resulted in the same customers being isolated for the duration of each water main repair. Damage and repairs were completed over a two-month period. The contractor's failure to observe our procedure for working near water mains was addressed with them on each occasion. We have applied our recharge policy to these events.
5. The target of 12% was not achieved this year. This year's result of 12.8% is a reduction from the previous results (2019-20: 13.2%, 2018-19: 14.7%). This target is an ongoing strategic focus for us, particularly the Warragul system due to long term water security needs. We commissioned a detailed independent review of non-revenue water focusing on our Warragul system in 2019-20. In 2020-21 we installed a new flow meter at the Warragul water treatment plant to gain greater accuracy of water supplied, and have developed a IT based water balance tool to better understand water used in this system.
6. As part of our *Safe Drinking Water Act 2003* requirements, a routine water quality compliance sample collected on Monday 21 June 2021 from the Boisdale water supply system was tested for E.coli and returned a result of 1 organisms/100mL. The standard specified in the *Safe Drinking Water Regulations 2015* is 0 orgs/100mL. We investigated the incident and submitted a report to the Department of Health. The response from the Department of Health determined that the detection was a confirmed E.coli, and therefore the Boisdale system was not compliant with the Regulations for the period July 2020 – June 2021. Immediate corrective actions were implemented at the time, with all subsequent samples collected showing no E.coli detections. There was no public health risk to our customers.

Part 8: Year in review

Financial overview

Summary of financial results	2020-21	2019-20	2018-19	2017-18	2016-17
	\$'M	\$'M	\$'M	\$'M	\$'M
Service charges	86.6	85.4	83.5	78.8	75.9
Usage charges	40.0	39.1	41.2	39.3	38.5
Developer contributions	18.5	7.6	18.8	12.3	7.0
Other revenue ⁽ⁱ⁾	15.6	11.9	11.6	11.2	13.1
Total revenue	160.7	144.0	155.1	141.6	134.5
Operations, maintenance & administration	82.8	85.4	79.9	76.4	73.9
Depreciation expenses	47.4	47.0	42.4	39.7	39.9
Environmental contribution	6.0	5.2	5.2	4.6	4.7
Finance expenses	12.0	13.2	13.7	14.0	14.3
Total expenditure	148.2	150.7	141.2	134.7	132.8
Net gain/(loss) on disposal of non-financial assets⁽ⁱ⁾	(1.3)	(2.2)	(3.9)	(5.7)	(0.6)
Net result before tax	11.2	(8.9)	10.0	1.2	1.1
Current assets	38.8	40.3	37.2	32.3	34.9
Non-current assets	1,542.4	1,323.8	1,318.7	1,186.9	1,176.2
Total assets	1,581.2	1,364.1	1,355.9	1,219.2	1,211.1
Current liabilities	47.9	56.1	44.7	100.5	78.3
Non-current liabilities	536.3	457.2	453.2	351.9	374.3
Total liabilities	584.1	513.3	497.9	452.4	452.6
Net assets	997.1	850.8	858.0	766.8	758.5
Net cash flow from operations	40.3	34.0	36.7	41.4	32.9
Payments for capital works	55.7	48.8	45.8	50.4	30.5

- (i) Net gain/(loss) on disposal of non-financial assets have been restated for 2016-17 to 2019-20 as economic flow per the requirements of *AASB 1049 Whole of Government and General Government Sector Financial Reporting*. Net gain/(loss) on disposal of non-financial assets was previously included in other revenue and part of total revenue in 2016-17 to 2019-20.

Financial indicators

Key Performance Indicator	2020-21 Result	2019-20 Result	2018-19 Result	2017-18 Result	2016-17 Result
Cash interest cover (times)	4.37	3.61	3.69	3.98	3.33
Gearing ratio	20.59%	23.20%	21.79%	23.21%	23.12%
Internal financing ratio	72.26%	69.54%	79.75%	82.08%	109.99%
Current ratio	0.92	0.80	0.96	0.34	0.47
Return on Assets ⁽ⁱ⁾	1.57%	0.30%	1.82%	1.25%	1.26%
Return on Equity	0.85%	-0.73%	0.86%	0.11%	0.10%
Earnings Before Interest Tax, Depreciation and Amortisation (EBITDA) margin ⁽ⁱⁱ⁾	43.89%	35.49%	43.56%	40.33%	41.21%

- (i) Return on Assets has been restated for 2019-20 as previous earnings before net interest and tax calculation included interest income when it should have been excluded.
- (ii) Earnings Before Interest Tax, Depreciation and Amortisation (EBITDA) restated for 2019-20 as the total revenue no longer includes net gain/(loss) on disposal of non-financial assets now being recognised as an economic flow.

Total residential bill

Year	Average consumption		200kL Consumption	
	Total bill	Customer bill	Total bill	Customer bill
2020-21	\$1,336.56	\$1,336.56	\$1,407.79	\$1,407.79
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

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

Discussion of key results for the financial year

The financial result at 30 June 2021 is a profit of \$11.2 million which is \$11.9 million favourable to Corporate Plan. This position is driven largely by a favourable result for Income for Capital Purposes of \$11.9 million which includes developer contributions and rechargeable capital works, other income \$3.7 million, unfavourable depreciation expenditure of \$1.6 million and an unfavourable operating expenditure result of \$1.0 million. Our end of year operating position is very positive given the financial risk that was initially posed as likely due to the COVID-19 pandemic.

This higher than expected profit is the result of a number of key issues described below:

Total revenue favourable by \$14.9 million compared to our Corporate Plan with material movements in the following revenue components:

- Our core business revenue is \$3.0 million favourable to budget, which is primarily due to:
 - Other income - \$3.7 million favourable including;
 - \$1.2 million increase in valuation on biological assets.
 - \$0.8 million in additional waste revenue accepted at Gippsland Regional Organics.
 - \$0.7 million increase in water and wastewater connection fees.
 - Service and usage charges \$0.7 million unfavourable to budget.
- Income for Capital Purposes is \$11.9 million favourable to budget due to:
 - Developer Reticulation Extensions (Transfer of Shared Assets) - \$11.1 million favourable; and
 - Rechargeable Works – Capex - \$0.8 million favourable.

Total expenditure unfavourable by \$3.2 million compared to our Corporate Plan with material movements in the following expenditure components:

- Depreciation expenditure \$1.6 million unfavourable to Corporate Plan due to more capitalisations;
- Operations, Maintenance and administration expenditure \$1.0 million unfavourable to budget:
 - The increase in Dutson downs rehabilitation provisions of the Bio-remediation pond and Landfill rehabilitation of \$2.6 million unfavourable to the Corporate Plan; and
 - Favourable reduction of \$1.6 million in expenditure across a number of discretionary operational, maintenance and administrative spend.
- Environmental Contribution unfavourable by \$0.8 million compared to Corporate Plan; and
- Finance expenses favourable to budget by \$0.2 million due to reduced borrowings over the year.

Favourable economic flows of \$0.2 million arising from the net loss on disposed non-financial assets primarily driven by the disposal of used vehicles.

Our net result before tax was a profit of \$11.2 million, \$20.1 million higher than the previous year loss of \$8.9 million. Key variances from the previous year were:

Total revenue increased by \$16.8 million with movements in the following revenue components:

- An increase in developer contributions of \$10.9 million, primarily due to a significant increase in completed developer works across the region, in particular housing development in Warragul and Drouin.

- Increase in core business revenue of \$5.9 million across the following areas;
 - Other income \$3.7 million favourable to previous year;
 - \$1.2 million increase in valuation on biological assets;
 - \$1.2 million increase in waste treated at Gippsland Regional Organics;
 - \$0.7 million increase in wood sales; and
 - \$0.6 million increase in water and wastewater connection fees.
 - Core service and usage charges \$2.2 million favourable to previous year due to increased connections.

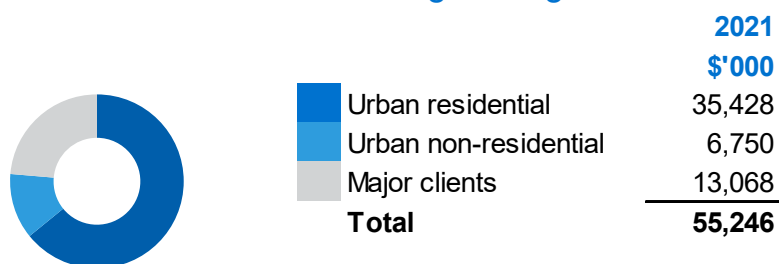
Total expenditure \$2.3 million favourable compared to the previous year with material movements in the following expenditure components:

- A favourable reduction of \$2.5 million in operations, maintenance and administration expenses across a number of discretionary spend;
- A favourable reduction in finance expenses of \$1.1 million;
- An unfavourable increase in the environmental contribution of \$0.8 million; and
- An unfavourable increase in depreciation expenses of \$0.5 million, due to the asset revaluation completed in 2018-19.

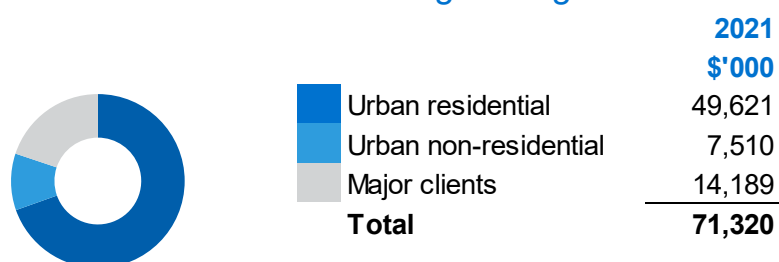
Favourable movement of \$0.9 million in economic flows arising from the net loss on disposed non-financial assets primarily driven by the disposal of used vehicles.

Financial performance and business indicators as at 30 June 2021

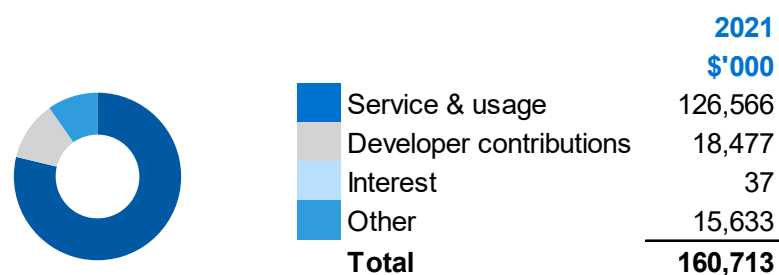
Water income from service & usage charges



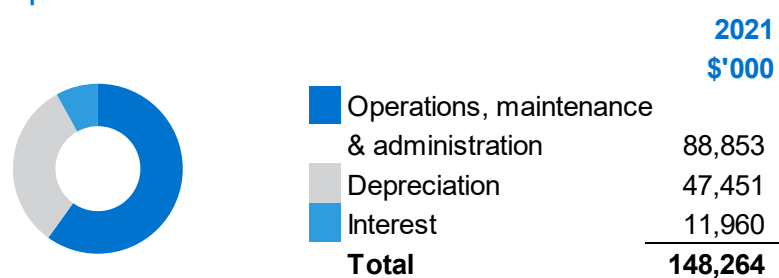
Waste income from service & usage charges



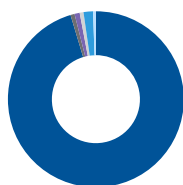
Total income from all sources



Total expenses

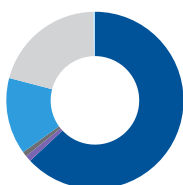


Total assets



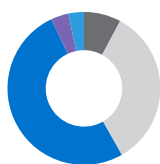
	2021 \$'000
Fixed assets	1,507,544
Cash & investments	11,897
Debtors & receivables	14,984
Inventory & biological	11,288
Other	27,315
Contract assets	8,178
Total	1,581,206

Liabilities & equity



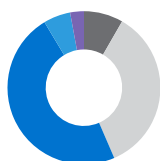
	2021 \$'000
Equity	997,059
Creditors & accruals	17,552
Provisions	14,097
Deferred tax liability	221,595
Borrowings	325,500
Contract liabilities	5,403
Total	1,581,206

Business stream revenue



	2021 %
Bulk	8%
Water	34%
Waste	51%
Organics	4%
Agribusiness	3%
Total	100%

Business stream expenses



	2021 %
Bulk	8%
Water	35%
Waste	48%
Organics	6%
Agribusiness	3%
Total	100%

Part 9: Financial sustainability

Financial performance report for the year ended 30 June 2021

PART 1 - Financial Performance Indicators

KPI no.	Key Performance Indicator	2019-20 result	2020-21 result	2020-21 target	Variance to prior year	Notes	Variance to target	Notes
F1	Cash Interest Cover Net operating cash flows before net interest and tax / net interest payments	3.61	4.37	4.33	21.3%	1a	1.0%	
F2	Gearing Ratio Total Debt (including finance leases) / total assets * 100	23.20%	20.59%	24.60%	11.3%	2a	16.3%	2b
F3	Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure * 100	69.54%	72.26%	65.00%	3.9%		11.2%	3b
F4	Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	0.80	0.92	1.32	14.3%	4a	-30.6%	4b
F5	Return on Assets Earnings before net interest and tax / average assets * 100	0.30%	1.57%	0.80%	414.3%	5a	95.9%	5b
F6	Return on Equity Net profit after tax / average total equity * 100	-0.73%	0.85%	-0.10%	216.0%	6a	946.0%	6b
F7	EBITDA Margin Earnings Before Interest, Tax, Depreciation and Amortisation / total revenue * 100	35.49%	43.89%	39.70%	23.7%	7a	10.5%	7b

Notes

- 1a** Favourable net operating cashflows to prior year of \$6.3M from lower operating payments of \$9.4M offsetting lower receipts \$3.1M; and also net interest payments savings to prior year of \$1.2M. Combined impact of these movements leading to a favourable outcome for this indicator.
- 2a** Favourable due to the increase of prior year borrowings of \$9M being well below the increased total asset value \$217.1M arising materially due to the increment arising from the asset revaluation of \$197.8M. Combined impact of these movements leading to a favourable outcome for this indicator.
- 2b** Favourable due to borrowings being \$13M lower than target; and the \$204.8M increase in total asset value to target due to the increment arising from the asset revaluation of \$197.8M. Combined impact of these movements leading to a favourable outcome for this indicator.
- 3b** Favourable due to \$6.8M savings in net cash flows used in investing activities to target.
- 4a** Total current assets decrease of \$1.5M was offset by \$8.3M decrease in total current liabilities predominantly due to \$11M decrease in short term borrowings. Combined impact of these movements leading to a favourable outcome for this indicator.
- 4b** Unfavourable due to \$19.4M increase in total current liabilities to target. Material increases to target of \$10M in use of short term borrowings and \$11.2M increase in trade and other payables due to higher accruals as at 30 June 2021 balance date. Combined impact of these movements leading to an unfavourable outcome for this indicator.
- 5a** Favourable due to \$18.1M increase in earnings before net interest and tax over prior year. Total average assets increase of \$112.6M predominantly due to increment of \$197.8M arising from the asset revaluation. Combined impact of these movements leading to a favourable outcome for this indicator.
- 5b** Favourable due to \$32.4M increase in earnings before net interest and tax over target. Total average assets increase of \$102.4M predominantly due to increment of \$197.8M arising from the asset revaluation. Combined impact of these movements leading to a favourable outcome for this indicator.
- 6a** Favourable due to \$14.1M increase in net profit after tax over prior year; while average total equity increased by \$69.5M over prior year. Combined impact of these movements leading to a favourable outcome for this indicator.
- 6b** Favourable due to \$14.1M increase in net profit after tax over prior year; while average total equity increased by \$73.9M over prior year. Combined impact of these movements leading to a favourable outcome for this indicator.
- 7a** Favourable due to \$19.4M increase in EBITDA and \$16.7M increase in total revenue against prior year. Combined impact of these movements leading to a favourable outcome for this indicator.
- 7b** Favourable due to \$21.1M increase in EBITDA and \$20.7M increase in total revenue against target. Combined impact of these movements leading to a favourable outcome for this indicator.

PART 2 – Water and Sewerage Service Performance Indicators

KPI no.	Key Performance Indicator	2019-20 result	2020-21 result	2020-21 target	Variance to prior year	Notes	Variance to target	Notes
WS1	Unplanned water supply interruptions 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%	
WS2	Interruption time (minutes) Average duration of unplanned water supply interruptions	90.77	69.32	90.00	23.6%	2a	23.0%	2b
WS3	Restoration of unplanned water supply Unplanned water supply interruptions restored within 5 hours/ total unplanned water supply interruptions * 100	97.16%	98.50%	98.00%	1.4%		0.5%	
SS1	Containment of sewer spills 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%	
SS2	Sewer spills interruptions No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	176	110	216	37.5%	5a	49.1%	5b

Notes

- 2a** The budget of 90 minutes per unplanned water supply interruption was positively impacted in 2020-21. With lower numbers of unplanned interruptions and less minutes required to restore water supply, the time taken has dropped by 20 minutes on average.
- 2b** There were almost 10,000 unplanned water supply interruptions in 2019-20 compared to less than 8,000 in 20-21. With this, the minutes taken to restore these unplanned water supplier were 925,395 in 2019-20 and 549,326 in 2020-21.
- 5a & 5b** In 2020-21 reporting period we achieved 110 out of 111 interruptions restored within target time of 5hrs vs 176 out of 176 interruptions restored within target time of 5hrs in 2019-20 reporting period. For both reporting periods this is less than our target of 216 interruptions.
- This improved result is due to the total number of sewer supply customer-interruptions (Residential) (No.) reported being less in 2020-21 compared to the 2019-20 reporting period.

PART 3 – Customer Responsiveness Performance Indicators

KPI no.	Key Performance Indicator	2019-20 result	2020-21 result	2020-21 target	Variance to prior year	Notes	Variance to target	Notes
CR1	Water quality complaints Number of complaints per 1000 customers	1.89	1.96	2.99	-3.7%		34.4%	8b
CR4	Billing complaints Number of complaints per 1000 customers	2.39	0.87	2.50	63.6%	9a	65.2%	9b

Notes

8b	Continued good performance 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 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	Our Customer Complaint Policy and Framework continues to evolve and identify complaints trends via data analytics. This allows us to proactively implement change that addresses customer pain points. Our complaints handling methodology has delivered a year on year reduction in complaints since it was implemented in 2018-19. Complaints in relation to Billing Complaints have reduced by 63% in comparison to the previous financial year. We attribute the reduction to our customer engagement activity and the newly introduced “How our charges reflect our costs” which now forms part of our welcome letter to new customers.
9b	We continue to see a reduction in complaints via our Complaints Policy and Framework, our proactive response to customer needs and customer engagement, via outbound calls from our customer care team, continues to be a focus for customers experiencing financial difficulties.

PART 4 – Environmental Performance Indicators

KPI no.	Key Performance Indicator	2019-20 result	2020-21 result	2020-21 target	Variance to prior year	Notes	Variance to target	Notes
E1	Effluent re-use volume (end use) Percentage recycled	25.80%	27.91%	25.00%	8.2%	10a	11.6%	10b
E2	Total net CO2 equivalent Total net tonnes CO2 equivalent	34,750	35,385	43,100	-1.8%		17.9%	11b

Notes

- 10a & 10b** Favourable irrigation conditions across our region allowed for more reuse of our treated wastewater, which resulted in a positive variance on both last year and our 2020-21 target results.
- 11b** Despite a minor increase in our reductions compared to the previous year, our ongoing commitment to reducing emissions has ensured that we remain comfortably under our target emissions that were set in 2017-18.

Central Gippsland Region Water Corporation

Certificate of Performance Report 2020-21

We certify that the accompanying Performance Report of Central Gippsland Region Water Corporation in respect of the 2020-21 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 2020-21 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



Wilco Seinen
Chief Financial Officer
Central Gippsland Region Water Corporation

Dated 23 September 2021

VAGO Attestation



Independent Auditor's Report

To the Board of Central Gippsland Region Water Corporation

Opinion	<p>I have audited the accompanying performance report of Central Gippsland Region Water Corporation (the corporation) for the year ended 30 June 2021, which comprises the:</p> <ul style="list-style-type: none">• financial performance indicators• water and sewerage service performance indicators• customer responsiveness performance indicators• environmental performance indicators• certification of performance report. <p>In my opinion, the performance report of Central Gippsland Region Water Corporation for the year ended 30 June 2021, presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the <i>Financial Management Act 1994</i>.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the performance report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance report in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the performance report	<p>The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.</p>

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

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

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

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

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

MELBOURNE
23 September 2021



Paul Martin
as delegate for the Auditor-General of Victoria

Part 10: Financial performance report

Financial report for the year ended 30 June 2021

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Central Gippsland Regional Water Corporation

Comprehensive operating statement for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Revenue and income from transactions			
Revenue from contracts with customers	2.1	160,676	143,919
Interest income	2.2	37	108
Total revenue and income from transactions		160,713	144,027
Expenses from transactions			
Employee benefits	3.1.1	35,043	35,907
Direct operating expenses	3.2	24,878	23,268
Depreciation	4.1.1	46,962	46,415
Amortisation	4.2	489	551
Interest expense	6.1.2	11,960	13,150
Environmental contribution	8.2	5,953	5,181
Repairs and maintenance	3.3	15,796	17,800
Operating expenses	3.4	7,183	8,432
Total expenses from transactions		148,264	150,704
Net result from transactions (net operating balance)		12,449	(6,677)
Other economic flows included in net result			
Net gain/(loss) on disposal of non-financial assets	4.1.5	(1,291)	(2,220)
Total other economic flow included in net result		(1,291)	(2,220)
Net result before income tax		11,158	(8,897)
Income tax expense	8.1.1	3,342	(2,664)
Net result		7,816	(6,233)
Other economic flows - other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Change in asset revaluation reserve	9.1.2	197,810	(1,515)
Income tax relating to components of other comprehensive income	9.1.2	(59,343)	455
Total other economic flows - other comprehensive income		138,467	(1,060)
Comprehensive result		146,283	(7,293)

The accompanying notes form part of these financial statements.

Central Gippsland Regional Water Corporation

Balance sheet as at 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Assets			
Current assets			
Cash and deposits	6.2	10,897	16,622
Receivables	5.1	14,019	12,676
Contract assets	5.2	8,178	5,640
Inventories	5.5	3,726	3,752
Biological assets	5.9	1,079	958
Other financial assets	5.6	-	1
Other non-financial assets	5.7	901	642
Total current assets		38,800	40,291
Non-current assets			
Receivables	5.1	965	1,116
Other financial assets	5.6	1,000	1,000
Infrastructure, property, plant and equipment	4.1.1	1,500,499	1,275,674
Biological assets	5.9	6,483	4,844
Intangibles	4.2	7,045	7,265
Net deferred tax assets	8.1.2	26,414	33,873
Total non-current assets		1,542,406	1,323,772
Total assets		1,581,206	1,364,063
Liabilities			
Current liabilities			
Trade and other payables	5.3	17,552	14,275
Contract liabilities	5.4	5,403	4,645
Employee benefits provision	3.1.2	9,260	9,406
Other provisions	5.8	159	1,311
Interest bearing liabilities	6.1	15,500	26,500
Total current liabilities		47,874	56,137
Non-current liabilities			
Employee benefits provision	3.1.2	881	780
Other provisions	5.8	3,797	-
Interest bearing liabilities	6.1	310,000	290,000
Net deferred tax liabilities	8.1.2	221,595	166,370
Total non-current liabilities		536,273	457,150
Total liabilities		584,147	513,287
Net assets		997,059	850,776
Equity			
Contributed capital	9.1.1	255,971	255,971
Physical asset revaluation reserve	9.1.2	411,335	272,868
Accumulated surplus / deficit	9.1.3	329,753	321,937
Total equity		997,059	850,776

The accompanying notes form part of these financial statements

Central Gippsland Regional Water Corporation

Cash flow statement for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts			
Revenue from contracts with customers		123,253	129,391
Interest received		37	111
Developer contribution fees		1,415	202
Goods and Services Tax received from the ATO		4,839	6,372
Other customer revenue		15,337	11,914
Total receipts		144,881	147,990
Payments			
Payments to suppliers		(50,510)	(58,461)
Payments to employees		(35,361)	(36,019)
Interest and other cost of finance paid		(11,981)	(13,170)
Goods and Services Tax paid to the ATO		(771)	(1,133)
Environmental contribution levy paid		(5,953)	(5,181)
Total payments		(104,577)	(113,963)
Net cash flows from/(used in) operating activities	6.2.1	40,304	34,027
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(55,651)	(48,762)
Proceeds from sale of infrastructure, property, plant & equipment	4.1.1	744	295
Payments for intangible assets	4.2	(122)	(168)
Net cash flows from/(used in) investing activities		(55,029)	(48,635)
Cash flows from financing activities			
Proceeds from borrowings		9,000	21,000
Net cash flows from/(used in) financing activities		9,000	21,000
Net increase/(decrease) in cash and deposits		(5,725)	6,392
Cash and deposits at the beginning of the financial year		16,622	10,230
Cash and deposits at the end of the financial year	6.2	10,897	16,622

The accompanying notes form part of these financial statements

Central Gippsland Regional Water Corporation

Statement of changes in equity for the year ended 30 June 2021

	Notes	Contributed capital \$'000	Physical asset revaluation reserve \$'000	Accumulated surplus / deficit \$'000	Total equity \$'000
Balance at 1 July 2019		255,971	273,928	328,170	858,069
Net result for the year		-	-	(6,233)	(6,233)
Other comprehensive income	9.1.2	-	(1,060)	-	(1,060)
Balance at 30 June 2020		255,971	272,868	321,937	850,776
Balance at 1 July 2020		255,971	272,868	321,937	850,776
Net result for the year		-	-	7,816	7,816
Other comprehensive income	9.1.2	-	138,467	-	138,467
Total comprehensive income		-	138,467	7,816	146,283
Balance at 30 June 2021		255,971	411,335	329,753	997,059

The accompanying notes form part of these financial statements.



Central Gippsland Regional Water Corporation Notes to and forming part of the Financial Report for the year ended 30 June 2021

Introduction

The Central Gippsland Regional 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.

Advisors to Gippsland Water

The key advisors to Gippsland 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 Gippsland

The External Auditors to Gippsland Water are the Victorian Auditor-General's Office.

This financial report was approved and authorised for issue by the Board on 6 September 2021.



Central Gippsland Regional Water Corporation

Notes to and forming part of the Financial Report for the year ended 30 June 2021

Note 1 ABOUT THIS REPORT

Basis of preparation

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 2021.

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.

Compliance Information

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. In particular, they are presented in a manner consistent with the requirements of *AASB 1049 Whole of Government and General Government Sector Financial Reporting (AASB 1049)*. The Corporation is a not-for-profit entity for the purpose of preparing the financial statements. Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied.

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.

Historical cost convention

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

Comparative information

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

Accounting estimates

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

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

Significant judgement and estimation area	Note number
Accrued water usage charges	5.2
The fair value of land, buildings, infrastructure, plant and equipment	7.3
Estimation of useful life	4.1
Impairment of assets	4
Employee benefit provisions	3.1.2
Actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates	3
Determining whether the performance obligations are sufficiently specific so as to determine whether the arrangement is within the scope of AASB 15 <i>Revenue from Contracts with Customers</i> (AASB 15) or AASB 1058 <i>Income of not-for-profit entities</i> (AASB 1058)	2.1
The timing of satisfaction of performance obligations	2
Determining transaction price and amounts allocated to performance obligations	2
Provisions for future costs of site rehabilitation.	5.8
Current tax payable, current tax expense and deferred tax assets and liabilities.	8.1.1 and 8.1.2
Fair values of biological assets and impairment assessments.	7.3.2
Fair values of contingent liabilities and assets.	7.3

COVID-19

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

The consequential impacts on Central Gippsland Regional Water Corporation have included, but are not limited to:

- ensuring a strong response and putting provisions in place to continue to provide essential water and sewerage services for Central Gippsland Regional Water Corporation customers
- support for employees transitioning to working from home
- uplifting our IT network capability to support remote working
- supporting customers experiencing financial difficulties through arrangements such as our hardship program, more time to pay arrangements and payment plans

The following financial statement areas have been affected by COVID-19:

- operating expenses including but not limited to additional cleaning and disinfection requirements (Note 3.4)
- employee benefits included a working from home allowance (Note 3.1.1)
- significant valuation uncertainty in fair value of infrastructure, property, plant and equipment (Note 4.1.2)
- impairment of contractual and statutory receivables additional allowance in the expected credit loss (Note 5.1.1)
- payables accelerated payments to support local economy as directed by Victorian Government (Note 5.3)

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

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

Central Gippsland Regional Water Corporation

Notes to and forming part of the Financial Report for the year ended 30 June 2021

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.

The Corporation supplies fresh drinking water to 73,641 customers and wastewater services to 66,195 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. The Corporation's 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 Gippsland Regional Agribusiness (GRA) and Gippsland Regional Organics (GRO). These businesses have been rebranded to reflect their services and to represent cohesiveness to the outside world. Agribusiness is now known as Gippsland Regional Agribusiness (GRA) and the Soil and Organics Recycling Facility (SORF) is now Gippsland Regional Organics (GRO). These commercial businesses are an integral part of what we do and provide benefit for us, our customers and Victoria 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 (Gippsland Regional Agribusiness) and also as Waste charges prescribed and non-prescribed (Gippsland Regional Organics).

Revenue and income that fund delivery of the Corporation's services are accounted for consistently with the requirements of the relevant accounting standards disclosed in the following notes.

Note contents

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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 5.2). Where the performance obligations are satisfied but not yet billed, a contract asset is recorded (refer Note 5.4).

	Notes	2021 \$'000	2020 \$'000
Revenue from service, usage and trade waste charges	2.1.1	126,566	124,520
Developer contributions	2.1.2	18,477	7,580
Other revenue	2.1.3	15,633	11,819
Total revenue from contracts with customers		160,676	143,919

2.1.1 Revenue from service, usage and trade waste charges

	2021 \$'000	2020 \$'000
<i>Service charges</i>		
Water	21,530	21,177
Wastewater	64,799	63,949
Trade waste	289	284
Total service charges	86,618	85,410
<i>Usage charges</i>		
Water	33,716	32,310
Wastewater	6,232	6,800
Total usage charges	39,948	39,110
Total revenue from service and usage charges	126,566	124,520

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

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Service charges (water, wastewater and trade waste)	Service charges are billed three times a year based on a fixed fee. 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.	Revenue is recognised over time as service is provided.
Usage charges and wastewater	Usage charges are billed three times a year in arrears. The Corporation has the right to receive an amount of consideration based on the unit of water consumed by and wastewater and recycled water disposed of during the financial year at the regulated price. Usage charges are accrued based of a best estimate of expected usage in the current bill period, and contract assets are booked.	Revenue is recognised over time as service is provided.

Contract assets and liabilities have been disclosed in notes 5.2 and 5.4.

2.1.2 Developer contributions

	2021 \$'000	2020 \$'000
Developer contributed assets ⁽ⁱ⁾	17,167	7,475
Assets funded by developers and contributions received	1,310	105
Total developer contributions	18,477	7,580

Notes:


- (i) Increased 2020-21 developer contributions are primarily due to a significant increase in completed developer works across the region, in particular housing development in Warragul and Drouin.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Developer contributed assets	<p>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.</p> <p>Depending on the type of developer application, this can result in the performance obligation being satisfied:</p> <ul style="list-style-type: none"> when the Practical Acceptance Certificate is issued to the customer, or when the customer is connected to our infrastructure network for the provision of water and sewerage services when no Practical Acceptance Certificate is required to be issued. <p>Revenue is recognised at fair value and is based on the costs provided by the developer with additions for consultants.</p>	Revenue is recognised at a point in time.

2.1.3 Other revenue

	2021 \$'000	2020 \$'000
Waste charges (prescribed and non-prescribed)	5,838	4,292
Agricultural pursuits	5,051	3,247
Operating fees	2,421	1,928
Rechargeable works	1,181	867
Miscellaneous fees	372	582
Salary sacrifice contributions	482	517
Workcover refunds received	76	128
Diesel fuel rebate	98	104
Liquidated damages	37	79
External service provision	77	75
Total other revenue	15,633	11,819

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Waste Charges (prescribed and non-prescribed)	Revenue is recognised when the Corporation has completed its performance obligations. Fees and charges represent a variety of services provided by the Corporation such as processing of application fees and making new connections or alterations to the corporation's network. The Corporation uses pricing principles to calculate the price of individual services rather than direct regulation by the Essential Services Commission. The charges are payable within 30 days.	Revenue is deferred and recognised over the period over which goods and services are provided to the customer.
Agricultural sales, rechargeable works and operating fees	Performance obligation 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.	Revenue from other services rendered is recognised when or as performance obligations are satisfied.



Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Other revenue including miscellaneous fees, salary sacrifice contributions, workcover refunds received, diesel fuel rebate, liquated damages and external service provision	Revenue from these activities is recognised in the period in which the service is rendered.	Revenue is deferred and recognised over the period over which goods and services are provided to the customer.

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

2.1.4 Timing of recognition of revenue from customers

We derive revenue from the transfer of goods and services at both a point in time and over time for the following charges.

	Service charges			Usage charges		Developer contributions		Other revenue	Total revenue from contracts with customers \$'000
	Water \$'000	Wastewater \$'000	Trade waste \$'000	Water \$'000	Wastewater \$'000	Developer contributed assets \$'000	Assets funded by developers and contributions received \$'000	Other Revenue \$'000	
2021									
At a point in time						17,167	1,310		18,477
Over Time	21,530	64,799	289	33,716	6,232			15,633	142,199
Total	21,530	64,799	289	33,716	6,232	17,167	1,310	15,633	160,676
2020									
At a point in time						7,475	105		7,580
Over Time	21,177	63,949	284	32,310	6,800			11,819	136,339
Total	21,177	63,949	284	32,310	6,800	7,475	105	11,819	143,919

2.2 Interest income

	2021 \$'000	2020 \$'000
Interest from financial assets not at fair value through profit and loss		
Interest on bank deposits	18	78
Interest from Westpac (TCV 2019) investments	6	14
Interest from tariff/private scheme	13	15
Total interest income	37	108

Interest income includes interest received on bank term deposits and other investments. Interest income is recognised using the effective interest method, which allocates the interest over the relevant period. Although other investment options could provide better returns, we are governed by investment protocols set by the Victorian Government.



Central Gippsland Regional Water Corporation

Notes to and forming part of the Financial Report for the year ended 30 June 2021

Note 3 THE COST OF DELIVERING SERVICES

Introduction

This section provides additional information about how the expenses are incurred by the Corporation in delivering services and outputs and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

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3.1 Expenses incurred in delivery of services

	Notes	2021 \$'000	2020 \$'000
Employee benefit expenses	3.1.1	35,043	35,907
Direct operating expenses	3.2	24,881	23,270
Repairs and maintenance	3.3	15,796	17,800
Operating expenses	3.4	7,180	8,430
Total expenses incurred in delivery of services		82,900	85,407

3.1.1 Employee benefits in the comprehensive operating statement

	2021 \$'000	2020 \$'000
Salaries and wages, annual leave and long service leave ⁽ⁱ⁾	31,108	31,863
Superannuation	2,643	2,576
Other	1,292	1,468
Total employee benefit costs	35,043	35,907

Notes:

- (i) Salaries and wages, annual leave and long service leave includes an economic flow included in the net result derived from the long service leave discount rate of \$0.202M.

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

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

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

Termination benefits are payable when employment is terminated before 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 provision in the 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.

	2021 \$'000	2020 \$'000
Current provisions:		
Employee benefits	146	178
<i>Annual leave</i>		
Unconditional and expected to settle within 12 months	2,807	2,583
Unconditional and expected to settle after 12 months	407	385
<i>Long service leave</i>		
Unconditional and expected to settle within 12 months	549	573
Unconditional and expected to settle after 12 months	4,313	4,614
<i>Provisions for on-costs</i>		
Unconditional and expected to settle within 12 months	412	398
Unconditional and expected to settle after 12 months	626	674
Total current provisions for employee benefits	9,260	9,406
Non-current provisions:		
Employee benefits	777	687
On-costs	104	93
Total non-current provisions for employee benefits	881	780
Total provisions for employee benefits	10,141	10,186

Reconciliation of movements in on-cost provisions

	2021 \$'000
Current provisions	
Annual leave and long service leave	
Opening balance	1,072
Additional provisions recognised	(34)
Closing balance - current	1,038
Non-current provisions	
Long service leave	
Opening balance	93
Additional provisions recognised	11
Closing balance - non-current	104

Wages and salaries and annual leave

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

Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised 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.

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 we do 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 as an economic flow.

Performance payments

The performance payment program was discontinued effective 30 June 2020. Previously, performance payments for the Corporation's Executive Officers were based on a percentage of the annual salary package provided under their contract(s) of employment. The remaining performance payments arrangements were discontinued effective 30 June 2020. There are no outstanding residual performance payments as at 30 June 2021.

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.

Contributions by the Corporation (excluding unfunded liability payments) to the superannuation plans for the financial year ended 30 June 2021 and 30 June 2020 are detailed below:

Fund	Type of scheme	Rate (%)	2021 \$'000	2020 \$'000
Vision Super - Defined Benefits	Defined benefits	9.5% - 12.5%	130	157
Vision Super - Super Saver	Accumulation	9.5%	1,269	1,300
Other Superannuation Funds	Accumulation	9.5%	1,244	1,255
Total			2,643	2,712
			2021	2020
			\$	\$
Unfunded liability payments to Vision Super			-	-
Contributions outstanding to Vision Super			-	-
Expected contributions to be paid to Vision Super			-	-

There were no contributions outstanding to the above schemes as at 30 June 2021.

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 2021, this was 9.5% as required under Superannuation Guarantee Legislation).

Defined benefit fund

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 group in the new 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 *Employee Benefits* (AASB 119).

Funding arrangements

The Corporation makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. 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 2021 interim actuarial investigation

An actuarial investigation is conducted annually for the Defined Benefit category. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. A full investigation was conducted as at 30 June 2020. The result for the interim investigation for 30 June 2021 will be available October 2021. The vested benefit index (VBI) was 109.7%. Because the VBI was above 100%, the interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

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

	2021	2020
Net investment returns	5.6% p.a.	5.6% p.a.
Salary information	2.5% p.a. for 2 years and 2.75% p.a. thereafter	2.5% p.a. for 2 years and 2.75% p.a. thereafter
Price inflation (CPI)	2.0% p.a.	2.0% p.a.

Vision Super has advised that the estimated VBI at 30 June 2021 was 109.7%.

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

	2021 \$m	2020 \$m
VBI surplus/(deficit)	97.6	151.3
Total service liability surplus/(deficit)	200.0	233.4

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2021.

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

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 Prudential Standard SPS 160 *Defined Benefit Matters* (SPS160) 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.

3.2 Direct operating expenses

	2021 \$'000	2020 \$'000
Energy	4,277	4,475
Chemicals	3,844	3,437
Agricultural costs	1,909	2,559
GRO costs	1,506	1,828
Consultants' fees	1,664	1,735
Sampling and testing	1,695	1,706
Operational overhead costs	1,814	1,499
Water purchases and cartage	1,126	1,264
Fleet	1,042	1,091
Sludge removal and transport	1,033	908
Rehabilitation costs	2,708	760
Modelling, investigation and decision making tools	766	646
Other operational costs	697	597
Meter reading services	444	461
EPA licence fee	353	361
Capitalisation of operational expenses	-	(61)
Total direct operating expenses	24,878	23,268

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 as per details in Note 5.8.

3.3 Repairs and maintenance

	2021 \$'000	2020 \$'000
Major maintenance	3,813	4,435
Mechanical and Electrical corrective maintenance	2,725	3,097
Building, land and site maintenance	1,790	2,006
Other contract works	1,924	1,993
Mechanical and Electrical preventative maintenance	1,551	1,564
Other sewer maintenance	1,043	1,431
Maintenance agreements and contractor payments	1,208	1,394
Other repairs and maintenance	683	968
Other water maintenance	930	818
Corrective maintenance	129	95
Total repairs and maintenance	15,796	17,800

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.

3.4 Administrative and other operating expenses

	2021 \$'000	2020 \$'000
Maintenance agreements and contractor payments	852	1,559
Licence fees	1,261	1,193
Billing and revenue collection costs	832	927
Other repairs and maintenance	530	798
Land and building costs	662	769
Utilities, rates and other services	584	700
Other administration costs	524	592
Insurance premiums or claims	492	386
Legal fees	271	245
Auditors' remuneration	247	235
Consultants' fees	181	218
Fleet	90	216
Membership fees	136	207
Environmental offsets	148	207
Community engagement and development costs	237	206
Expected credit loss on receivables	133	(29)
Low-value lease expenses	3	2
Total administrative and other operating expenses	7,183	8,432

Operating expenses generally represent the day-to-day running costs incurred in normal operations. They are expensed in the period in which they are incurred.

Short-term leases and leases of low-value assets

The Corporation has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.



Central Gippsland Regional Water Corporation

Notes to and forming part of the Financial Report for the year ended 30 June 2021

Note 4 KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction

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

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4.1 Infrastructure, property, plant and equipment

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

	Land \$'000	Buildings \$'000	Water infrastructure \$'000	Wastewater infrastructure \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Capital works in progress \$'000	Total \$'000
Year ended 30 June 2021								
Opening net book amount – 1 July 2020	43,308	13,824	514,329	629,545	7,621	5,671	61,374	1,275,672
Additions ⁽ⁱⁱ⁾	-	-	4,603	10,303	-	-	61,579	76,485
Disposals	-	-	(739)	(510)	(118)	(666)	-	(2,033)
Transfer between asset classes	279	852	15,865	19,338	2,178	2,043	(41,029)	(474)
Revaluation	10,302	736	40,094	146,679	-	-	-	197,811
Depreciation charge	-	(741)	(18,789)	(24,631)	(1,773)	(1,028)	-	(46,962)
Closing net book amount	53,889	14,671	555,363	780,724	7,908	6,020	81,924	1,500,499
Total as at 30 June 2021 represented by:								
Gross book value	53,889	14,789	555,965	781,469	22,621	9,522	81,924	1,520,179
Accumulated depreciation ⁽ⁱ⁾	-	(118)	(602)	(745)	(14,713)	(3,502)	-	(19,680)
Net book value as at 30 June 2021	53,889	14,671	555,363	780,724	7,908	6,020	81,924	1,500,499

Notes:

- (i) As a result the 2021 VGV Asset Revaluation process accumulated depreciation of revalued assets was netted off against costs and fair values were updated nett of depreciation. The netting-off was performed under the provisions of FRD103I. This brought the accumulated depreciation down for the 2020 year.
- (ii) Additions for water and wastewater infrastructure reflect the owner cost works (gifted assets by developers)

	Land \$'000	Buildings \$'000	Water infrastructure \$'000	Wastewater infrastructure \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Capital works in progress \$'000	Total \$'000
Year ended 30 June 2020								
Opening net book amount - 1 July 2019	43,315	12,604	517,676	633,024	7,587	5,325	49,813	1,269,343
Additions ⁽ⁱ⁾	-	-	1,768	5,706	-	-	51,564	59,038
Disposals	(11)	-	(770)	(1,390)	-	(344)	-	(2,515)
Transfer between asset classes ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	4	1,936	15,411	16,560	2,072	1,607	(40,003)	(2,414)
Revaluation	-	-	(1,365)	-	-	-	-	(1,365)
Depreciation charge	-	(716)	(18,391)	(24,355)	(2,037)	(916)	-	(46,415)
Closing net book amount	43,308	13,824	514,329	629,545	7,621	5,671	61,374	1,275,672
Total as at 30 June 2020 represented by:								
Gross book value	43,308	14,565	533,706	655,374	20,851	9,145	61,374	1,338,323
Accumulated depreciation	-	(740)	(19,378)	(25,828)	(13,231)	(3,474)	-	(62,652)
Net book value as at 30 June 2020	43,308	13,824	514,329	629,545	7,621	5,671	61,374	1,275,672

- Notes:
- (i) Additions for water and wastewater infrastructure reflect the owner cost works (gifted assets by developers & VicRoads).
 - (ii) Prior year capex of \$0.032M was written off on the Comprehensive Operating Statements in 2019-20.
 - (iii) 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.

4.1.2 Initial recognition and subsequent measurement

Infrastructure, property, plant and equipment

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

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. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset). Refer to Note 7.3.2 for fair value disclosures.

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.

Items with a cost or value in excess of \$500 (2020: \$500) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

Motor Vehicles

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

Revaluation of infrastructure, property, plant and equipment

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

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

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

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

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

4.1.3 Accounting for revaluation movements

Infrastructure, property, plant and equipment

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

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

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

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

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

Biological assets

An increase or decrease in the fair value of these biological assets is recognised in the comprehensive operating statement as an 'other economic flow'. The accounting treatment for biological assets is disclosed in Note 5.9.

4.1.4 Depreciation and impairment

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
Infrastructure			
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	-
Other assets			
Motor vehicles	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		

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

Indefinite life assets

Land, earthworks and land under declared roads 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.

Impairment

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

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

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

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

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

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

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:

	2021 \$'000	2020 \$'000
Proceeds from disposal of assets	743	295
Written down value (WDV) of assets disposed	(2,034)	(2,515)
Net gain/(loss) on economic flow	(1,291)	(2,220)

4.2 Intangible assets

Intangible assets	Water entitlements \$'000	Software costs \$'000	Large generation certificates \$'000	Works in progress \$'000	Total \$'000
Year ended 30 June 2020					
Opening net book amount - 1 July 2019	4,500	601	211	160	5,473
Additions	-	-	76	168	244
Disposals	-	-	(220)	-	(220)
Transfer between asset classes ⁽ⁱ⁾	-	2,464	-	(155)	2,309
Gain/(loss) on LGC spot price movement ⁽ⁱⁱ⁾	-	-	10	-	10
Amortisation	-	(551)	-	-	(551)
Closing net book amount	4,500	2,514	77	174	7,265
Total as at 30 June 2020 represented by:					
Cost	4,500	8,117	77	174	12,868
Accumulated amortisation	-	(5,603)	-	-	(5,603)
Net book value as at 30 June 2020	4,500	2,514	77	174	7,265
Year ended 30 June 2021					
Opening net book amount - 1 July 2020	4,500	2,514	77	174	7,265
Additions	-	-	76	122	198
Disposals	-	-	-	-	-
Transfer between asset classes	-	263	-	(199)	64
Gain/(loss) on LGC spot price movement ⁽ⁱⁱ⁾	-	-	7	-	7
Amortisation	-	(489)	-	-	(489)
Closing net book amount	4,500	2,288	160	97	7,045
Total as at 30 June 2021 represented by:					
Cost	4,500	8,380	160	97	13,137
Accumulated amortisation	-	(6,092)	-	-	(6,092)
Net book value as at 30 June 2021	4,500	2,288	160	97	7,045

Notes:

- (i) \$2.309M was transferred from Infrastructure WIP (refer Note 4.1.1) in 2019-20.
- (ii) LGCs are being carried at Fair Value – this is different to the rest of the accounting policies for intangibles.

Recognition and measurement

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

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

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

- 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.

Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with indefinite useful lives are not amortised. However, all intangible assets are assessed for impairment annually as outlined below.

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.

Impairment of intangible assets

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified

The policy in connection with testing for impairment is outlined in section 4.1.4.

Permanent Water Entitlements

Permanent water entitlements (Bulk water entitlement in Blue Rock Lake) acquired after 1 July 2013 are recognised as an intangible asset 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 prior to 1 July 2013 are not recorded on the Balance Sheet as an intangible asset, as they cannot be reliably measured.

Website Costs

Costs in relation to websites controlled by the Corporation are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefits. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs incurred in building or enhancing a website, to the extent that they represent probable future economic benefits controlled by the Corporation that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits, which vary from three to five years.

A summary of the policies applied to our intangible assets is as follows:

	Computer software	Water licences	Water entitlements	Large generation certificates
Useful lives	1 – 10 years	99 years	Indefinite	Indefinite
Amortisation method used	Straight-line	Straight-line	Not amortised or revalued	Not amortised and revalued each quarter based on market spot price.
Internally generated/acquired	Internally generated and acquired	Acquired	Acquired	Internally generated
Impairment test/Recoverable amount testing	Annually and where an indicator of impairment exists	Annually and where an indicator of impairment exists	Not reviewed	Quarterly and where an indicator of impairment exists

Central Gippsland Regional Water Corporation

Notes to and forming part of the Financial Report for the year ended 30 June 2021

Note 5 OTHER ASSETS AND LIABILITIES

Introduction

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

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5.1 Receivables

	2021 \$'000	2020 \$'000
Current		
<i>Contractual</i>		
Private schemes unmatured capital	91	92
Services and usage charges	13,010	11,392
Allowance for expected credit losses	(603)	(470)
Loans to third parties	47	44
<i>Statutory</i>		
GST input tax credit recoverable	1,474	1,619
Total current receivables	14,019	12,676
Non-current		
<i>Contractual</i>		
Private schemes unmatured capital	862	966
Loans to third parties	103	150
<i>Statutory</i>		
Total non-current receivables	965	1,116
Total receivables	14,984	13,792

Receivables consist of:

Receivable	Initial measurement	Subsequent measurement
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. 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.	Classified as financial instrument and measured at amortised cost using the effective interest method, less any impairment.
Contractual receivables (other receivables and loans)	Recognised at fair value plus any directly attributable transaction costs. The Corporation holds contractual receivables with the objective of collecting the contractual cash flows. Loans to third parties can arise from new water supply pipelines and wastewater systems, where customers have long term payment arrangements.	Classified as financial instrument and measured at amortised cost using the effective interest method, less any impairment.
Contractual receivables (service and usage charges)	Measured at transaction price, unless they contain a significant financing component, when they are recognised at fair value. The Corporation does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Contractual receivables are due for settlement no more than 30 days from date of recognition	Classified as financial instrument and measured at amortised cost less any expected credit loss.
Statutory receivables	Recognised at fair value plus any directly attributable transaction costs.	Not classified as financial instrument and measured at amortised cost less any expected credit loss.

The carrying amount at amortised cost is the reasonable approximation of fair value.

5.1.1 Impairment of contractual receivables

The Corporation applies the AASB 9 simplified approach to measure 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 2021 was determined as follows for receivables – service and usage charges and other receivables:

30 June 2021	Current	More than 90 days past due	More than 120 days past due	More than 180 days past due	More than 365 days past due	More than 730 days past due	Total
Expected loss rate	1%	8%	7%	15%	32%	24%	
Gross carrying amount - receivables from service and usage charges	10,049	259	729	653	752	568	13,010
Loss allowance	61	20	50	99	238	135	603

30 June 2020	Current	More than 90 days past due	More than 120 days past due	More than 180 days past due	More than 365 days past due	More than 730 days past due	Total
Expected loss rate	1%	9%	14%	16%	28%	17%	
Gross carrying amount - receivables from service and usage charges	9,114	242	413	665	529	429	11,392
Loss allowance	59	23	56	108	150	74	470

Receivables from service and usage charges are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan, and a failure to make contractual payments for a period of greater than 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.

5.1.2 Reconciliation of the expected credit loss allowance

	2021 \$'000	2020 \$'000
Opening balance 1 July	(470)	(499)
Increase in provision recognised in the net result	(133)	-
Reversal of unused provision recognised in the net result	-	29
Balance as at 30 June	(603)	(470)

The expected credit loss allowance is calculated based on debtor days and we then apply an expected default rate based on historical expected credit losses and forward looking estimates.

We have increased the allowance for doubtful debts by \$0.13 million to reflect risks and uncertainties brought about by the COVID-19 pandemic. Should the macroeconomic assumptions change in the future, it could have a material impact on our allowance for doubtful debts in the subsequent years.

Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

5.2 Contract assets

	2021 \$'000	2020 \$'000
Service and usage charges	4,911	5,640
Developer contributions	2,260	-
Other	1,007	-
Total contract assets	8,178	5,640
<i>Represented by</i>		
Current contract assets	8,178	5,640
		Service and usage charges
Opening balance as at 1 July 2020		5,640
Less: Amounts billed during the year		(5,640)
Add: Amount accrued at year end (to be billed)		4,911
Carrying amount as at 30 June 2021		4,911

Contract asset	Description	Recognition
Contract assets - 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 billed.	Usage charges are all recognised as revenue when the service or other goods have been provided. The contract assets are transferred to contractual receivables when the rights become unconditional. This usually occurs when the Corporation issues a bill to the customer.

Accrued revenue

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 \$3,738,395 (2020: \$3,578,956) for residential customers and \$1,172,334 (2020: \$1,105,343) for non-residential customers water and wastewater, by multiplying the number of days since the last reading by each customer's average service usage.

5.3 Payables

	2021 \$'000	2020 \$'000
Current		
<i>Contractual</i>		
Trade creditors	353	1,128
Accrued expenses	14,643	10,982
<i>Other</i>		
Security deposits	1,606	1,088
Retentions	760	859
Other	(65)	(26)
Total	17,297	14,031
<i>Statutory</i>		
GST payable	150	143
Other government payables	105	100
Total	255	243
Total current payables	17,552	14,275
Non-current		
Total non-current payables	-	-
Total trade and other payables	17,552	14,275

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 pandemic in March 2020 by the Victorian government.

5.3.1 Ageing analysis of contractual payables

	Carrying amount \$'000	Nominal amount \$'000	Maturity dates			
			Less than 1 month \$'000	1 - 3 months \$'000	3 months - 1 year \$'000	1 - 5 years \$'000
30 June 2021						
Trade and sundry creditors	353	353	353	-	-	-
Accrued expenses	14,643	14,643	14,643	-	-	-
Other payables	2,301	2,301	2,301	-	-	-
Total	17,297	17,297	17,297	-	-	-
	Carrying amount \$'000	Nominal amount \$'000	Less than 1 month \$'000	1 - 3 months \$'000	3 months - 1 year \$'000	1 - 5 years \$'000
30 June 2020						
Trade and sundry creditors	1,128	1,128	1,128	-	-	-
Accrued expenses	10,982	10,982	10,982	-	-	-
Other payables	1,921	1,921	1,921	-	-	-
Total	14,031	14,031	14,031	-	-	-

5.4 Contract liabilities

	2021 \$'000	2020 \$'000
Customers paid in advance	5,403	4,645
Total contract liabilities	5,403	4,645
<i>Represented by</i>		
Current contract liabilities	5,403	4,645
	Service usage charges - customer paid in advance \$'000	Total \$'000
Carrying amount as at 1 July 2019	3,755	3,755
Contract liabilities recognised in the reporting period	890	890
Closing balance at 30 June 2020	4,645	4,645
Add: Payments received in advance for provision of goods and services	758	758
Total contract liabilities at 30 June 2021	5,403	5,403

Contract liabilities	Description	Recognition
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 yet to be performed by the Corporation to settle the terms of receipt of income. This relates to residential customer in advance payments made prior to billing	Recognised as revenue, once the corporation has performed the performance obligations associated with the payments.

5.5 Inventories

	2021 \$'000	2020 \$'000
Current		
<i>Stores and consumables - at cost</i>		
Raw materials	3,726	3,752
Total current inventories	3,726	3,752
Total inventories	3,726	3,752

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.

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.

5.6 Other financial assets

	2021 \$'000	2020 \$'000
Current		
Other	-	1
Total current other financial assets	-	1
Non-current		
Westpac investment deposit - environmental bond	1,000	1,000
Total non-current other financial assets	1,000	1,000
Total other financial assets	1,000	1,001

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/or site closure and post closure 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.

Amounts held by the Corporation with a maturity of three months or more are disclosed as 'Other financial assets'.

5.7 Other non-financial assets

	2021 \$'000	2020 \$'000
Current		
Prepayments	901	642
Total other non-financial assets	901	642

Other non-financial assets include prepayments which 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.

5.8 Other provisions

	2021 \$'000	2020 \$'000
Current		
Bioremediation pond rehabilitation	159	700
Landfill site rehabilitation	-	611
	159	1,311
Non-current		
Bioremediation pond rehabilitation	3,041	-
Landfill site rehabilitation	756	-
	3,797	-
Total other provisions	3,956	1,311

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 reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the 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 a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received, and the amount of the receivable can be measured reliably.

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 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 and further assessments and reviews were completed in 2021. Closure works will commence in 2021 and further analysis and monitoring will be completed in consultation with technical experts and the environmental regulators. For 30 June 2021, we have increased the provision to \$3.2M based on these works to be undertaken in 2021 and future years.

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 4-5 years (2024/25). 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 2021, we have increased the provision to \$756,000 based on estimations received for the cost for final capping and reinstatement in future years.

5.8.1 Reconciliation of movement in other provisions

	Bioremediation pond rehabilitation \$'000	Landfill site rehabilitation \$'000	Total \$'000
Opening balance as at 1 July 2019	304	247	551
Additional provisions recognised	396	364	760
Carrying amount as at 30 June 2020	700	611	1,311
Opening balance as at 1 July 2020	700	611	1,311
Additional provisions recognised	2,586	165	2,751
Reduction arising from payments/other sacrifices of future economic benefits	(86)	(20)	(106)
Carrying amount as at 30 June 2021	3,200	756	3,956

5.9 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.

5.9.1 Crops and plantations

Biological asset	Measurement basis	Quantities		Carrying amount	
		2021	2020	2021 \$'000	2020 \$'000
Consumable assets					
<i>Mature assets</i>					
<i>Fodder</i>					
Silage	Bales	3,558	4,884	215	316
Hay	Bales	555	676	40	78
<i>Crops</i>					
Feed mixed grain	Tonnes	320	-	99	-
Total consumable assets (CA1)		4,433	5,560	354	394
Non-bearer assets					
<i>Immature assets (plantation)</i>					
Softwood pinus radiata	Hectares	542	537	3,871	2,950
Total non-bearer assets (NCA1)		542	537	3,871	2,950

5.9.2 Livestock

Biological asset	Measurement basis	Quantities		Carrying amount	
		2021	2020	2021	2020
				\$'000	\$'000
Consumable assets					
Immature assets					
Mixed sex calves and weaners	Headcount	414	389	725	564
Mature assets					
Total consumable assets (CA2)		414	389	725	564
Bearer assets					
Immature assets					
Heifers	Headcount	427	154	679	216
Mature assets					
Cows and bulls	Headcount	951	951	1,933	1,679
Total bearer assets (NCA2)		1,378	1,105	2,612	1,894
				2021	2020
				\$'000	\$'000
Total current biological assets					
Crops and fodder (CA1) and livestock (CA2)				1,079	958
Total non-current biological assets					
Plantations (NCA1) and livestock (NCA2)				6,483	4,844

Recognition

Biological assets are measured at fair value less costs to sell, with any changes recognised in the comprehensive operating statement. Costs to sell include all costs that would be necessary to sell the assets, including freight and direct selling costs.

The fair value of a biological asset is based on its present location and condition. If an active market exists for a biological asset in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. Where access exists to different markets then the most relevant market is referenced.

In the event that market determined prices or values are not available for a biological asset in its present condition, the present value of the expected net cash flows from the asset, discounted at a current market determined rate is utilised to determine fair value. Refer to Note 7.3 Fair value determination for fair value disclosures.

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 2021 and previously at 30 June 2020.

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 2021 and at 30 June 2020.

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.

5.9.3 Reconciliation of movement in carrying amounts

	2021 \$'000	2020 \$'000
Opening net book amount	5,802	5,466
<i>Increases due to:</i>		
Purchases	-	14
Natural increase	343	308
Fair value increase - livestock and plantations	2,318	1,127
<i>Decreases attributable to:</i>		
Sales	(819)	(764)
Deaths	(34)	(14)
Movement in crops	(40)	288
Fair value decrease - livestock and plantations	(8)	(623)
Closing net book amount	7,562	5,802

See Note 7.3.1 for fair value assessment of these assets.

5.9.4 Cost of biological assets sold

	2021 \$'000	2020 \$'000
Cost of biological assets sold - livestock	819	764
Total cost of biological assets sold	819	764



Central Gippsland Regional Water Corporation

Notes to and forming part of the Financial Report for the year ended 30 June 2021

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). Notes 7.1 provide additional, specific financial instrument disclosures.

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6.1 Interest bearing liabilities

	2021 \$'000	2020 \$'000
Current interest-bearing liabilities		
Loans from Treasury Corporation of Victoria (TCV)	15,500	26,500
Total current interest-bearing liabilities	15,500	26,500
Non-current interest-bearing liabilities		
Loans from Treasury Corporation of Victoria (TCV)	310,000	290,000
Total non-current interest-bearing liabilities	310,000	290,000
Total interest-bearing liabilities	325,500	316,500

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

Interest bearing liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Interest bearing liabilities are subsequently measured at amortised cost. Any difference between the initial amount recognised (net of transaction costs) and the redemption amount is recognised in the Comprehensive Operating Statement over the period of the interest-bearing liabilities, using the effective interest method.

Interest bearing liabilities are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the balance 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 (TCV), pursuant to section 8 of *the Borrowings and Investment Powers Act 1987*.

Borrowings known as 11AM Account are classified as current interest bearing liabilities.

6.1.1 Maturity analysis of interest-bearing liabilities

	Carrying amount \$'000	Nominal amount \$'000	Less than 1 month \$'000	Maturity dates			
				1 - 3 months \$'000	3 months - 1 year \$'000	1 - 5 years \$'000	5+ years \$'000
30 June 2021							
Loans from TCV	325,500	338,258	15,500	-	40,000	150,000	120,000
Total	325,500	338,258	15,500	-	40,000	150,000	120,000
30 June 2020							
Loans from TCV	316,500	336,892	26,500	-	20,000	130,000	140,000
Total	316,500	336,892	26,500	-	20,000	130,000	140,000

6.1.2 Interest expense

	2021 \$'000	2020 \$'000
Interest on loans from Treasury Corporation of Victoria (TCV)	7,803	8,923
Financial accommodation levy	4,157	4,226
Total interest expense	11,960	13,150

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

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

6.2 Cash flow information and balances

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

	2021 \$'000	2020 \$'000
Cash on hand	-	1
Cash at bank	10,897	16,620
Balance as per cash flow statement	10,897	16,622

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

	Notes	2021 \$'000	2020 \$'000
Net result for the period		7,816	(6,233)
Non-cash movements			
Depreciation and amortisation of non-current assets		47,451	46,966
(Gain)/loss on sale and impairment of property, plant and equipment		1,291	2,220
Non cash developer contributions and gifted assets	2.1.2	(17,167)	(7,475)
Movements in assets and liabilities			
(Increase)/decrease in receivables		(766)	2,958
(Increase)/decrease in inventories		16	(91)
(Increase)/decrease in biological assets		(1,759)	(336)
(Increase)/decrease in contract assets		(2,538)	798
(Increase)/decrease in other financial assets		-	4
(Increase)/decrease in deferred tax liabilities / assets		3,341	(2,436)
Increase/(decrease) in payables		(466)	(3,658)
Increase/(decrease) in contract liabilities		758	890
Increase/(decrease) in employee benefits		(318)	(112)
Increase/(decrease) in provisions		2,645	760
Increase/(decrease) in other liabilities		-	-
Net cash provided by/(used in) operating activities		40,304	34,027

6.2.2 Financing facilities

	2021 \$'000	2020 \$'000
Temporary purpose financial accommodation		
Total facilities - TCV temporary purpose financial accommodation - to be repaid by 30 June each year		
Amount used	-	-
Amount unused	5,000	5,000

6.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts.

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

6.3.1 Total commitments payable

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
Nominal Amounts 2021				
Capital expenditure commitments payable	13,540	3,783	-	17,323
Environmental contribution levy commitments	5,953	11,905	-	17,858
Short-term and low value lease payments	52	209	209	470
Total commitments (inclusive of GST)	19,545	15,897	209	35,651
Less GST recoverable	-	-	-	-
Total commitments (exclusive of GST)	19,545	15,897	209	35,651
Nominal Amounts 2020				
Capital expenditure commitments payable	32,497	11,675	-	44,172
Environmental contribution levy commitments	5,953	17,858	-	23,810
Short-term and low value lease payments	18	14	49	81
Total commitments (inclusive of GST)	38,468	29,547	49	68,063
Less GST recoverable	-	-	-	-
Total commitments (exclusive of GST)	38,468	29,547	49	68,063

Central Gippsland Regional Water Corporation

Notes to and forming part of the Financial Report for the year ended 30 June 2021

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

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7.1 Financial instruments specific disclosures

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
<ul style="list-style-type: none"> Cash and deposits Receivables: <ul style="list-style-type: none"> Service and usage charges other receivables 	<ul style="list-style-type: none"> Payables: <ul style="list-style-type: none"> contractual payables (e.g. trade creditors, accrued expenses, and other expenses) Interest bearing liabilities: <ul style="list-style-type: none"> Loans from TCV

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.

Categories of financial instruments

Financial instrument	Initial measurement	Subsequent measurement
Financial assets at amortised cost		
Financial assets include: <ul style="list-style-type: none"> Loans and receivables cash and deposits; receivables (excluding statutory receivables); and term deposits 	Fair value plus or minus any directly attributable transaction costs	Amortised cost only using the effective interest rate method less impairment if both of the following criteria are met: <ul style="list-style-type: none"> 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
Financial liabilities at amortised cost		
Financial liabilities include: <ul style="list-style-type: none"> payables (excluding statutory payables); and borrowings (including lease liabilities) 	Fair value, plus or minus any directly attributable transaction costs subsequent to initial recognition.	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.

Offsetting financial instruments

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

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

Derecognition of financial assets and liabilities

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

- the rights to receive cash flows from the asset have expired; or
- the Corporation retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Corporation has transferred its rights to receive cash flows from the asset and either:

- has transferred substantially all the risks and rewards of the asset; or
- has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

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

Impairment of financial assets

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

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

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

7.1.1 Financial instruments: categorisation

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

7.1.2 Financial instruments: Net holding gain/(loss) on financial instruments by category

2021	Net holding gain / (loss)	Total interest income / (expense)	Fee income / (expense)	Impairment loss	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Contractual financial assets					
Total contractual financial assets	-	-	-	-	-
Contractual financial liabilities					
Financial liabilities at amortised cost	-	11,960	-	-	11,960
Total contractual financial liabilities	-	11,960	-	-	11,960

2020	Net holding gain / (loss)	Total interest income / (expense)	Fee income / (expense)	Impairment loss	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Contractual financial assets					
Total contractual financial assets	-	-	-	-	-
Contractual financial liabilities					
Financial liabilities at amortised cost	-	13,150	-	-	13,150
Total contractual financial liabilities	-	13,150	-	-	13,150

7.1.3 Financial risk management objectives and policies

Introduction

The Corporation's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk, primarily through ownership of financial assets and liabilities. As a whole, the Corporation's financial risk management program seeks to manage these risks and the associated volatility of its financial performance. The main purpose in holding financial instruments is to prudentially manage the Corporation's financial risks within the government policy parameters.

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 programme 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.



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 (refer to Note 2.1).

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

Except as otherwise detailed in section 5.1, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents the Corporation's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Corporation is continuously monitoring and assessing its credit risk profile due to the current economic impacts affecting customers. As a result, the Corporation has adjusted the credit risk profile in assessing the expected loss allowance in 2020-21 (refer to Note 5.1).

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

Credit quality of financial assets that are neither past due nor impaired ⁽ⁱ⁾

2021	Financial institutions (AA-) \$'000	Government agencies (AAA) \$'000	Other \$'000	Total \$'000
Financial assets				
Financial assets with loss allowance measured at 12-month expected credit loss:				
Cash and cash equivalents	10,897	-	-	10,897
Financial assets with loss allowance measured at lifetime expected credit loss:				
Receivables (excl. statutory receivables)	-	-	13,510	13,510
Other financial assets	1,000	-	-	1,000
Total financial assets	11,897	-	13,510	25,407

2020	Financial institutions (AA-) \$'000	Government agencies (AAA) \$'000	Other \$'000	Total \$'000
Financial assets				
Financial assets with loss allowance measured at 12-month expected credit loss:				
Cash and cash equivalents	16,622	-	-	16,622
Financial assets with loss allowance measured at lifetime expected credit loss:				
Receivables (excl. statutory receivables)	-	-	11,058	11,058
Other financial assets	1,000	-	-	1,000
Total financial assets	17,622	-	11,058	28,680

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable).

Climate related risk

Climate change is a risk to the Corporation. Climate change risk includes the physical risk which can cause direct damage to assets or property as a result of rising global temperatures as well as transition risks which arise from the transition to low-carbon economy.

The Corporation is primarily exposed to climate change risk through a range of operational activities [e.g. suppliers, customers, offices, changes in laws and regulations, etc.]

As part of our ongoing strategic Risk Review we specifically review climate change related impacts on our Strategic Risks. We remain vigilant to the drying climate and extreme weather events. The Strategic Risk review did not highlight any immediate financial impacts that would need to be taken into account in the preparation of the Annual Accounts. Climate Change is considered in various places in the accompanying non-financial section (Part A) of the Annual Accounts.

The Corporation will further enhance the understanding of exposure of climate change risk in the process of executing the Corporation's climate change action plan over the next five years. As at 30 June 2021, the Corporation considered climate-related risk in the preparation of the financial statements.

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 from the date of resolution.

The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities. 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.

The Corporation manages its liquidity risk by:

- close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements;
- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations;

Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Corporation's financial instruments.

Market risk comprises of interest rate risk, foreign exchange risk and other 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:

Interest Rate Risk

The Corporation minimises its exposure to interest rate changes on its long-term borrowings by holding a mix of fixed and floating rate debt. Debt is sourced from TCV and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly.

The Corporation has minimal exposure to interest rate risk through its holding of cash assets and other financial assets. The Corporation manages its interest rate risk by maintaining a diversified investment portfolio.

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.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in the following table.

2021	Weighted average interest rate %	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000
Financial assets					
Cash ⁽ⁱ⁾	0.13	10,897	-	10,897	-
Receivables (excl. statutory receivables) ⁽ⁱⁱ⁾	-	13,407	-	-	13,407
Contract assets	-	8,178	-	-	8,178
Other financial assets	-	1,000	1,000	-	-
Total financial assets		33,482	1,000	10,897	21,585
Contractual financial liabilities					
Payables (excl. statutory payables) ⁽ⁱⁱ⁾	-	34,594	-	-	34,594
Contract liabilities	-	5,403	-	-	5,403
Loans from Treasury Corporation of Victoria (TCV)	2.30	325,500	310,000	15,500	-
Total financial liabilities		365,497	310,000	15,500	39,997

2020	Weighted average interest rate %	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000
Financial assets					
Cash ⁽ⁱ⁾	0.58	16,622	-	16,621	1
Receivables (excl. statutory receivables) ⁽ⁱⁱ⁾	-	12,024	-	-	12,024
Contract assets	-	5,640	-	-	5,640
Other financial assets	-	1,000	1,000	-	-
Total financial assets		35,286	1,000	16,621	17,665
Contractual financial liabilities					
Payables (excl. statutory payables) ⁽ⁱⁱ⁾	-	28,062	-	-	28,062
Contract liabilities	-	4,645	-	-	4,645
Loans from Treasury Corporation of Victoria (TCV)	2.58	316,500	290,000	26,500	-
Total financial liabilities		349,207	290,000	26,500	32,707

Notes:

- (i) All cash and cash equivalents are held at variable interest rates.
- (ii) Receivables and payables balances are not subject to interest rate risk.

Interest rate risk sensitivity

Sensitivity disclosure analysis and assumptions

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

2021 Financial instruments	Carrying amount \$'000	Profit or Loss		Equity	
		-50 basis points \$'000	+50 basis points \$'000	-50 basis points \$'000	+50 basis points \$'000
<i>Financial assets</i>					
Cash and deposits ⁽ⁱ⁾	10,897	(54)	54	(54)	54
Trade receivables ⁽ⁱⁱ⁾	12,407	-	-	-	-
Other receivables ⁽ⁱⁱ⁾	138	-	-	-	-
Other receivables - Westpac deposit	1,000	(5)	5	(5)	5
<i>Financial liabilities</i>					
Payables ⁽ⁱⁱ⁾	17,297	-	-	-	-
Interest bearing liabilities - fixed	270,000	-	-	-	-
Interest bearing liabilities - maturing	40,000	200	(200)	200	(200)
Interest bearing liabilities - variable	15,500	78	(78)	78	(78)
Total	367,239	219	(219)	219	(219)

2020 Financial instruments	Carrying amount \$'000	Profit or Loss		Equity	
		-50 basis points \$'000	+50 basis points \$'000	-50 basis points \$'000	+50 basis points \$'000
<i>Financial assets</i>					
Cash and deposits ⁽ⁱ⁾	16,622	(83)	83	(83)	83
Trade receivables ⁽ⁱⁱ⁾	10,922	-	-	-	-
Other receivables ⁽ⁱⁱ⁾	136	-	-	-	-
Other receivables - Westpac deposit	1,000	(5)	5	(5)	5
<i>Financial liabilities</i>					
Payables ⁽ⁱⁱ⁾	14,031	-	-	-	-
Interest bearing liabilities - fixed	270,000	-	-	-	-
Interest bearing liabilities - maturing	20,000	100	(100)	100	(100)
Interest bearing liabilities - variable	26,500	133	(133)	133	(133)
Total	359,211	145	(145)	145	(145)

(i) All cash and cash equivalents are held at variable interest rates.

(ii) Receivables and payables balances are not subject to interest rate risk.

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Corporation has no exposure to changes in the foreign exchange rate.

Other Price Risk

The Corporation has no significant exposure to other price 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. The Corporation as at 30 June 2021 does not hold any contingent assets or liabilities.

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.

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.

7.3 Fair value determination

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

The following assets and liabilities are carried at fair value:

- land, buildings, infrastructure, plant and equipment;
- biological assets.

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

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

Fair value hierarchy

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

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

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

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

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 1.19% to 5.93% (2020: 2.14% to 7.07%).

How this section is structured

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

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

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

7.3.1 Fair value of financial instruments measured at amortised cost

	Carrying amount 2021 \$'000	Fair value 2021 \$'000	Carrying amount 2020 \$'000	Fair value 2020 \$'000
<i>Financial assets</i>				
Cash and cash equivalents	10,897	10,897	16,622	16,622
Trade receivables	12,407	12,407	10,922	10,922
Other receivables	138	138	136	136
Deposits at Westpac	1,000	1,000	1,000	1,000
Total	24,442	24,442	28,680	28,680
<i>Financial liabilities</i>				
Payables	17,297	17,297	14,031	14,031
Loans from TCV	325,500	325,500	316,500	316,500
Total	342,797	342,797	330,531	330,531

7.3.2 Fair value determination – Non-financial physical assets

	Carrying amount as at 30 June 2021 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<i>Land at fair value</i>				
Non-specialised land	1,617	-	-	1,617
Specialised land	52,272	-	-	52,272
Total land at fair value	53,889	-	-	53,889
<i>Buildings at fair value</i>				
Non-specialised buildings	10,952	-	-	10,952
Specialised buildings	3,719	-	-	3,719
Total buildings at fair value	14,671	-	-	14,671
<i>Water infrastructure assets at fair value</i>				
Headworks	157,205	-	-	157,205
Water transfer	85,592	-	-	85,592
Water disinfection	1,070	-	-	1,070
Water storage	20,101	-	-	20,101
Water treatment	65,742	-	-	65,742
Water pump stations	4,364	-	-	4,364
Water reticulation	221,289	-	-	221,289
Water spares	-	-	-	-
Total water infrastructure assets at fair value	555,363	-	-	555,363
<i>Wastewater infrastructure at fair value</i>				
Waste transfer	129,954	-	-	129,954
Waste storage	11,090	-	-	11,090
Waste treatment	262,615	-	-	262,615
Waste pump stations	51,826	-	-	51,826
Waste reticulation	325,238	-	-	325,238
Waste spares	-	-	-	-
Total wastewater infrastructure at fair value	780,724	-	-	780,724
<i>Plant and equipment at fair value</i>				
Vehicles	6,010	-	6,010	-
Plant and equipment	7,908	-	-	7,908
Total plant and equipment at fair value	13,918	-	6,010	7,908
<i>Biological assets</i>				
Crops and fodder	354	-	354	-
Animals	3,337	-	3,337	-
Plantations	3,871	-	3,871	-
Total biological assets	7,562	-	7,562	-
Total assets at fair value (excluding works in progress)	1,426,126	-	13,572	1,412,554

	Carrying amount as at 30 June 2020 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<i>Land at fair value</i>				
Non-specialised land	1,378	-	-	1,378
Specialised land	41,930	-	-	41,930
Total land at fair value	43,308	-	-	43,308
<i>Buildings at fair value</i>				
Non-specialised buildings	8,677	-	410	8,267
Specialised buildings	5,147	-	-	5,147
Total buildings at fair value	13,824	-	410	13,414
<i>Water infrastructure assets at fair value</i>				
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	-	-	-	-
Total water infrastructure assets at fair value	514,329	-	-	514,329
<i>Wastewater infrastructure at fair value</i>				
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	-	-	-	-
Total wastewater infrastructure at fair value	629,545	-	-	629,545
<i>Plant and equipment at fair value</i>				
Vehicles	5,671	-	5,671	-
Plant and equipment	7,621	-	-	7,621
Total plant and equipment at fair value	13,292	-	5,671	7,621
<i>Biological assets</i>				
Crops and fodder	394	-	394	-
Animals	2,458	-	2,458	-
Plantations	2,950	-	2,950	-
Total biological assets	5,802	-	5,802	-
Total assets at fair value (excluding works in progress)	1,220,101	-	11,884	1,208,217


There were no changes in valuation techniques throughout the period to 30 June 2021.

Non-specialised land and non-specialised buildings

Non-specialised land is 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.

An independent valuation was performed by Opteon Solutions (on behalf of VGV) to determine fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From this analysis, an appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2021.

Non-specialised buildings have been valued using a Depreciation Replacement Cost (DRC). The DRC method is used where the market approach is not suitable as there is an absence of an active and liquid market, or the asset is rarely sold except as part of a continuing business, or the improvements are of a specialised nature and the market buying price would



differ materially to the market selling price as the asset is normally bought as a new asset but could only be sold for its residual value. The DRC represents the depreciated replacement cost value of the building/component after applying an appropriate depreciation rate, on a useful life basis after making adjustments for condition and general maintenance as per The Australian Accounting Standards Board AASB 136 *"Impairment of Assets"*, which defines DRC as "the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed of expired future economic benefits of the asset".

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.

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

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 2021.

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

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. However, for some heritage and iconic assets, the cost may be the reproduction cost rather than the replacement cost if those assets' service potential could only be replaced by reproducing them with the same materials.

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

An independent valuation of the Corporation's water and sewer infrastructure was carried out by Herron Todd White on behalf of the Valuer General Victoria. 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.

The valuation was made on the basis that there would be no material change to the assets, their features or market conditions. The analysis also considers 100% ownership interest in the subject assets as at 30 June 2021.

The Group's assets relating to land, buildings and infrastructure were independently valued by the Valuer-General Victoria (VGV) as at 30 June 2021. At this date, a significant valuation uncertainty exists due to the on-going impact the coronavirus (COVID 19) pandemic and government response is having on markets used to value the group's assets. This means the value of assets assessed at the balance date, may change significantly and unexpectedly over a relatively short period of time.



Biological assets

The fair value of a biological asset is based on its present location and condition. If an active market exists for a biological asset in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. Where access exists to different markets then the most relevant market is referenced.

In the event that market-determined prices or values are not available for a biological asset in its present condition, the present value of the expected net cash flows from the asset, discounted at a current market determined rate is utilised to determine fair value.

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 2021 and previously at 30 June 2020.

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 2021 and at 30 June 2020.

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.

Description of significant unobservable inputs to Level 3 valuations

2021 and 2020	Valuation technique	Significant unobservable inputs
Specialised land	Market approach	Community Service Obligations (CSO)
Specialised buildings	Current replacement cost	Average cost per asset Useful life of specialised buildings
Plant and equipment	Current replacement cost	Cost per unit Useful life of plant and equipment
Water and wastewater infrastructure		
Water transfer		
Water storage		
Water treatment		
Water pump stations		
Water reticulation		
Water spares	Current replacement cost	Average cost per square metre
Waste transfer		Useful life of the infrastructure
Waste storage		
Waste treatment		
Waste pump stations		
Waste reticulation		
Waste spares		

7.3.3 Reconciliation of Level 3 fair value movements

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

2020-21	Opening balance 1 July 2020	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 2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Land</i>								
Non-specialised land	1,378	-	-	-	239	-	-	1,617
Specialised land	41,930	279	-	-	10,063	-	-	52,272
Total land	43,308	279	-	-	10,302	-	-	53,889
<i>Buildings</i>								
Non-specialised buildings	8,267	581	410	-	1,744	(50)	-	10,952
Specialised buildings	5,148	270	-	-	(1,008)	(691)	-	3,719
Total buildings	13,415	851	410	-	736	(741)	-	14,671
<i>Water infrastructure assets</i>								
Headworks	114,895	74	-	(119)	45,842	(3,487)	-	157,205
Water transfer	83,411	3,933	-	(72)	827	(2,507)	-	85,592
Water disinfection	-	-	-	-	1,070	-	-	1,070
Water storage	22,676	4,263	-	(28)	(5,837)	(973)	-	20,101
Water treatment	58,287	2,015	-	(122)	10,074	(4,512)	-	65,742
Water pump stations	4,729	481	-	(5)	(413)	(428)	-	4,364
Water reticulation	230,330	9,703	-	(392)	(11,470)	(6,882)	-	221,289
Water spares	-	-	-	-	-	-	-	-
Total water infrastructure assets	514,328	20,469	-	(738)	40,093	(18,789)	-	555,363

2020-21	Opening balance 1 July 2020	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 2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Wastewater infrastructure</i>								
Waste transfer	96,374	1,974	-	-	33,732	(2,126)	-	129,954
Waste storage	12,096	158	-	-	(866)	(298)	-	11,090
Waste treatment	211,035	13,360	-	(323)	49,011	(10,468)	-	262,615
Waste pump stations	73,876	4,594	-	(187)	(23,705)	(2,752)	-	51,826
Waste reticulation	236,165	9,909	-	(355)	88,506	(8,987)	-	325,238
Waste spares	-	-	-	-	-	-	-	-
Total wastewater infrastructure	629,546	29,995	-	(865)	146,678	(24,631)	-	780,723
<i>Plant and equipment</i>								
Plant and equipment	7,620	2,179	-	(118)	-	(1,773)	-	7,908
Total plant and equipment	7,620	2,179	-	(118)	-	(1,773)	-	7,908
Total Level 3 assets	1,208,217	53,773	410	(1,721)	197,809	(45,934)	-	1,412,554

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	-	-	1,378	-	-	-	-	1,378
Specialised land	41,937	(7)	-	-	-	-	-	41,930
Total land	41,937	(7)	1,378	-	-	-	-	43,308
<i>Buildings</i>								
Non-specialised buildings	-	-	8,655	-	-	(388)	-	8,267
Specialised buildings	3,950	1,526	-	-	-	(328)	-	5,148
Total buildings	3,950	1,526	8,655	-	-	(716)	-	13,415
<i>Water infrastructure assets</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)	-	230,330
Water spares	-	-	-	-	-	-	-	-
Total water infrastructure assets	517,675	17,179	-	(770)	(1,365)	(18,391)	-	514,328

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	-	-	-	-	-	-	-	-
Total wastewater infrastructure	633,024	22,267	-	(1,390)	-	(24,355)	-	629,546
<i>Plant and equipment</i>								
Vehicles	-	-	-	-	-	-	-	-
Plant and equipment	7,586	2,072	-	-	-	(2,037)	-	7,620
Total plant and equipment	7,586	2,072	-	-	-	(2,037)	-	7,620
Total Level 3 assets	1,204,172	43,036	-	(2,160)	(1,365)	(45,111)	-	1,208,217



Central Gippsland Regional Water Corporation

Notes to and forming part of the Financial Report for the year ended 30 June 2021

Note 8 STATUTORY OBLIGATIONS

Introduction

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

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8.1 Tax

8.1.1 Income tax

The Corporation is subject to the National Tax Equivalent Regime (NTER), pursuant to section 88(1) of the *State Owned Enterprises Act 1992*, which is administered by the Australian Taxation Office. The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 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:

	Notes	2021 \$'000	2020 \$'000
(a) Income statement			
Current income tax expense		3,342	(2,664)
Income tax reported in the Income Statement		3,342	(2,664)
(b) Statement of changes in equity			
Net deferred tax - debited/(credited) directly to equity	8.1.2	59,343	(455)
Income tax reported in equity		59,343	(455)
(c) Tax reconciliation			
Profit from continuing operations before income tax expense		11,158	(8,897)
Tax at the Australian tax rate of 30.0% (2020 - 30.0%)		3,347	(2,669)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		2	9
Permanent differences		(7)	(4)
Income tax on profit before tax		3,342	(2,664)
(d) Tax expense (income relating to items of other comprehensive income)			
Gain/(loss) on revaluations of infrastructure, property, plant and equipment		(59,343)	(455)

8.1.2 Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets

	Notes	2021 \$'000	2020 \$'000
Amounts recognised in Comprehensive Operating Statement			
Provisions and accrued expenditure not deductible		7,432	6,571
Other		227	209
Tax losses		18,755	27,093
Total deferred tax assets		26,414	33,873
Movements:			
Opening balance at 1 July		33,873	36,773
Amounts restated through opening retained earnings			
Credited/(debited):			
to the Comprehensive operating statement		8	476
to other comprehensive income	8.1.1	-	-
Tax losses		(7,467)	(3,376)
Closing balance at 30 June		26,414	33,873


Deferred tax liabilities

		\$'000	\$'000
Amounts recognised in Comprehensive Operating Statement			
Depreciation		41,419	45,742
Other deferred tax liabilities		3,890	3,685
Amounts recognised directly in equity			
Revaluation of infrastructure, property, plant and equipment		176,286	116,943
Total deferred tax liabilities		221,595	166,370
Movements:			
Opening balance at 1 July		166,370	172,389
Credited/(debited):			
to the comprehensive operating statement		(4,118)	(5,564)
to equity		59,343	(455)
Closing balance at 30 June		221,595	166,370
Deferred tax liabilities expected to be settled within 12 months		-	-
Deferred tax liabilities expected to be settled after more than 12 months		221,595	166,370
Closing balance at 30 June		221,595	166,370

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 contribution period has been extended to 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 contribution expense

	2021 \$'000	2020 \$'000
Environmental contribution levy	5,953	5,181



Central Gippsland Regional Water Corporation

Notes to and forming part of the Financial Report for the year ended 30 June 2021

Note 9 OTHER DISCLOSURES

Introduction

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

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9.1 Equity

9.1.1 Contributed capital

	2021 \$'000	2020 \$'000
Opening balance at 1 July	255,971	255,971
Capital contributions	-	-
Accumulated surplus/(deficit) at end of financial year	255,971	255,971

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 Reserves

	2021 \$'000	2020 \$'000
Asset revaluation surplus		
- Land (net of tax)	26,737	19,526
- Buildings (net of tax)	3,546	3,031
- Infrastructure (net of tax)	381,052	250,311
Total reserves	411,335	272,868
Movements during the reporting period		
Opening balance at 1 July	272,868	273,928
Revaluation increment/(decrement) on non-current assets (gross)	197,810	(1,515)
- less tax on revaluation increments/(decrements)	(59,343)	455
Closing balance at 30 June	411,335	272,868

9.1.3 Accumulated surplus

	2021 \$'000	2020 \$'000
Opening balance at 1 July	321,937	328,170
Net result for the period	7,816	(6,233)
Accumulated surplus/(deficit) at end of financial year	329,753	321,937

9.2 Events occurring after the balance date

Whilst 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 6 "stay at home" restrictions have been in place in our region since 21 August 2021. We have implemented our business continuity plan to 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 COVID-19 disaster payments and ongoing 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.

Pricewaterhouse Coopers (PWC) appointed liquidators of Energy Brix Australia Corporation Pty Ltd (in Liquidation) confirmed on 20 August 2021 via letter to Committee of Inspection; that the Corporation will likely recover 100% of the \$175,069.73 debt owed to the Corporation that was previously written off as a bad debt in 2016-2017. The Corporation

have returned to PWC an executed acceptance of the distribution. The liquidators' estimated return to unsecured creditors is 100 cents in the dollar. It is PWC's intention to make payment of this dividend on 30 September 2021. PWC note that they will not require any funding from the State (as had previously been contemplated) to meet creditor's claims in full.

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, as required by *AASB 124 Related Party Disclosures*. The names of persons who held the positions of Ministers and Accountable Officers in Gippsland Water are as follows:

Name	Title	Period of appointment
The Hon. Lisa Neville MP	Minister for Water	1 July 2020 - 30 June 2021
The Hon. Richard Wynne MP	Acting Minister for Water	15 February 2021 – 30 June 2021
<i>Board members</i>		
Therese Ryan	Board Chair	1 July 2020 - 30 June 2021
Greg Hade	Board Deputy Chair	1 July 2020 - 30 June 2021
Jane Oakley	Board Member	1 July 2020 - 30 June 2021
Jo Benvenuti	Board Member	1 July 2020 - 30 June 2021
Malcolm Eccles	Board Member	1 July 2020 - 30 June 2021
Christopher Badger	Board Member	1 July 2020 - 30 June 2021
Rod Touzel	Board Member	1 July 2020 - 30 June 2021
Katrina Lai	Board Member	1 July 2020 - 30 June 2021
Sarah Cumming (Managing Director)	Board Member	1 July 2020 - 30 June 2021

Remuneration

The compensation of responsible persons detailed below excludes the salaries and benefits received by the Minister for Water. The Ministers' 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 Accountable Officer in connection with the management of Gippsland Water during the reporting period was in the range: \$310,000 – \$319,000 in 2020 - 2021.

Income bands (\$)	2021 number	2020 number
Less than 20,000	-	1
20,000 - 29,999	-	1
30,000 - 39,999	7	6
70,000 - 79,999	1	1
310,000 - 319,999	1	1
Total	9	10
Total remuneration	\$639,000	\$616,000

9.4 Remuneration of executives

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

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

Short-term employee benefits include amounts such as wages, salaries, superannuation, 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.

	2021 \$'000	2020 \$'000
Short-term employee benefits	1,419	1,439
Post-employment benefits	125	136
Total remuneration	1,544	1,575
Total number of executives	8	8
Total annualised employee equivalents	7	7

9.5 Related parties

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

Related parties of the Corporation include:

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

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

Significant transactions with government-related entities

We received funding and made payments of \$9.8 million (2020: \$10.2 million) and \$19.4 million (2020: \$20.0 million) respectively to government related entities.

During the year, we had the following government-related entity transactions:

Government-related entity receipts

Entity name	Brief description of main activity	2021 \$'000	2020 \$'000
Department of Families, Fairness & Housing	Refund of concession rebates	6,395	6,652
Department of Families, Fairness & Housing	Payment of fixed charge on properties	2,564	2,726
State Revenue Office	Refund of charities rebates	215	289
Latrobe Regional Hospital	Rates and charges	310	280
West Gippsland Hospital	Rates and charges	284	211
Vic Roads	Rates and charges	6	5
Total revenue		9,774	10,163

Note: change to 2020 figures as table now excludes local and federal entities

Government-related entity receivables

Entity name	Brief description of main activity	2021 \$'000	2020 \$'000
Department of Families, Fairness & Housing	Refund of concession rebates	-	-
Department of Families, Fairness & Housing	Payment of fixed charge on properties	120	136
Total revenue		120	136

Government-related entity payments

Entity name	Brief description of main activity	2021 \$'000	2020 \$'000
Treasury Corporation Victoria	Interest on borrowings	7,833	8,981
Department of Environment, Land, Water and Planning	Environmental contribution and other fees	6,092	5,313
Department of Treasury and Finance	Financial accommodation levy	4,148	4,189
Southern Rural Water	Storage management and recreation facilities fees	763	846
Environment Protection Authority	Licence fees and levies	369	381
South East Water Limited	Tarago water usage	121	148
Vic Roads	Registration fees	51	112
Total expenses		19,377	19,970

Government-related entity payables

At 30 June 2021 there were no Government-related Entity Payables.

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 (as defined in AASB 124 *Related Party Disclosures*) includes the Portfolio Minister and all Directors, who have the authority and responsibility for planning, directing and controlling the activities of the Corporation directly or indirectly, during the financial year.

	2021 \$'000	2020 \$'000
Short-term employee benefits	639	616
Post-employment benefits	-	-
Total remuneration	639	616

Transactions with key management personnel and other related parties

Given the breadth and depth of the Corporation's activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with the Corporation, there were no related party transactions that involved key management personnel and their close family members.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

9.6 Remuneration of auditors

	2021 \$'000	2020 \$'000
Victorian Auditor-General's Office		
Audit or review of the financial statements	127	95
Other non-audit services		
Internal audit - RSM	120	114
ESC audit - BECA	-	27
Total remuneration of auditors	247	235

9.7 Ex-gratia expenses

	2021 \$	2020 \$
Forgiveness or wavier of debt	130	231
Property damage payments	37	21
Other	14	10
Total ex-gratia expense	181	262

Ex gratia expenses are the voluntary payments of money or other non-monetary benefit (e.g. a write off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability of or claim against the entity.

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 2020-21 included no claims associated with a major treated sewer overflow or a major water overflow (\$nil and \$nil) (2019: \$nil, \$nil) eight of the nine claims being less than \$5,000 each. There was one claim in excess of \$17,000 for reinstatement of farmland. Where incurred, these cost have been included in administration expenses in the comprehensive operating statement.

Other

Other in 2020-21 represents the settlement of legal fees associated with the purchase of property easements. In 2019-20 other represented the settlement of two personal injury claims.

9.8 Australian Accounting Standards issued that are not yet effective

The following AASs become effective for reporting periods commencing after the operative dates stated:

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2021 reporting period. DTF assesses the impact of all these new standards and advises the Corporation of their applicability and early adoption where applicable.

Topic	Key requirements	Effective date	Estimated impact
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	Amends AASB 101 to require a liability to be classified as current when companies do not have a substantive right to defer settlement at the end of the reporting period.	1 January 2023	Not yet assessed
	Amendments to existing accounting standards, particularly in relation to: AASB 1 - simplifies the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. AASB 3 - to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. AASB 9 - to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.		
AASB 2020-3 <i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>	AASB 116 - to require an entity to recognise the sales proceeds from selling items produced while preparing infrastructure, property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset. AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> - to specify the costs that an entity includes when assessing whether a contract will be loss-making. AASB 141 <i>Investment Property</i> -to remove the requirement to exclude cash flows from taxation when measuring fair value. Thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.	1 January 2022	Currently being assessed

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 2021 and the financial position of the Corporation as at 30 June 2021.

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



Wilco Seinen
Chief Financial Officer
Central Gippsland Region Water Corporation

Dated 23 September 2021

Independent Auditor's Report

To the Board of Central Gippsland Region Water Corporation

Opinion	<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">• balance sheet as at 30 June 2021• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement for the year then ended• notes to the financial statements, including significant accounting policies• statutory certification. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2021 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</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>
Board's responsibilities for the financial report	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</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>

**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
23 September 2021



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.



Therese Ryan
Board Chair

Dated 23 September 2021

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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.
	CO2 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 CO2 equivalents, which is the concentration of carbon dioxide (CO2) 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 <i>Financial Management Act 1994</i> (Vic).
G	GLaWAC	Gunaikurnai Land and Waters Corporation
	GROW	Growing Regional Opportunities for Work program
	GWF	Gippsland Water Factory
I	IBAC	Independent Broad-based Anti-corruption Commission Victoria
	ICT	Information Communication and Technology
	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 2017-18 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 current five-year plan for the period 2018-23, as well as our upcoming plan for the period 2023-28. 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.
	SDWR	Safe Drinking Water Regulations
	SHE	Safety, Health and Environment
	STEM	Science, Technology, Engineering, Maths
V	VIPP	<i>Victorian Industry Participation Policy Act 2003</i> (VIPP) is an Act administered by the Department of Economic Development, Jobs, Transport and Resources (DEDJTR). Local Jobs First – VIPP 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

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All strategies can be viewed on our website at <https://www.gippswater.com.au/annual-reports>.



Additional copies

This annual report is available for viewing or download from our website at www.gippswater.com.au.

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