



Gippsland
Water

Annual report

2021-22



We acknowledge the 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 the 2021-22 Gippsland Water Annual Report.

The last year can be summarised as one of significant change and growth for our organisation. While we continued to deliver on our obligations and the promises we made to customers through our 2018 Price Submission, we also collaborated closely with our customers on establishing our direction for the next five years and beyond.

Perhaps the biggest achievement over the last 12 months has been the progress we've made towards becoming a leading customer centric organisation. We engaged with 3,500 customers and 32 stakeholder groups from across our service area, culminating in our first ever major deliberative forum held in April this year to inform the development of our 2023-28 Price Submission.

The results of this process were profound in terms of explaining our business in detail to our customers, and then in enabling customers to genuinely help shape our plans for the future by having input into our decisions. Not surprisingly, we saw all of our independently facilitated customer satisfaction and perception results reach and hold steady at an all-time high.

We established a new Customer Reference Group (CRG) comprising a diverse group of members with strong community links and a variety of technical skills to oversee, assure and attest to the quality and thoroughness of our engagement programs for our upcoming Price Submission and Urban Water Strategy.

We undertook a comprehensive bottom up review of our operating expenditure and found future savings, which will set us up well to invest and deliver on what our customers have told us is most important to them. This work also enabled us to partially absorb exceptionally high Consumer Price Index (CPI) increase on behalf of our customers, to mitigate against the impacts of global inflation and the rising cost of living.

Our 2022 Urban Water Strategy was approved by the Minister for Water, with a key focus on the impact of climate change on our environment and operations. The strategy was developed in partnership with Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC), West Gippsland Catchment Management Authority and Department of Environment, Land, Water and Planning (DELWP), aligning with and informing the Victorian Government's Central and Gippsland Region Sustainable Water Strategy (SWS).

We launched a series of technology projects that will make it easier for customers to interact with us. Our new digital billing service went live in February 2022, making it easier for customers to make the switch to eBills. We also started sending customers text message notifications when their water needs to be turned off for essential works, and emailing customers ahead of planned sewer works, all in response to customer feedback received during the preceding 12 months.

We announced our commitment to reach net zero carbon emissions by 2030 and to power all of our operations using renewable energy by 2025. We'll do this by expanding our renewable energy generation technology, purchasing green energy and offsetting the small amount of carbon emissions we'll need to emit to run our operations.



We progressed important infrastructure projects that will benefit our customers into the future, including completing construction on the largest project from our 2018 Price Submission, the \$55 million Drouin wastewater treatment plant. The new plant is already reliably treating wastewater and the Environment Protection Authority (EPA) has recently authorised flows into Shillinglaw Creek. We'll be installing a floating solar array to power the plant next year. This upgraded facility is important for the future residential and industrial growth of Drouin and its surrounds for decades to come, and will provide enhanced environmental outcomes.

Work began on the Warragul western ring main, which will give greater drinking water security and reliability to cater for Warragul and Drouin's rapidly growing populations. We also completed construction on the Heyfield to Coongulla interconnect, which will deliver a safer and more reliable drinking water supply to Glenmaggie and Coongulla, including increased resilience to bushfire risk.

Renewing ageing infrastructure has also remained a priority. In Churchill, we constructed a new cover and liner for the existing treated water basin and started work on a second. We also started work on a second treated water storage basin at the Moe water treatment plant, helping to shore up drinking water supply to the Moe and Warragul water supply systems into the future.

Our capability to continue to deliver high value for our customers depends on having a highly engaged, skilled and customer-focused workforce. Our employee engagement score of 71% was reflective of this and placed us in a strong position compared to other public and water sector organisations. Our highest scores, reflecting our organisational values, were on safety, customer focus, collaboration and treating others with integrity and respect.

We have developed a Health, Safety and Wellbeing Strategic Roadmap 2022-25. This strategy seeks to provide a strong foundation for mitigating serious injury and business critical risks, and will guide our safety initiatives for the years ahead.

We established a revitalised Diversity and Inclusion Committee to focus on issues and initiatives that are genuinely reflective of the community we serve, particularly gender equity and Aboriginal participation. The renewed group led a program of cultural and diversity events across the business throughout the year including NAIDOC week, National Sorry Day and International Women's Day.

We welcomed three new Directors to our Board. We also farewelled two highly valued and retiring directors, Malcolm Eccles and Rod Touzel, who made a significant contribution to the governance and strategic direction of Gippsland Water. Malcolm notably was our longest serving Director having served on the Board since 2011.

Thank you to all of our people, contractors, stakeholders and Board for their contributions over the last 12 months, and to our customers for their extensive involvement and support in our planning for the next five years and beyond.



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 2022.

A handwritten signature in black ink, appearing to read 'TR', with a long horizontal line extending to the right.

Therese Ryan
Board Chair

Dated 26 August 2022

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 2021 to 27 June 2022 was the Hon Lisa Neville MP, Minister for Water. The Hon Richard Wynne acted as the Minister for Water from 1 July 2021 to 22 August 2021. The Hon Harriet Shing was the Minister for Water from 27 June 2022 to 30 June 2022.

With 318 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 74,794 households and businesses, and wastewater services to 67,261 households and businesses, across 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 Gippsland Regional Agribusiness (GRA) operations help us to effectively manage and reuse treated wastewater and by-products. This business includes 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 (GRO). Primarily founded to process our internal waste streams and offset the costs of disposal, the facility transforms approximately 200,000 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 2021-26, which were developed around the following five 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.

Part 1: Key initiatives and projects

<p>Drouin wastewater treatment plant upgrade</p> <p>\$55.1 million</p>	<p>Drouin's population is rapidly growing and we needed to expand the capacity of the existing wastewater treatment plant to meet the town's needs.</p> <p>The Drouin wastewater treatment plant upgrade involved a significant investment of \$55.1 million to enable continued growth in the region.</p> <p>The upgrade includes a new treatment plant with double the capacity of the old system, constructed on the existing site near the lagoons.</p> <p>Construction started in 2019 with the main construction contract reaching completion in April 2022. The new plant is reliably treating wastewater and the EPA has recently authorised flows into Shillinglaw Creek.</p> <p>Commissioning continues with the plant to become fully operational and the project completed in 2022-23.</p>
<p>Moe new treated water basin</p> <p>\$7.6 million</p>	<p>Construction of a new 25ML clear water storage basin at the Moe water treatment plant got underway during the year.</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>The Moe 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 while still having storage available to maintain supply of drinking water to our customers.</p> <p>We expect the basin construction to be completed and operational in 2022-23.</p>

<p>Warragul water supply western ring main</p> <p>\$6.3 million</p>	<p>Drinking 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.</p> <p>We started construction of the main during the year and it's expected to be in operation in 2022-23.</p>
<p>Heyfield to Coongulla Interconnect</p> <p>\$5.7 million</p>	<p>We constructed an 11km pipeline and a pump station at the Heyfield water treatment plant to provide Coongulla and Glenmaggie residents with greater water security.</p> <p>The pipeline connects both townships to Heyfield's more reliable water supply, which is sourced from the Thomson River.</p> <p>Drinking water for the township of Coongulla was previously sourced from Lake Glenmaggie. The untreated water was pumped from the lake and treated at the Coongulla water treatment plant.</p> <p>Regularly low lake levels, poor water quality and bushfires upstream had all presented challenges in terms of reliability and in recent times, water had to be trucked from Heyfield for extended periods.</p> <p>Construction of the pipeline commenced in September 2021 with commissioning of the pipeline and pump station now underway. It's expected to be fully operational in early 2022-23.</p>
<p>Gippsland Water Factory solar project</p> <p>\$3.3 million</p>	<p>We commenced the construction of a photovoltaic solar array at the Gippsland Water Factory.</p> <p>This project contributes about 2,100 tCO₂ey-1 towards our target of reducing our carbon emissions by 24 per cent by 2025. To meet our target, we need to achieve 4,700 tonnes of CO₂ equivalent in renewable generation per year (tCO₂ey-1).</p> <p>Construction of the ground mounted photovoltaic solar array and the complex reconfiguration and commissioning of the electrical system is now complete and the solar array is expected to be powering the Gippsland Water Factory by summer 2022.</p>

<p>Water main replacements and sewer main relining</p> <p>\$1.8 million</p>	<p>We replaced 2.8km of reticulated water mains of varying pipe sizes across our service area, providing 140 customers with connections to new sections of pipe.</p> <p>An additional 88 sections (4.5km) of sewer main pipe have been relined throughout our region, renewing the connection for 260 customers.</p> <p>The combined total spend for the renewal program was \$1.8 million.</p>
<p>Northways basin liner and cover replacement</p> <p>\$1.5 million</p>	<p>The Northways basin is an 11.3ML storage within the Morwell water supply system and is supplied from the Morwell water treatment plant. It directly supplies water to more than 1,450 customers in Churchill including Federation University and the Churchill CBD. The Northways basin is a key link in the supply to the Jeeralang system containing some 175 connections.</p> <p>The \$1.5 million project was completed in December 2021.</p>
<p>2022 Urban Water Strategy (UWS)</p>	<p>This year we engaged and communicated extensively to inform the development of our 2022 Urban Water Strategy (UWS)</p> <p>Our UWS identifies the future investments we will need to make to ensure that our services are climate resilient into the future and service levels to customers can be maintained in line with their expectations, and our legal and regulatory obligations.</p> <p>It identifies what we need to do to ensure urban and industrial water availability and sewer capacity in our region for the next 50 years.</p>
<p>2023-28 Price Submission</p>	<p>This year we have invested significant time, effort and resources to engage with our customers, community and stakeholders on our future plans.</p> <p>We have engaged and communicated extensively to shape our 2023-28 Price Submission.</p> <p>Our submission, which will be finalised in late 2022, outlines the prices, promises and plans we propose to deliver over the next five years.</p>
<p>Digital Billing</p>	<p>We have enhanced our digital billing capability by consolidating two online service portals, eliminating customer confusion.</p> <p>We updated the look, feel and content of our paper and eBills so they're easier to read and understand.</p> <p>We have made it quicker and easier for customers to choose to get their bills delivered via email.</p>

<p>SMS (Short Message Service) Capabilities</p>	<p>Our 2020 Customer Satisfaction Survey informed us that SMS text notifications were important to our customers.</p> <p>We have harnessed growing technology to offer additional services to our customers that we knew they value. These included SMS notifications for bill reminders, high water consumption, planned and unplanned outages and sewer works.</p> <p>Customers are now receiving notifications from us via their preferred method.</p>
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Future initiatives and projects

<p>Sale sewage pump station No.2 upgrade</p>	<p>Tenders were received and a contract was awarded in June 2022.</p> <p>This project will upgrade the existing pump station to support expected growth and development in the future and ensure our ability to continue to service the northern parts of the Sale township.</p> <p>The Sale sewage pump station No.2 was built in 1974 to transfer flows from upstream sewage pump stations to what is now the Sale Zero pump station at the Port of Sale via a rising main.</p> <p>The electrical switchboard is ageing and requires upgrading along with increasing the storage capacity of the pump station to reduce the risk of spills. While undertaking this upgrade, the odour control system will also be replaced.</p> <p>We expect the construction to be completed and the upgraded pump station operational in 2022-23.</p>
<p>Factory Road sewage pump station and rising main upgrade</p>	<p>The Factory Road sewage pump station will need to be upgraded to cater for expected development and growth in Yarragon.</p> <p>We are planning an upgrade to cater for the additional connections expected with proposed growth in Yarragon. It will also reduce the likelihood of spills during significant wet weather events.</p>

<p>Tarago Reservoir Bulk Water Entitlement</p>	<p>We're seeking to secure a 3.33GL Bulk Water Entitlement from the Greater Yarra System – Thomson River pool as well as continuing to use our current Tarago River Bulk Entitlement.</p> <p>This will deliver the most efficient augmentation of our water resources for Warragul and Drouin customers helping to address existing and medium term supply shortfalls.</p> <p>The Moe-Warragul Interconnect, commissioned in 2018-19, will continue to be used to provide resilience to both the Warragul and Moe water systems.</p> <p>Work is continuing with DELWP and other partners and stakeholders to secure the proposed bulk entitlement.</p>
<p>Warragul wastewater treatment plant upgrade</p>	<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 for staged upgrades of the existing bioreactors, which would increase the treatment capability and delay significant capital expenditure.</p> <p>Along with capacity expansion in the short to medium term, we're also investigating long-term investment requirements which we plan to engage customers on to achieve the right solution.</p>
<p>Warragul north-east sewer augmentation</p>	<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 completed functional design for the pipeline. We have commenced easement acquisitions and statutory approvals ahead of the planned construction of the replacement sewer main.</p>
<p>Drouin West water main extension</p>	<p>In recent years, the Drouin township has undergone significant growth and this is expected to continue. As a result, the existing distribution main will reach capacity and no longer be able to service the high pressure zone and north western growth area of the town.</p> <p>We have plans to construct a new 375mm water main to ensure adequate water pressure for existing customers while continuing to service Drouin's residential growth.</p>

<p>Clarkes Road Storage Basin Traralgon</p>	<p>With the continual growth within and around Traralgon along with the future connection of customers from the Tyers water supply system, drinking water storage requirements need to be increased.</p> <p>In the near future the Traralgon water treatment plant won't be able to meet peak day demand, so adding another storage will provide a buffer without the need to upgrade the water treatment plant.</p> <p>Construction of the additional 50ML clear water storage basin will be undertaken in the 2023-28 Price Submission period.</p>
<p>Traralgon Tyers Interconnect water pipeline</p>	<p>This project will connect the Tyers water supply system to the larger Traralgon water supply system.</p> <p>The Tyers water treatment plant currently supplies drinking water to the townships of Tyers, Glengarry, Toongabbie, Cowwarr and Rosedale. When water turbidity levels are high due to events such as heavy rainfall, the plant has to run at a reduced output to maintain drinking water quality standards. This often results in water being trucked in to maintain supply.</p> <p>Several options were investigated, including upgrading the Tyers water treatment plant and pipeline. The preferred option was to construct a pipeline between Traralgon and Glengarry which removes three quarters of the customers from the Tyers water treatment plant, reducing pressure on this plant.</p> <p>Planning for this project will start in 2022-23.</p>
<p>Regional Outfall System renewal program</p>	<p>The Regional Outfall System (ROS) was commissioned in 1957 and comprises of 44km of pipeline and 39.8km of channel. It's 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 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 in 2021-22, and involved replacing a 300m long section of the ROS near Marshalls Road, Traralgon next to a public park.</p> <p>We're now undertaking the detailed design of stage two, to replace 590m of pipeline from Tyers Road to the Wirilda Crescent and Cross's Road intersection in Traralgon. Construction is expected to commence in 2023-24.</p>

Part 2: Delivering on our Minister's expectations

Climate change

We have made commitments to reach net zero carbon emissions by 2030, and to have all of our operations powered by renewable energy by 2025. We'll do this by expanding our renewable energy generation technology, purchasing green energy and offsetting the small amount of carbon emissions we'll need to emit to run our operations. We are on track to meet our net zero commitments.

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 39) for details.

Our infrastructure, systems and processes have been tested in recent years by extreme events, including a number of significant wet weather events. During these events, power and communications have been inoperable for significant periods of time. Our response has included activation of emergency response plans, and use of back-up power supplies. While we have been able to demonstrate a level of resilience to extreme weather events to maintain services to our customers, our response to such events is a focus in our forward plans.

Customer and community outcomes

Community consultation and engagement

This year we've engaged with our customers, community and stakeholders deeper and more extensively than ever before to shape our 2023-28 Price Submission and 2022 Urban Water Strategy.

We've established our Customer Reference Group (CRG) who work collaboratively with us to ensure customer priorities, issues and expectations are reflected in the decisions we make. CRG members have diverse backgrounds in community leadership, disability, refugee and migrant communities and health services. The CRG has played an assurance role in the development of our 2022 Urban Water Strategy, as well as deliberating on key issues contributing to the development of our 2023-28 Price Submission.

For our Price Submission, we engaged with more than 3,500 customers across 36 towns (87.8% of our service area). We held 13 focus groups, 10 focused on our Price Submission and three focused on our Urban Water Strategy. We also held 32 stakeholder interviews with local community groups, major customers, small business and other key stakeholders to hone in on issues that are important to our customers.

We ran an online Customer Preferences Survey to gain more data on our customers' preferences for potential initiatives under consideration for our submission, including performance indicators and service standards.

Over three days in March and April 2022, we held our deliberative customer summit. The customer summit was our first ever major deliberative forum, where a panel of more than 30 customers considered three key issues for our Price Submission. The panel developed seven recommendations at the summit, which we will implement to the maximum extent possible.



Our engagement efforts were supported by our purpose-built website engagement hub *Let's talk* and complementary communication campaigns.

We have seen a greater uptake in the audience for our monthly opt-in community e-newsletter, which contains useful tips and information, project and works updates, and regular opportunities to engage with us and provide feedback.

We continued to issue our customer bill insert newsletter, which is sent with every customer invoice. The bill insert provides customer-specific updates and tips, like switching to digital billing, updating your details and concession entitlements. It's another way we can engage with customers on current issues and future plans.

Improving our website content, making it the main source of all information and a central point for all other communication channels to anchor back to, was a focus. We reviewed what was high-interest content for our customers so as to provide more relevant, up-to-date information.

Sponsorship

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

This year, our focus was on installing water fountains to increase access to tap water in Gippsland. We donated 14 drinking water fountains to local councils to install throughout our service area.

We provided in-kind support through water bottles to other community groups and events including Uniting Victoria, Wellington District Cub Scouts, Gippsland Latrobe Aboriginal Advocacy Services, Latrobe City Sports Day and Kurnai College's Human Powered Vehicle team.

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 for a healthy and sustainable future.

While face-to-face educational visits and site tours remained on hold for most of the year, we conducted virtual education sessions with 106 students from two schools. We recommenced face-to-face educational sessions in May 2022, with 401 people from six schools and kindergartens participating. A small number of industry and community member site tours were also conducted with a total of 50 participants.



Our sessions for students 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 sustainability. Teachers were pleased to have us back in their classrooms and praised our important and age appropriate messages that support learning.

We worked in partnership with the Department of Environment, Land, Water and Planning (DELWP) and 16 other water corporations around the state to hold a National Water Week Online Learning Festival. This year's online festival was about exploring your backyard and featured Costa the Garden Gnome. More than 38,000 participants from around Victoria enjoyed the educational content including live events, webinars, story time videos, science experiments and other downloadable resources.

Our National Water Week poster competition was held from July to September 2021, with students from schools across our service area taking part.

We continued to work with schools to support their ongoing commitment to improving water efficiency, with 28 schools in our region actively involved in the Schools Water Efficiency Program.

Water quality complaints and billing issues

Please see 'Financial performance report for the year ended 30 June 2022' (page 82) 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.

Over the last year, we've continued to broaden and deepen our relationships with Traditional Owners. These relationships have been built on respect, trust and a genuine commitment to working in partnership to embed their priorities into the work we do.

During this period, we've collaborated extensively with our community to develop two strategically important medium to long-term plans, being our 2022 Urban Water Strategy and our 2023-28 Price Submission.

Gunaikurnai Land and Water Aboriginal Corporate (GLaWAC), Latrobe City Brayakaulung Advisory Committee and Federation University's Aboriginal Education Centre have all provided input into both plans and their priorities have been embedded.

Making land and water available for cultural and broader Aboriginal community benefit

This year we've been exploring opportunities to make land we manage available for cultural use and/or broader Aboriginal community benefit.



Engagement with Traditional Owners has primarily focused around identifying suitable locations and uses from the land we have available and we'll continue to progress these conversations in the coming year with guidance from GLaWAC.

More broadly, we worked in partnership with GLaWAC, the West Gippsland Catchment Management Authority and DELWP to provide input into the development of the Victorian Government's draft Central and Gippsland Sustainable Water Strategy.

Our input into this process has included support for regionally significant projects that will reimagine the water supply to urban centres and industries and aims to deliver important water justice outcomes for Traditional Owners.

Delivering reticulated water to the Knob Reserve

This year we worked closely with GLaWAC to plan for and seek funding to deliver reticulated water connected to the Knob Reserve at Stratford, which is a significant meeting place for the Gunaikurnai community.

This project will ensure clean, fresh, drinking water will be available at the Knob Reserve for cultural, community and recreational uses.

It will also involve installation of water fountains featuring Aboriginal artwork within the reserve and a campaign about the health benefits of drinking tap water.

We worked with GLaWAC to develop a funding application through DELWP's Integrated Water Management (IWM) Program.

We've also committed additional funds to help bring the project to life and our teams will work collaboratively over the coming year to deliver the project.

Cultural awareness training

Over the last year, we've been working on the development of a new introductory online cultural awareness training module with guidance from GLaWAC.

This online option, which will be rolled out early in the new year, will help us to achieve a broad base level of cultural competency across our organisation upon which we will continue to build deeper levels of cultural awareness through more advanced training offered by GLaWAC.

Outside of formal training, our Diversity and Inclusion Committee coordinated a number of cultural awareness events throughout the year including Anniversary of the Apology to the Stolen Generation, National Reconciliation Week and NAIDOC Week.

Aboriginal employment and business

This year we partnered with Federation University's Aboriginal Education Centre to establish a new scholarship for Aboriginal students completing undergraduate studies in courses relevant to our business, including business, science, IT or engineering.



The establishment of this new scholarship was part of our ongoing commitment to creating meaningful, long-term career opportunities for local Aboriginal people, consistent with feedback we received from GLaWAC, Brayakaulung Advisory Committee and Federation University's Aboriginal Education Centre.

Our Social Procurement Plan was also updated to include practical guidance on supporting Aboriginal people to gain employment opportunities. All of our tender submission templates now include mandatory sections for businesses to disclose any Aboriginal employment or Aboriginal business content that will be included in the delivery of products or services.

For the period, we have received 64 tender submissions and nil were from Aboriginal businesses.

While we have not yet received a Tender Response from an Aboriginal Enterprise, the encouragement of Aboriginal Tender proposals through our documentation and awareness will help to promote Aboriginal Inclusion in 2022. We have engaged with one Aboriginal enterprise as a supplier.

Training was rolled out in October 2021 to provide guidance to consistently evaluate tenders for their inclusion of Aboriginal employment or Aboriginal business content.

Opportunity for comment

GLaWAC was provided with the opportunity to review this section of the Annual Report. Feedback and input was received for content that includes specific reference to Traditional Ecological Knowledge, values and well-being.

Resilient and liveable cities and towns

Gippsland Integrated Water Management Forum

Provision of safe, affordable and high quality services and infrastructure to support the prosperity, resilience and liveability of our region is our core business. Through the Gippsland Integrated Water Management (IWM) Forum, we are able to work together with other regional organisations who each have responsibility for managing components of the overall water cycle, to identify where challenges can more effectively be addressed by a collaborative approach to deliver better outcomes for the community. Partner agencies in the Forum include our region's Traditional Owner groups, South Gippsland Water, Southern Rural Water, the local councils of our region and West Gippsland Catchment Management Authority.

The IWM Forum participants prepared a Strategic Directions Statement (SDS) that was endorsed by the Minister for Water in 2019. This outlines a shared vision and a range of initiatives we agreed to pursue together. Over the last year DELWP has been facilitating an update of the SDS, led by the forum, through which we will reaffirm our ongoing commitment to shared goals and collaborative projects.



Two projects for which preliminary planning has commenced this year, that we will be pursuing in 2022-23 subject to successful funding grant applications, are to work collaboratively with Latrobe City Council to investigate the feasibility of irrigating sporting grounds in Morwell with reclaimed water from our water treatment plant; and continue working with Southern Rural Water and other partners to progress to stage two of the already successful stormwater management and revegetation project at Willow Grove in our Blue Rock Reservoir drinking water catchment. Both of these will contribute to the resilience and liveability of those towns and the region.

Urban Water Strategy

Our Urban Water Strategy (UWS) identifies what we need to do to ensure urban and industrial water availability and sewer capacity in our region for the next 50 years. Climate change, population growth and droughts put pressure on our water and sewer systems.

Through the UWS, we put plans in place to respond to these challenges. It gives an overview of the capacity of our water supply and sewer systems now and into the future, compared with our expected demand for these services, allowing us to identify if and when we'll need to take action to ensure the ongoing reliability of these services.

The strategy takes a long term view with a flexible approach, so it can be adapted to ensure we manage risks to service delivery and take action at the right time. It sets out 18 actions in categories of partnering with Traditional Owners, engaging with our stakeholders, water efficiency and conservation, and system specific water and sewer augmentations.

It's reviewed and updated every five years. Our draft strategy was submitted to the Minister for Water in April, approved in June, and will be publicly released later in 2022. Actions relevant to the next five years will be included in our 2023-28 Price Submission.

Payment management and hardship program

Customers who require additional support are encouraged to join our customer care program so that we can review and engage with them on a regular basis. This ensures that the financial assistance options offered continue to meet the customer's ongoing requirements.

Our Customer Care team reaches out early to customers who have outstanding accounts. This allows us to discuss financial support options that are available, including payment by instalments, and to tailor a solution that best suits the customer's individual needs.

There are 1,458 customers registered in our customer care program, of which 110 customers were identified as having been directly impacted by the coronavirus (COVID-19) pandemic.

We have seen an overall decrease in the number of customers paying through instalment plans, with feedback from customers indicating they are struggling to commit to payment plans due to increased cost of living pressures.

We helped more customers apply for Utility Relief Grants with 937 applications approved, totalling \$358,363, compared to 508 applications totalling \$216,394 last year.

Payment plan and hardship program summary

	30 June 2022	30 June 2021
Customers paying with direct debit (paid in full on due date)	5,551	5,318
Customers on payment plan (excluding hardship)	6,846	7,399
Hardship program customers on payment plans	777	885
Total payment plans	7,623	8,284
Percentage of customers on payment plans	10.35%	11.3%
Hardship customers	1,458	1,437
Percentage of hardship customers on payment plans	53.29%	62.00%

Community Rebate Program

The Community Rebate Program is available for eligible customers registered within the customer care program. It is funded by the Victorian Government and administered by us. The program allows for up to \$750 of plumbing work that will help reduce water usage in the home.

With the relaxing of coronavirus (COVID-19) restrictions, our program recommenced on the 15 November 2021. This year we assisted 62 households with \$33,313 of free plumbing works through the Community Rebate Program.

Water efficiency

We promote and encourage water efficiency initiatives, both locally and in partnership with other water corporations across the state. These campaigns are in line with the Water Services Association of Australia (WSAA) Water Conservancy and Intelligent Water Networks (water efficiency) initiatives.

Throughout the year, particularly during summer, we created and shared social media and bill insert content that supports the Victorian Government's Target Your Water Use campaign. These messages included water saving tips adapted from WSAA Water Conservancy 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 WSAA groups including the Victorian Educators Special Interest Group (SIG) and WSAA Educator Managers.

Our water bills

Please see our 'Year in review' (page 75).



Recognising recreational values

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

In addition to providing picnic facilities at Moondarra Reservoir, we worked with Wellington Shire Council to provide an area of land to support the recreational plan for Flooding Creek in and around the Sale township. The plan incorporates environmental, recreational and wellbeing aspects into the areas surrounding Flooding Creek.

We helped plant a storm water gully at Southern Rural Water's Blue Rock Lake, linked to the Lake walking track. We donated seedlings, weed-mat, site preparation and contract planting to Tanjil Valley Landcare to improve native vegetation.

We also supported in the planning for the Western Park Ovals in Warragul to be irrigated using stormwater from an adjacent wetland.

Our customers contribute significantly towards maintaining recreational facilities managed by Southern Rural Water at Blue Rock Lake, Cowwarr Weir and Lake Glenmaggie, each of which attracts visitors from outside of our service region for kayaking, fishing, swimming and picnics. We engaged extensively with Southern Rural Water this year to negotiate a new cost-sharing arrangement for the maintenance of recreational facilities at places we source water from but don't manage. Our focus is on ensuring arrangements that are efficient, justified and shared between all entitlement holders. These discussions have been productive so far and will continue into 2022-23.

Other recreational initiatives we collaborated on included:

- Involvement in DELWP/VicWater Recreational Access Project;
- Contributing to the Tarago Reservoir Recreation Review; and
- Involvement in the Recreational Values Sustainable Water Strategy.

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

We're 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. To do so, we'll engage with local communities to develop a deeper understanding of the shared benefits of water, including recreational benefits, and factor this into our planning and decision-making.

Leadership and culture

People matter survey

The Victorian public sector's independent employee opinion survey, People Matter, was undertaken this year with 76% of our people participating.

71% of our employees who responded to the People Matter Survey were considered to be engaged, placing us strongly compared to other public and water sector organisations. We also received top results on reinforcement of our organisational values.

Our safety first culture was evident with high levels of agreement with safety related items including provision of a physically safe work environment and manager commitment to workplace safety.

Our customer focus was reflected strongly, including provision of high quality service and advice, timely delivery of services, earning a high level of public trust, and managers ensuring customers receive a high standard of service. This reflects our efforts to put the customer first and ensure customers are at the heart of everything we do.

Our people supported values in the workplace relating to collaboration, and treating others with integrity and respect, which aligns with our goal of fostering a constructive and enabling culture.

Leadership programs

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 Aspiring and Adaptive leadership programs, which concluded in December 2021, were designed to equip the 29 participants with the skills to lead through times of change and to improve our overall employee experience. The participants worked intensively in the leadership development space, including working collaboratively on value-adding projects.

We continue to engage new people leaders in a targeted leadership development onboarding workshop which explores our leadership blueprint, values and strategic priorities to help set them up for success.

We launched our own mentoring program to support our commitment to developing our internal talent, in particular, the development of self and leadership skills. This program enables the transfer of corporate knowledge and is an opportunity for us to target some of our development opportunities from a gender equality perspective. Our current program has nine diverse pairs from across the business. Mentors are identified from our annual talent identification process and adaptive leadership program alumni and mentees drawn from our up and coming talent pool.



Graduate development program

Our graduate development program is a key initiative to help bridge the engineering recruitment gap. Our second graduate program intake continued this year.

The program includes dedicated mentoring and learning and development support as each of the graduates rotate through three hands on, engaging and diverse rotations. The 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, and create a pipeline of engineer talent for us.

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 in relation to discrimination, bullying, harassment and violence as part of their new employee induction, with all employees also completing biennial equal opportunity training and supported by our Respectful Workplace Procedure. These programs provide information, support and process guidance for employees.

We have a number of initiatives in place to further raise awareness and provide support mechanisms around equal opportunity and inclusion. These include our Diversity & Inclusion Plan calendar of events and activities, our engaging Peer Connect program, and our Employee Assistance Program which provides mental health and wellbeing activities.

We developed our Gender Equality Action Plan (GEAP) 2021-25 which reaffirms our commitment to building a workplace that is inclusive and equitable, where all people are given opportunities for success and to reach their full potential. Our Gender Equity Action Plan outlines how we can best champion gender equality, setting new strategies, targets and measures while continuing to advocate for a safe and respectful workplace for all staff.

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, and dedicated two-year traineeships for water and wastewater treatment operators. We've also worked in partnership with Latrobe City's Indigenous Program to support on the job experience for a Plumbing Apprentice who is working with our Field Services team.

We launched our Gippsland Water Scholarship in partnership with Federation University's Gippsland campus with a focus on supporting local female engineering and science students. Georgie Lambert, who is studying a Bachelor of Environmental and Conservation Science, was our inaugural winner and she will receive \$3000 for the three years of her degree. Georgie will also have an opportunity to take part in our summer vacation employment program in future years.



We continue to actively support the local Baw Baw and Latrobe Local Learning and Employment Network (LLEN) initiatives including the STEM Sisters ambassadors program which allows young women to make better informed choices about education and careers in science, technology, engineering and mathematics. We have participated in the inspiring young people, 'I am deadly' and living library events.

We have reopened work experience opportunities with local high schools and community groups.

Inclusion and diversity

We continue to progress our Diversity & Inclusion Plan 2021-23, with our newly formed committee, chaired by our Managing Director. The committee supports the implementation of our plan by offering a broad perspective and driving cultural change across the business.

The committee members have been focused on identifying and actioning the key activities for each of our three strategic aims under the plan - reflect our community, gender equity and Aboriginal engagement to action.

Inclusion and diversity initiatives and highlights include:

- Focus on employee health and wellness by raising awareness and providing support to those affected by mental illness through our Employee Assistance program, Peer Connect program, Mental Health First Aid training and R U OK? Day events.
- Recognition and acknowledgement of culturally significant days including the Anniversary of the National Apology to the Stolen Generations where we heard from our own First Nations people about what this means to them.
- People Matter Survey results that support our commitment to diversity and inclusion. Our employees consistently report they feel our work environment is accepting of different backgrounds and ways of thinking, and that we value diversity.
- Active membership in 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.
- Achievement of our target of 50% for Women in Senior Leadership (Board, Managing Director and General Managers).

Our online [Inclusion & Diversity Plan](#) is available.

Diversity and inclusion data set	% Target	% Actual progress 2021-22	% Actual progress 2020-21	% Actual progress 2019-20	% Actual progress 2018-19
Women in senior leadership – (Managing Director and General Managers)	50	28	25	38	25
Women in senior leadership – (Board, Managing Director and General Managers)	50	50	38	44	38
Identified disability	6	2	3	3	3
ATSI	1.2	1	3	3	3
Language Other Than English (LOTE)	8	10	10	10	10
Caring responsibilities	35	42	62.28	62.28	62.28
LGBTI	7	3	3	3	3
Workforce flexibility (formal arrangements)	35	23.3	21	22.40	18.95

Comparative workforce data

Gender	30 June 2022						
	All employees		Ongoing			Fixed term and casual	
	Number (Headcount)	FTE	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE
Women	106	86.19	57	34	76.68	15	9.51
Men	212	204	171	0	171	41	33
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.

	2021-22	2020-21	2019-20	2018-19
Executive employees (including Managing Director)	7	8	8	8
Women	2	2	3	2
% Women	29	25	38	25
Men	5	6	5	6
% Men	71	75	62	75
Senior managers	19	17	17	16
Women	3	3	2	2
% Women	16	18	12	13
Men	16	14	15	14
% Men	84	82	88	87

Comparative workforce data **continued**

	2021-22	2020-21	2019-20	2018-19
Full time	228	238	252	252
Part time	34	33	31	30
Casual/fixed term	56	42	23	24
Total employees	318	313	306	306
FTE [^]	290.19	290.31	286.38	283.38
Executive	5	5	3	3
Assets	42	38	38	39
Commercial Business	45	43	27	25
Finance and Governance	23	25	28	26
People and Customer	44	38	11	11
Customer and Community*	N/A	N/A	52	56
Business Transformation	38	42	29	28
Operations	121	121	118	118
Total employees	318	313	306	306
Women	106	103	102	105
% Women	33	33	33	34
Men	212	210	204	201
% Men	67	67	67	66

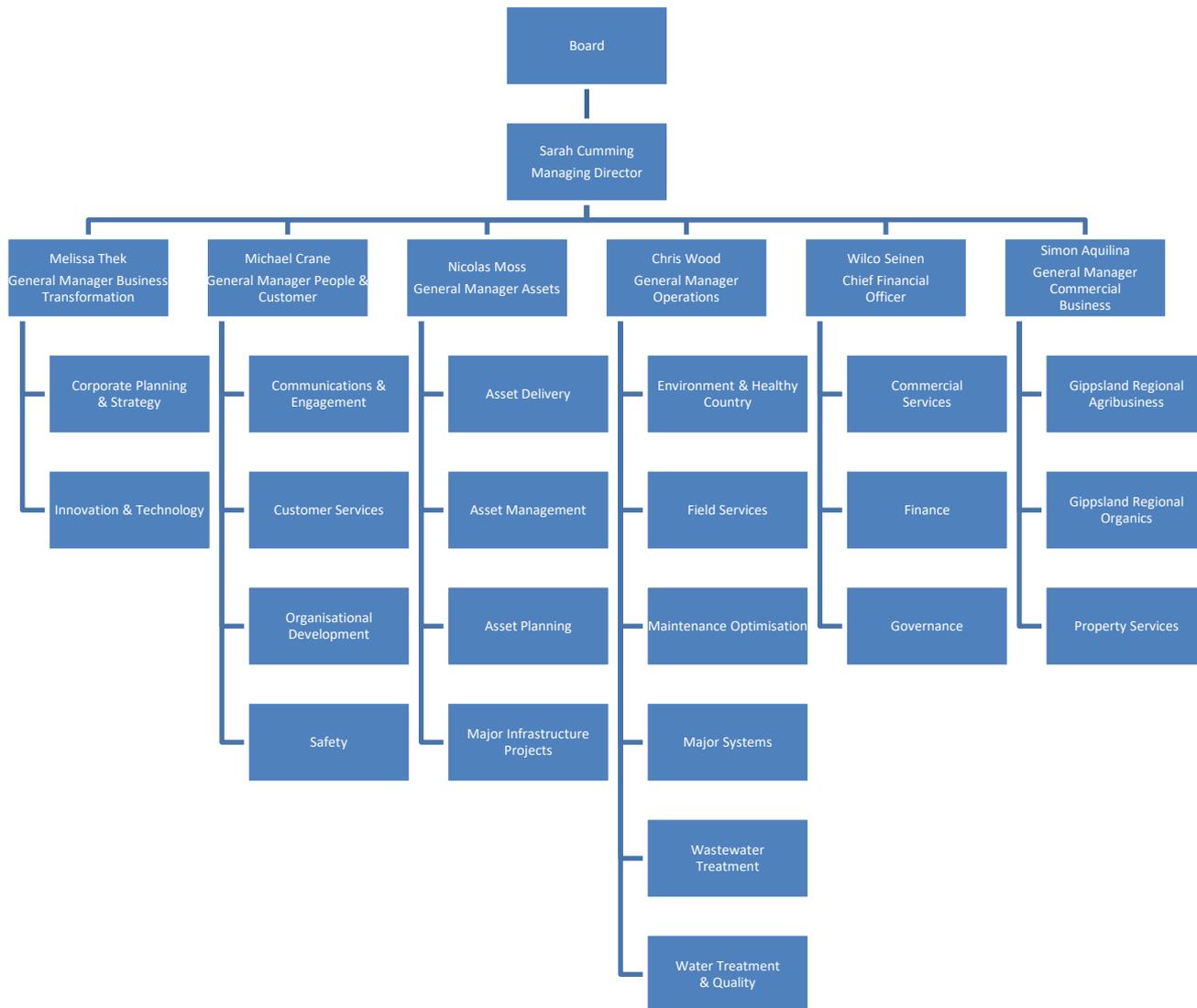
[^]FTE (full time equivalent) is inclusive of casual hours worked in the last full pay period in June.

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 2022





Health and safety

Health and Safety Strategy

This year we developed our Health, Safety and Wellbeing Strategic Roadmap 2022-25.

The strategy, guided by an independent review by HSE Global, seeks to provide a strong foundation in serious injury and critical risk management. It will guide our safety initiatives for the years ahead, and builds on strong Risk Management principles to mitigate business critical risks.

An interlinked program based on lead indicator measurements has been endorsed, ensuring that the strategy operates in a proactive manner, to investigate, learn and measure the efficacy of the safety program before incidents occur.

This year we undertook a comprehensive education and promotion campaign across our business with a focus on safety and proactive reporting of risk.

Coronavirus (COVID-19) continued to affect the way we worked. Despite the challenges presented by alternative working arrangements, our people continued to proactively report near-misses and hazards. We resumed practical safety based training in the last six months of the year with streamlined participation, program content and delivery.

Lost time injuries (LTIs) continue to be an area of focus for us. The data shows an emphasis on strong early intervention programs and not placing individuals at risk by returning to work without an appropriate level of fitness. Our Safety team continues to speak to employees and contractors about the importance of early intervention, risk assessing hazardous activities, management of fitness for duty and reporting.

Occupational Health and Safety management measures

Measure	KPI	2021-22	2020-21	2019-20	2018-19	2017-18
Incidents	No. of safety reports (excl. contractors)	487	623	693	704	575
	No. of safety reports (incl. contractors)	525	690	777	767	647
	Rate per 100 FTE (excl. contractors)	167.35	214.6	242	240	204
Claims	No. of standard claims	2	3	6	5	4
	FTE	290.19	290.31	286.38	283.38	258.66
	Rate per 100 FTE	0.689	1.03	2.10	1.76	1.55
	No. of lost time claims	2	1	5	3	3
	Rate per 100 FTE	0.689	0.34	1.75	1.06	1.16
	No. of claims exceeding 13 weeks	2	1	1	2	0
	Rate per 100 FTE	0.689	0.34	0.35	0.71	0
Fatalities	Fatality claims	0	0	0	0	0
Claim costs	Average cost per standard claim	\$76,395.00	\$10,777.67	\$4,938.01	\$21,058.80	\$11,107.75

Financial sustainability

Please see 'Financial sustainability' section (page 81).

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. This year, we delivered significant outcomes on key projects to enhance the natural environment and protect the unique species of our region:

- To reduce the number of rabbits and foxes at Dutson Downs we completed a three and a half year Biodiversity Response Planning program, in partnership with the West Gippsland Catchment Management Authority, funded by the Victorian Government. This project achieved a decline in fox activity of up to 90%. Less predatory pressure on small mammals has meant we've detected the Long-nosed Bandicoot in remnant vegetation at Dutson Downs – a species which had not been detected at the property for the past 20 years.
- This year we commenced a partnership with Zoos Victoria to continue our long commitment to the conservation of the nationally vulnerable Pookila (*Pseudomys novaehollandiae*) – previously known as the New Holland Mouse. Zoos Victoria conducted surveys across our property at Dutson Downs for the species and one Pookila from our property has been included in a captive breeding (and future release) program at the Zoo. This is an important first step in diversifying the genetics of this species in Victoria's few remaining wild populations.
- We finished a three and a half year project with DELWP, Landcare and Federation University to find and protect threatened invertebrates in the western Strzeleckis. This project found over 400 new spatial records for the critically endangered Warragul Burrowing Crayfish – some of which represent an extension of the known range of the species. As part of this project, we installed fencing, conducted revegetation and pest control and altered our land management practices to conserve newly discovered populations at our sites.
- We managed properties for offset credits across our region from Dutson Downs in the east to Drouin in the west. All sites are registered with DELWP's Native Vegetation Offset Register and permanently protected from future development by covenants under the *Conservation Forests and Lands Act 1987*. Our newest site registered includes 193 ha of saltmarsh, wetland, grassland, scrub and woodland habitat fringing the internationally significant Lake Reeve coastal lagoon ecosystem and is credited with habitat for 74 threaten flora and fauna taxa.
- We presented to the Australian Network for Plant Conservation's (ANPC's) Victorian Symposium on our successful project that translocated the Wellington Mint-bush at Dutson Downs. Our presentation also includes our second project to establish a population of the nationally threatened Metallic Sun-orchid, also at Dutson Downs as part of our ongoing threatened species conservation programs.



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 is available for third party reuse customers, such as local farmers and sporting facilities.

In 2021-22 there was a slight decrease in the total volume of treated wastewater reused across our region. This can be attributed to very high rainfall during winter and spring and the inability to irrigate already very saturated soil during our prime irrigation months. Despite the higher than average rainfall, we have still been successful in exceeding our annual reuse target, with 26.8% of available treated wastewater reused across our operational areas.

We recycle 100% 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 2021-22 approximately 21,392 tonnes of biosolids from our wastewater treatment plants were transported to Gippsland Regional Organics for composting. These biosolids are combined with approximately 92,115 tonnes of green waste from right across Victoria, 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)	
		2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Drouin	Irrigation to pasture or discharge to Shillinglaw Creek	1007	1037	104	89	903	948
Heyfield	Irrigation to pasture or emergency discharge to Back Creek	218	100	92	100	126	0
Maffra	Irrigation to pasture and sporting / playing field. Emergency discharge to Macalister River	382	342	327	274	55	68
Mirboo North	Irrigation to pasture and sporting / playing field	95	81	95	81	0	0
Morwell	Supplement flow to wetlands	730	635	730	635	0	0
Seaspray	Irrigation to pasture	16	9	16	9	0	0
Stratford	Irrigation to pasture	222	149	151	149	71	0
Willow Grove	Irrigation to pasture or emergency discharge to Latrobe River	20	22	20	22	0	0
Neerim South	Discharge to Red Hill Creek	60	58	0	0	60	58
Rawson	Discharge to Coopers Creek	32	31	0	0	32	31
Warragul	Discharge to Hazel Creek	1831	1734	0	0	1831	1734
Moe	Discharge to Moe River	2520	2376	0	0	2520	2376
Sale	Irrigation to pasture and diversion to Dutson lagoons	513	999	513	755	0	243
Total water available for reuse		7647	7573	2049	2114	5597	5458
% reuse of water available for reuse		-	-	26.8	27.9	73.2	72.1

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. Figures have not been included here for either system as they don't contribute to reuse.

Sustainable and resilient water services systems

Please see sections 'Customer and community outcomes' (page 14), 'Resilient and liveable cities and towns' (page 18). For Sustainable Water Strategies, please see section 'Managing our water resources' (page 51).

Total groundwater

Raw water taken (ML)	2021-22	2020-21	2019-20	2018-19
Briagolong	64	66	77	88
Sale	1,808	1,830	1,901	2,035
Dutson	78	86	113	138
Total	1,949	1,982	2,091	2,261

Other statutory obligations

Department of Health 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 monitoring, sampling and testing program. This is undertaken to meet the Safe Drinking Water Regulations (SDWR) 2015 under section 56 of the *Safe Drinking Water Act (SDWA) 2003 (Vic)*.

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 website, our SDWA Annual Report on Drinking Water Quality or upon request.

During 2021-22, there was one notifiable incident to the Department of Health under section 18 or 22 of the SDWA. An *e.coli* was detected in the Briagolong Water Supply system in April 2022. After a comprehensive investigation, we submitted a report to the Department of Health advising that the result was not representative of the water supplied to the distribution system. In June 2022, the Department of Health accepted this recommendation and declared the result a false positive.

We made six submissions to the Department of Health under the *Fluoride Code of Practice 2019* for an interruption to dosing to undertake repair and maintenance works at our Moe, Warragul, Traralgon, Sale and Maffra Water Treatment Plants.

In 2021-22, further improvements were made to ensure our customers' water quality is maintained, including:

- Tyers water treatment plant filter rebuild and media replacement
- Maffra water treatment plant clarifier inspection and cleaning
- Seaspray water treatment plant disinfection system replacement
- Installation of a recirculation system on the Noojee tank to improve chlorine residuals

- Warragul/Moe interconnection operation to ensure security of supply to both water supply systems
- Performance of annual routine maintenance on our fluoride dosing systems at our water treatment plants to improve operation
- Installation of a new chemical dosing facility at Moe water treatment plant to improve plant performance and reliability
- Upgrading 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, and treated water storage covers and liners, to maintain safe drinking water quality as part of our rolling upgrade program
- Replacement of the sludge system silo at Heyfield water treatment plant to improve plant performance
- Maintenance and additional planting within the Blue Rock Stormwater Gully revegetation area
- Installation of a new disinfection system at the Warragul South basin
- Desilting of the weir on Merriman Creek Seaspray to improve raw water harvesting
- Delivery of air scouring works to maintain water quality in our reticulation networks by cleaning pipes

State Environment Protection Policy (Waters)

We're continuing to work collaboratively with other agencies including DELWP and the EPA on the risks to catchment water quality from onsite domestic wastewater management (septic systems) in line with retained clauses of the State Environment Protection Policy (Waters).

Environment Protection Authority Victoria compliance

We recorded seven breaches of our operating licence in 2021-22. The dominant factor contributing to most of these breaches was the very high rainfall that occurred throughout the year, particularly over the summer. This prevented adequate irrigation occurring at our Drouin, Heyfield, Stratford and Maffra wastewater treatment plants. As a result, lagoons at these sites reached maximum capacity and emergency discharges of treated wastewater were required.

Our response to these events was thorough, including consultation with neighbouring property owners, waterway managers and other stakeholders, and regular monitoring of discharge water quality and the receiving environment.

To avoid future emergency discharge during wet weather events, we reviewed site irrigation practices and other opportunities to use treated wastewater. With the upgrades to our Drouin wastewater treatment plant now complete, we can treat much higher volumes of wastewater to cater for current and future growth in Drouin.



In August 2021, we experienced a significant failure of our Saline Wastewater Outfall Pipeline, as a result of damage sustained to a small section of pipe during installation works. A large volume of treated saline wastewater spilled onto farmland adjacent to the South Gippsland Highway at Giffard. This required a large clean-up and monitoring effort, including removal of treated wastewater from farm dams and working with property owners, agronomists and ecologists to ensure soil, pasture and natural areas sustained no long-term impacts.

West Gippsland Regional Catchment Strategy and West Gippsland Waterway Strategy

As a supplier of potable water to customers in our region, we and our customers have a significant interest in the ongoing, sustainable management of our region's catchments and waterways.

Over the past year, we participated in the revision of the West Gippsland Regional Catchment Strategy with the West Gippsland Catchment Management Authority. This review led to the recognition of potable water as a specific value to be protected in our region.

We hold 11 Bulk Water Entitlements in various rivers and creeks in our region that supply our customers. We ensure we comply with the conditions of these entitlements to minimise the environmental impacts of water harvesting – contributing to the goals of the Regional Waterway Strategy.

Our staff also actively participate in two Victorian Environmental Water Holder Advisory Groups for the Macalister and Latrobe systems, to ensure ecological and other water values are considered in the use of environmental water entitlements.

As a significant holder of long-term historic and ongoing water quality data for waterways in our region, we are contributing to a broad-scale study being undertaken by Monash and Melbourne Universities. This study, which is part of the West Gippsland Catchment Management Authority's Lake Wellington Land & Water Management Plan, is looking at the contribution of nutrients to the Gippsland Lakes system – a system that the majority of the rivers in our region eventually discharge to. (Please see 'Managing our water resources', page 51, for our bulk water entitlements environmental management outcomes.)

Social sustainability

Community service obligations

The following table outlines the values of our community service obligations, undertaken on behalf of the state government.

Value of community service obligation provided	2021-22 \$	2020-21 \$	2019-20 \$	2018-19 \$	2017-18 \$	2016-17 \$
Provision of concessions to pensioners	6,384,618	6,361,899	6,029,345	5,827,257	5,611,795	5,398,273
Rebates paid to not-for-profit organisations under the Water and Sewerage Rebate Scheme	291,499	278,762	284,503	328,222	272,594	279,443
Utility Relief Grant Scheme* payments	358,363	216,394	414,948	121,327	163,446	116,752
Water concession on life support machines – Haemodialysis #	719	848	670	1,832	1,367	1,669

* 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.

The number of people on Haemodialysis within the region fluctuates from year to year.



Complaints management – Listening to our customers

Our Customer Services team is focused on listening to our customers and using our complaint data and the quality analytics to identify and implement improvements.

In recent years we have seen an overall decline in complaint volumes, with that downward trend continuing this year with a drop year of 10.8% from last year.

This reduction in complaints shows that our proactive approach and customer engagement has been positively received by our customers.

Energy and Water Ombudsman Victoria

The Energy and Water Ombudsman Victoria (EWOV) handled 30 cases on behalf of our customers. These cases consisted of two investigations, 16 assisted referrals, 10 unassisted referrals and two enquiries.

All cases that EWOV referred to us were resolved.

Part 4: Our environmental impact

Climate change

Greenhouse gas emissions

We have revised our target to reach net zero greenhouse gas emissions by 2050 with a new commitment to reach net zero greenhouse gas emissions by 2030. We've put in place detailed and achievable plans to reduce, avoid and offset unavoidable emissions by 2030 – and maintain net zero beyond this point into the future.

These plans involve:

- sourcing 100% of our electricity from renewable sources by 2025;
- transitioning our vehicle fleet to hybrid and pure electric fuel sources;
- investigating and pursuing technology and process advancements to reduce emissions of methane and nitrous oxide from the wastewater treatment process; and
- building on our existing carbon offset program by pursuing opportunities on suitable land we own, and working with water industry partners through VicWater to identify joint carbon offset projects of significant scale.

Our net emissions decreased marginally by 109 tonnes of CO₂ equivalent (tCO₂-e) from the previous financial year to total 35,276 tCO₂-e.

Water treatment and supply emissions fell by almost 300 tCO₂-e from the previous 12 month period and are more than 2000 tCO₂-e lower than we had projected when formulating our 2025 emissions reduction pledge. The fall in emissions over the past 12 months can be attributed to a small reduction (~2%) in the emissions intensity of grid electricity and the retirement of 791 Large-scale Generation Certificates (LGCs) for renewable electricity exported to the grid.

Our wastewater collection, treatment and recycling emissions increased by just over 500 tCO₂-e . While Scope 2 energy consumption emissions (indirect emissions from purchased electricity) increased slightly, a larger increase was avoided by an exceptional year of renewable energy generation from our biogas cogeneration system at the Gippsland Water Factory. This facility more than doubled its energy output compared to the previous year – effectively avoiding more than 600 tCO₂-e of grid electricity use. Scope 1 greenhouse gas emissions (direct emissions from our owned or controlled sources) from the wastewater treatment process fell by almost 1,000 tCO₂-e due largely to an improvement in the average quality of waste received for treatment.

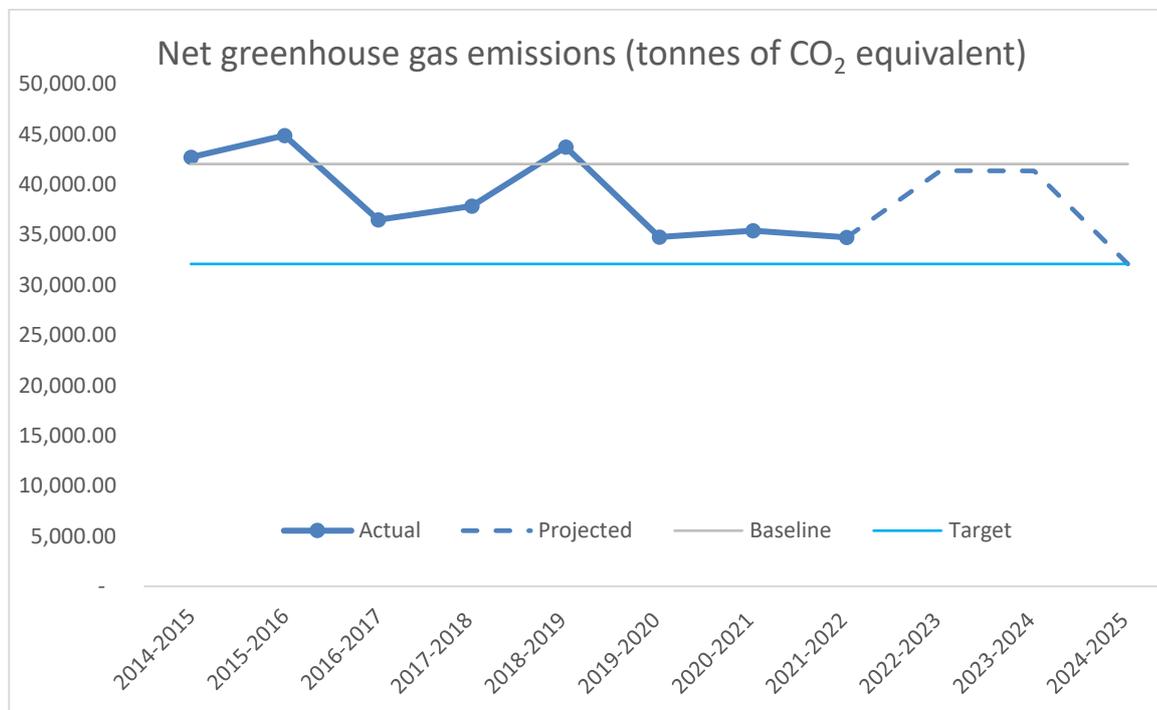
Transport emissions rose marginally from the previous year by 5% or 62 tCO₂-e, however they do remain 9.3% down on projected values for this year. The small increase on last year is predominately attributed to the increased mobility of our workforce with coronavirus (COVID-19) restrictions easing.

Other (offices, depots, farming and organics recycling) emissions increased by approximately 11% or 237 tCO₂-e over the past year, which is 14.2% above projections. This increase is largely attributed to increased fuel emissions reported from contractor activities on our sites. We're encouraging our contractors to become Climate Active certified carbon neutral to reduce their emissions, and those attributed to our activities. So far we have one service contractor that has achieved and maintains this certification.

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 (which compares long term projections with current actual results) and the trend is shown in the following graph.

Performance Indicator	Emissions in tonnes CO ₂ -e			Variance %	Commentary	
	2021-22 projected	2021-22 result	Total emissions			
	Scope 1 emissions	Scope 2 emissions				
Water treatment and supply	10,253	4	8,235	8,239	-19.6	Long-term trend of emissions being below projected values due to the installation of solar arrays earlier than originally planned at water treatment plants. 791 LGCs voluntarily retired to further reduce emissions.
Sewerage collection, treatment and recycling	27,464	8,599	14,956	23,515	-14.4	More than doubled biogas cogeneration at Gippsland Water Factory.
Transport	1,426	1,294	0	1,294	-9.3	
Other	1,952	1,590	638	2,228	14.2	Exceeding projected values due largely to increase in reporting of contractor emissions.
Total net emissions	41,095	11,447	23,829	35,276	-14.2	

Net greenhouse gas emissions (tonnes of CO₂ equivalent)



Energy consumption

Total electricity use	2021-22 result (MWh)	2020-21 result (MWh)	Commentary
Water treatment and supply	9,821	9,120	N/A
Sewerage collection, treatment and recycling	19,598	18,025	N/A
Other (office, workshops, depots etc)	863	916	N/A
Total	30,282	28,061	

Renewable electricity consumption

Performance Indicator	2020-21 renewable electricity consumption (MWh)	2021-22 renewable electricity consumption (MWh)	2021-22 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	4,536	4,762	15.7	
Renewable electricity consumption as a result of corporation led/self-sourced activities and initiatives				
Biogas	528	1,178	3.9	The Gippsland Water Factory Biogas (Cogen) system more than doubled its energy output thanks to favourable operating conditions
Hydroelectric	3,400	2,368	7.8	A slight decrease in energy output from the Pine Gully hydroelectric facility.
Solar	1,165	1,905	6.3	791 LGCs surrendered for renewable electricity generated from solar arrays and exported
Wind	0	0	0	
Other	0	0	0	
Total Gippsland Water led/self-sourced	5,093	5,451	18.0	
Total renewable electricity consumption	9,629	10,213	33.7	



Climate adaptation

We contributed to the Central and Gippsland Region Sustainable Water Strategy and developed our 2022 Urban Water Strategy. Both of 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.

A key consideration of our Urban Water Strategy is the effect climate change will have on our water resources. This strategy is our primary planning tool for securing water supplies in what is predicted to be a warmer and drier climate.

We made a significant contribution of resources and knowledge to the preparation of the Central and Gippsland Region Sustainable Water Strategy (SWS). Through the SWS we've ensured the aquifer that supplies water to Sale customers is added to the Victorian Aquifer Sustainable Yield Program. We've also pursued plans to source water for the township of Briagolong from a deeper, more reliable aquifer.

Throughout this year, we've also been piloting a process of gathering and updating spatial and material information on remote and non-operational assets. This project will identify assets, like tracks and fences, that critically support our operations to give us an understanding of their importance and resilience or vulnerability to extreme weather and natural disasters such as bushfire and flood.

Part 5: Supporting our local economy

Major customer consumption

The following table shows the number of customers who consume more than 100ML annually.

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	1
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	4
Total no. of customers	10

Major customers and their participation in water efficiency programs

The following table outlines water conservation programs undertaken by our major non-residential water users (customers who consume more than 100ML per annum), as communicated to Gippsland Water.

Customer	Participation in water efficiency programs
AGL Loy Yang Pty Ltd (Traralgon)	<p>AGL Loy Yang completed scoping activities for works to automate operation of the Demineralised Water Plant. Automation of the plant should result in less frequent resin regenerations, resulting in lower water consumption. Implementation of the works will occur progressively throughout FY23 and FY24.</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;• utilise groundwater extracted to maintain mine stability in the cooling water system in preference to fresh water; and• maintain robust monitoring and maintenance programs to ensure water utilised in the various plant processes including the cooling water system and Demineralised Water Plant is kept to a low as practical.

**Alinta Loy Yang B
(Traralgon)**

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.

There were no additional water saving initiatives for this year

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

Opal Paper continues to focus on water consumption through the setting of strategic annual objectives (water/tonne production) and area budgets (ML/ day).

Continuous improvement projects have focused on the increasing awareness of water consumption and improving the internal recycling and quality of water.

**Energy Australia
Yallourn Pty Ltd**

As of 30 June 2022, Energy Australia Yallourn provided the following water efficiencies:

- Repair of the regulating basin has been completed with further embankment works planned for No 1 support basin.
 - Completing bathroom and amenities upgrades with water saving fixtures continue.
 - Repairs undertaken on multiple water lines as issues arise.
 - Completing sprinkler testing in line with AS1851 2012 reduced testing regime of deluge and water fire response systems.
 - Upgrading deluge valves across the site to an air-operated solenoid system. This is an ongoing program.
 - All town water valves serviced with a trailer mounted actuator to assist with freeing valves to obtain isolations.
-

**ENGIE Australia
(Hazelwood)**

No information available.

**Darnum Park Pty
Ltd - Fonterra**

Since the water filtration project there has been no further capital improvements on water savings or supply at the Darnum site

**GEO Group
(Fulham)**

A rainwater catchment tank has been installed on the new maintenance shed to capture (initially) 20k litres of rainwater for external grounds plant/trees watering use. This will be increased as an assessment of the amount of water captured is measured (provisions for three or four more tanks).

All taps that fail require replacement.

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

No information available.

We are constantly exploring ways to reduce our water consumption in our business.

PureHarvest (Drouin)

Initiatives undertaken recently include;

- New production planning aimed at reducing number of washes between production cycles, continued allocation of new flow meters and programming to better manage flows throughout the business.
- Better steam controls and usage.

Saputo (Maffra)

With the water shortages experienced by Saputo Global's USA Division, the business has escalated water savings initiatives as a major priority across their entire global business. The business mandated water conservation initiatives be developed for all regions. Major water conservation initiatives are in development locally.

Social procurement strategy

Our social procurement strategy sets out the clear expectation 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. Our strategy, which aligns to the Victorian Government Purchasing Board Guidelines (VGPB), was adopted in April 2020, and our social procurement objectives are clearly communicated to the market in our procurement documentation.

We also have ongoing involvement with GROW Gippsland, which has a strong emphasis on social and local procurement.

To support positive social outcomes in our community, we have a focus on 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 identifying 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 2021-22, we engaged with 10 certified social benefit suppliers in purchases to the value of \$142,840 and we will continue to educate both external and internal stakeholders on the importance of this framework.



Local Jobs First projects 2021-22

We're proud to support growth and sustainability in our region, in accordance with the *Local Jobs First Act 2003*. During the reporting period, 26 contracts contained provisions supporting the Local Jobs First initiative. This has resulted in more than 875 local small and medium enterprises being provided opportunities to contribute to these projects.

Strategic projects

There was one project with a budget of \$50 million or more commenced or completed in 2021-22. The Drouin wastewater treatment plant upgrade project was completed in April 2022, with optimisation works continuing into 2022-23.

No other projects were declared to be strategic projects by the Minister for Water.

Major Project Skills Guarantee

Impacts of major projects on job creation and retention have been measured. Participation of small and medium enterprises (SMEs) in the supply chain is also shown in the tables below:

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	17/04/2022 (Practical Completion)	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 2021-22.

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)
Sanders and Warragul WTP North Basin Cover and Liner Replacements	GW522	23/12/2021	8/11/2022	Fabtech Australia	\$2.09 million	11	0	5.65	0	0

Completed

Project	Number	Contract Award Date	Expected Completion Date	Contract Awarded to	Contract Value	SMEs in supply chain	Standard employee jobs to be created	Standard employee jobs to be retained	Apprenticeships to be created (inc. traineeships and cadetships)	Apprenticeships to be retained (inc. traineeship and cadetships)
Warragul WTP North Basin Underdrain & Civil Works	GW523	1/12/2021	30/6/2022	Jaydo Constructions	\$0.6 million	30	0	1.87	0	0
Sale SPS No. 2 Upgrade – Supply of Odour System	GW519	23/12/2021	30/6/2022	AP Business & Technology Consultancy	\$0.2 million	36	0.63	0.32	0	0
Tanjil RWPS Electrical Switchboard Upgrade	GW520	9/12/2021	30/6/2022	Latrobe Valley Engineering Services	\$0.5 million	5	0	2.1	0	0.2
Sanders Basin Underdrain and Civil Works	GW521	13/12/2021	30/6/2022	McInnes Earthmoving	\$0.5 million	78	0	4	0	0

Part 6: Managing our water resources

Bulk water entitlement reporting

Bulk entitlements are legal rights to water granted by the Minister for Water under the *Water Act 1989*. They provide the right to take or store a volume of water subject to a range of conditions.

Bulk entitlement	Source of supply	Bulk entitlement volume (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with bulk entitlement clauses
Boolarra¹	Walkleys and O'Gradys Creeks	145	0	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program): <ul style="list-style-type: none"> - <i>Environmental program implemented.</i> - <i>Metering program not required as no diversions are taking place.</i>
CGRWA - Blue Rock²	Tanjil River	20,000	2,753 (5,058)	<ul style="list-style-type: none"> • Location and volume of water taken pursuant to clause 10: <i>None</i> • Implementation of programs under sub-clause 12.3 (Metering): <i>Implemented</i> • 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 WTP): <i>2021-22 Total = 2,066.0ML; 3 yr rolling avg.: = 722.5ML.</i> • Specified point B - Tanjil River Pump Station: <i>2021-22 Total = 2,991.5ML; 3 yr rolling avg.: = 2,030.5ML.</i> • Specified point C - Latrobe River Pump Station: <i>2021-22 Total = 0.0ML; 3 yr rolling avg.: = 0.0ML.</i>
Erica-Rawson	Trigger Creek	340	65	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program): <ul style="list-style-type: none"> - <i>Environmental program implemented.</i> - <i>Metering program implemented.</i>

Mirboo North	Little Morwell River (North Arm)	270	182	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program): - <i>Environmental program implemented.</i> - <i>Metering program implemented.</i>
Moe - Narracan Creek	Narracan Creek	3,884	2,147	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program): - <i>Environmental program implemented.</i> - <i>Metering program implemented.</i> <i>Applications under clause 8 (Making Allowances): Nil.</i>
Moondarra³	Tyers River	62,000	39,783 (47,087)	<ul style="list-style-type: none"> • Diversion at Tyers River pump station for 2021-22 = 0.0ML. • Approval, amendment and implementation of programs under clauses 12 (Environmental Program) & 13 (Metering Program): - <i>Environmental program implemented.</i> - <i>Metering program implemented.</i>
Noojee⁴	Deep Creek / Loch River	73	0	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program): - <i>Environmental program implemented.</i> - <i>Metering program not required as no diversions are taking place.</i>
Seaspray	Merrimans Creek	133	38	Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program): - <i>Environmental program implemented.</i> - <i>Metering program implemented.</i>
Tarago	Tarago River	4,825	3,297	<ul style="list-style-type: none"> • Approval, amendment and implementation of programs under clauses 11 (Environmental Program) & 13 (Metering Program): - <i>Environmental program implemented.</i> - <i>Metering program implemented.</i> • Pederson Weir/Westernport Pipeline diversions 2021-22: 3,093.9ML of 4,070ML entitlement. • Labertouche Creek diversions 2021-22: 0ML of 480ML entitlement. • Tarago Reservoir (Neerim Sth) diversions 2021-22: 203.3ML of 275ML entitlement.

Thomson-Macalister	Thomson River / Macalister River	2,335	1,337	<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: 1,095.2ML Extraction at Thomson River at Heyfield: 198.7ML Extraction at Lake Glenmaggie: 43.2ML 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: <i>1/7/2021 - 30/6/2022: 100% allocation</i>
Thorpdale⁵	Easterbrook Creek	80	0	<ul style="list-style-type: none"> ► Approval, amendment and implementation of programs under clauses 9 (Environmental Program) & 10 (Metering Program): - <i>Environmental program implemented.</i> - <i>Metering no longer required from September 2015 as supply not being used.</i>

¹ Boolarra Bulk Entitlement not currently utilised

² Bulk Entitlement volume calculated as three year rolling average (figure in brackets is volume for 2021-22)

³ Bulk Entitlement volume calculated as two year rolling average (figure in brackets is volume for 2021-22)

⁴ Noojee Bulk Entitlement not currently utilised

⁵ Thorpdale Bulk Entitlement not currently utilised

General reporting requirements

Additional information on our bulk water entitlements:

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 2021-22 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 40.3ML under the BWSA in 2021-2022.

Amendments to bulk entitlements and licences

Bulk Entitlement (Thomson-Macalister Towns - Gippsland Water) Minor Amendment Notice 2022. Purpose: "to change the resource manager references to storage manager to correctly attribute these obligations to reflect practical obligations".

New bulk entitlements and licences

No new Bulk Entitlements or licences in 2021-2022.

Failure by authority to comply with provisions of bulk entitlements

No failures to comply in 2021-2022.

Difficulties experienced in complying with entitlement and remedial actions

None

Water use and drought preparedness

Residential daily drinking water consumption

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

Month	L/person/day 2021-22	L/person/day 2020-21	L/person/day 2019-20	L/person/day 2018-19
July	192	207	192	193
August	147	153	160	190
September	173	185	181	182
October	140	150	144	153
November	197	216	195	182
December	158	170	165	129
January	191	215	210	269
February	185	220	237	256
March	249	240	230	257
April	197	208	200	223
May	186	200	193	268
June	155	171	167	191

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	42.3	23	1.9	0.0	0.0	16.1	60.3	73.6	-18%
Coongulla	463	30.8	9	4.1	0.0	0.0	4.9	39.8	46.8	-15%
Erica-Rawson	320	37.6	45	13.1	0.0	0.0	12.8	63.5	63.8	-1%
Heyfield	928	128.4	103	42.3	0.0	0.1	17.9	188.8	228.9	-18%
Maffra	3,511	521.9	311	85.4	257.7	0.3	152.2	1,017.6	1,124.3	-9%
Mirboo North	772	110.1	84	31.0	0.0	0.3	36.6	178.0	177.5	0%
Moe-Warragul¹	28,457	4,144.4	2,175	700.2	2,112.7	21.8	1,118.7	8,097.8	7,576.0	7%
Moondarra²	26,897	4,344.7	2,486	736.1	42,075.2	32.8	1,918.0	49,106.9	37,316.8	32%
Neerim South	792	150.9	63	27.5	0.0	0.0	9.3	187.7	185.1	1%
Sale	7,523	1,127.2	886	259.4	181.5	0.9	229.1	1,798.0	1,857.5	-3%
Seaspray	373	23.3	10	5.7	0.0	0.0	6.8	35.8	33.7	6%
Willow Grove	185	36.8	12	2.4	0.0	0.0	4.3	43.5	46.6	-7%
Total	70,595	10,698.5	6,207	1,909.1	44,627.1	56.3	3,526.7	60,817.7	48,730.7	25%

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

The following table shows water losses which equate to lost revenue opportunities:

Non-revenue water (ML) total	2,114.0
Infrastructure Leakage Index (ILI)	1.14
Real water losses (kL/connection/day)	0.072
Real water losses (kL/km/day)	3.0
Target:	12%
Result:	13.4%

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. Alternative water sources are used as follows:

Town/system	Annual total (ML)	Use
Drouin	97.3	Agriculture
	1.3	Recreation
Heyfield	91.8	Agriculture
Maffra	327.0	Agriculture
Maryvale	0.0	Industry
Mirboo North	64.6	Agriculture
	30.8	Recreation
Morwell	730.4	Wetlands Irrigation
Sale	513.1	Agriculture
Seaspray	16.2	Agriculture
Stratford	151.0	Agriculture
Willow Grove	20.2	Agriculture
Total	2,043.7	

Our drought preparedness

With the prevailing La Nina influenced weather conditions of 2021-22, none of our water supply systems were affected by drought and restrictions to supply were not implemented.

During the year we developed our 2022 Urban Water Strategy. It will be publicly released in 2022, includes a Drought Preparedness Plan (DPP) that details all aspects of both our preparedness for, and response to, droughts, as well as other adverse environmental events.

This new DPP, which supersedes the previous one published in 2017, includes updated review points for the implementation of water restrictions, how we may consider exemptions from restrictions for key community assets, communications before and during droughts, post drought reviews, as well as other contingencies available to us to manage temporary supply deficits.

Regional water strategies

Central and Gippsland Region Sustainable Water Strategy

Over the last two years the Victorian Government has been working with the water industry, Traditional Owners and the community to develop the Central and Gippsland Region Sustainable Water Strategy (SWS).

The SWS adopts a long-term outlook, spanning from Colac and Ballarat in the west to Mallacoota in the east. This geographical extent allows a holistic planning approach across a region of interconnected water resources with Victoria's southern grid of connected rivers and pipelines reaching from Geelong to the Gippsland Lakes.

The SWS builds on the policies set out in the 2016 Water for Victoria Water Plan, focusing on key objectives of returning water to Traditional Owners and the environment, as well as securing the reliability and resilience of urban and agricultural water supplies in the face of major challenges such as climate change.

We have been actively contributing to this major, once in a decade strategy piece at various levels including our Managing Director's membership of the consultative committee. The concurrent development of the SWS with our Urban Water Strategy (UWS) provided a unique opportunity for our customers' water supply issues to be addressed at state level.

The draft SWS discussion paper, released in October 2021, included a commitment for Warragul and Drouin to be provided with access to a share of water resources in Tarago Reservoir, an outcome that is forecast to provide supply security to those communities for over a decade into the future.

A range of other policies and actions are set to address water issues in our region with a strong focus on challenges and opportunities associated with the Latrobe River basin as the region's power industry transitions over the coming decades. The SWS is planned for public release in 2022.

Drought assistance and water trading

We have not been in drought since 2019 so no specific drought assistance activities were undertaken this year. Water trading took place but was limited to ongoing temporary trades from our Sale groundwater licence with agribusinesses in and near the eastern end of our district. These trades are detailed in the section "Managing Our Water Resources – General Reporting Requirements".

Corporate water consumption

During 2021-22 our water consumption at the Traralgon head office at 55 Hazelwood Road was 1,231kL.

	Total full-time equivalent (FTE) employees	Office space (m ²)	Water consumption (kL)	kL/FTE	Water consumption by office space (kL/m ²)
2021-22	226.00	3,335	1,231	5.45	0.37
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

* 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 is an experienced director and former lawyer. She is presently a non-executive director of listed entities Bapcor Ltd and Korvest Ltd, and state-owned enterprises VicForests and Sustainable Timber Tasmania. She was previously a director of the Victorian Managed Insurance Authority, Yarra Valley Water, MFB and WA Super and was also an independent member of the Audit Committee of the City of Melbourne.

As part of her commitment to continuing education she recently completed a certificate course in cyber security from Harvard University and will shortly complete a certificate course from Cambridge University in Sustainability and the Circular Economy.

Her last executive role was Vice President and General Counsel of General Motors International Operations, based in Shanghai.

Sarah Cumming (Managing Director)

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

Managing Director of Gippsland Water since 2017, Sarah is an experienced legal practitioner, company Director and senior executive across multiple tiers of government.

With extensive experience in successfully leading transformational change and implementing large scale technology solutions, Sarah has a unique background when combined with her expertise in governance, strategic leadership and creating enabling cultures.

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

Sarah is passionate about Gippsland and ensuring she is creating a better and more sustainable future for the region.

Greg Hade (Deputy Chair)

B.Bus, CPA, GAICD

Appointed October 2015.
Current term expires
September 2023.

Greg has significant experience as a non executive director, including nine years as a director of Latrobe Regional Hospital and five years as a trustee director of Equisuper, a \$5b 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) Loy Yang Power. Greg has a Bachelor of Business, is a Certified Practising Accountant and a Graduate of the Australian Institute of Company Directors.

Jane Oakley

DipCompSys
GCertLeadership, GAICD

Appointed October 2015.
Current term expires
September 2023.

Jane is currently employed in the renewable energy sector.

Jane was the Chief Executive Officer for the Committee for Gippsland and has previously held senior management roles in local and state Government and the private sector.

Jane has formerly been a director with West Gippsland Catchment Management Authority and Latrobe Regional Hospital, along with a number of Gippsland Non for Profit organisations.

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

Jo Benvenuti

HDipTeach (Secondary),
GDipPubPolicy

Appointed October 2015.
Current term expires
September 2025.

Jo is an experienced consultant across a range of consumer matters, specialising in consumer engagement and energy and water policy. Jo was previously Executive Officer of the Consumer Utilities Advocacy Centre and held executive positions for the Energy and Water Ombudsman Victoria and RSPCA Victoria. She was previously Chair of the Consumers' Federation of Australia. Ms Benvenuti has a Graduate Diploma in Public Policy.

Jo has recently chaired two panels on energy reviews, providing recommendations to the Minister for Energy in the Victorian government and has been a member of the Independent Energy Selection Panel - making recommendations to federal and state energy ministers regarding the appointment of energy regulatory commissioners and board members.

Christopher Badger

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

Appointed October 2017.
Current term expires
September 2025.

Christopher is a private management consultant, mentor and coach who was previously an Associate Director of Madison Cross Advisory Consultants where he led the Utilities/Energy Business. He has extensive board and senior executive experience in the Electricity, Gas, Telecoms, Water and Waste Industries.

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

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

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

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.

Felix Ohle

Bec, BBA

Appointed October 2021.
Current term expires
September 2025.

Felix has spent over two decades working in senior leadership roles in the oil and gas sector for companies including BP and Shell across Europe and Australia. More recently, Felix joined Boral Australia in the construction materials sector as General Manager, Supply Chain & Logistics. During his career, Felix has developed extensive expertise in strategy development and delivery, safety and operations, commercial and asset management.

Over the past eight years, Felix has held various Director roles in the NFP sector, in particular with Education and Early Years organisations. Currently, he holds Director roles with the Northern Schools Early Years Cluster and the German Saturday School in Melbourne. Felix has also held several industry appointments including Executive Director of the National Bulk Tanker Association and Safe Load Program and served on various industry steering committees.

Felix has an Executive Education from Melbourne Business School, and a Bachelor in Economics and Business Administration from the Academy of Economics, Germany.

Penny Hutchinson

FCA, GAICD, MA, BA
(Hons), AMusA

Appointed October 2021.
Current term expires
September 2025.

Penny has extensive board and committee experience, including current appointments on the board of Eastern Health, and the Victorian Registration and Qualifications Authority. Penny is also Chair of the Audit and Risk Committee of the Department of Planning Industry and Environment (NSW), chairs the board of the Port Fairy Spring Music Festival, and the CAANZ Public Sector Panel in Victoria.

Penny has previously held senior roles in the Victorian Public Sector and has been a partner in a large Chartered Accounting firm.

Penny is a Graduate of the Institute of Company Directors, a Fellow of the Institute of Chartered Accountants in Australia, and has a Masters Degree in Public Policy and Management from the University of Melbourne. She also has a Music Performance Diploma of the Australian Music Examinations Board, and an Honours degree in German and Music from the University of London.

Shara Teo

LLB, BA

Appointed October 2021.
Current term expires
September 2025.

Shara has an extensive background in industrial relations and law and is a National Organising Coordinator at the United Workers Union. She is also responsible for strategic decision making around dispute resolution options, including litigation in the Federal Court or arbitration in the Fair Work Commission.

Shara has been admitted to the Supreme Court of Victoria as an Australian Lawyer, and has a Bachelor of Laws from Monash University. She also has a Bachelor of Arts majoring in Politics and Chinese from Monash University.

Our Executive Leadership Team

Sarah Cumming (Managing Director)

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

See Sarah's profile under Our Board.

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. He is passionate about developing people and creating a culture of innovation for a positive employee and customer experience.

Chris 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.

Melissa Thek, General Manager Business Transformation

B.Bus (Mgt and Marketing),
MProject Management

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

Melissa is focused on ensuring that Gippsland Water is a sustainable and agile business, fostering strategic partnerships and alliances with key internal and external stakeholders to deliver economic solutions for the business and the region.

With over 20 years' experience within government, client services and commercial environments, she brings with her a wealth of experience and responsibility in leading and delivering transformational change on a national scale including digital platforms and other significant IT and legislative changes.

Michael Crane, General Manager People and Customer

B.Bus (Human Resources
and Marketing)

A leader in the human resource sector, Michael is known for his ability to transform cultures, drive accountability and inspire performance. With expertise in human resource management, safety, organisational development and risk, his experience spans leadership roles in the tertiary, 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. He has proven ability to develop and implement value driven strategy through partnering at the highest level of organisations. Michael also 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, and Property Services business streams to achieve the required safety, financial, business and environmental outcomes, whilst supporting regional development and enhancing the customer experiences and meeting their product expectations. Simon has a broad background with over 30 years 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, commercial laboratories, chemical manufacture, and for the past 15 years, in the water industry.

Nic Moss, General Manager Assets

B.Eng (Mechanical) (Hons)

Nic is passionate about creating a culture where people achieve great outcomes that are strongly focused on looking after each other, positive customer experiences, and a sustainable future.

Nic is responsible for strategic asset management, asset and project planning, and major capital projects that result in sustainable asset operation, performance, replacement, and augmentation. He has experience in both the private and public sector in operations and maintenance, asset management, production, and major capital projects.

Nic has a Bachelor of Engineering (with Honours) (Mechanical) from Monash University.

Wilco Seinen, Chief Financial Officer

MSc (Business Administration), EMFC

Wilco is responsible for financial sustainability, corporate governance, procurement, risk management and legal and economic regulatory compliance. He 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.

Safety, Health and Environment (SHE) Board Committee

Our SHE Board Committee assists the Board with regard to discharging its responsibilities in Occupational Health and Safety, potable water quality, wastewater treatment plant compliance with EPA licence objectives, and other environmental and sustainability aspects.

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

- Jo Benvenuti (Chair)
- Felix Ohle
- Shara Teo

Audit and Risk Committee

Our Audit and Risk 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. The committee supports the Board in its oversight responsibilities associated with:

- financial reporting
- risk management
- internal process, and
- procedural control.

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

- Katrina Lai (Chair)
- Christopher Badger
- Penelope Hutchinson
- 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, including talent management and succession of the Executive roles
- organisational and Director capability
- Executive performance and remuneration, and
- emerging issues and opportunities.

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

- Penelope Hutchinson (Chair)
- Therese Ryan
- Jo Benvenuti

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:

- Greg Hade (Chair)
- Christopher Badger
- Katrina Lai
- Therese Ryan

Director attendance at Board and Committee meetings

Director	Board Meetings ¹		SHE Committee		Audit and Risk Committee ¹		Executive Remuneration and Capability Committee		Infrastructure and Assets Committee	
	Eligible	Attendance	Eligible	Attendance	Eligible	Attendance	Eligible	Attendance	Eligible	Attendance
Therese Ryan	7	6	1	3	0	5	2	2	3	3
Greg Hade	7	7	0	0	2	2	0	0	3	2
Christopher Badger	7	7	0	0	5	5	1	1	2	2
Jo Benvenuti	7	7	3	3	0	1	1	1	0	0
Sarah Cumming	7	7	0	3	0	5	0	2	0	3
Malcolm Eccles	2	2	1	1	0	1	0	0	0	0
Penelope Hutchinson	5	4	0	0	3	3	1	1	0	1
Katrina Lai	7	7	0	0	5	5	0	0	3	3
Jane Oakley	7	7	1	1	5	5	1	1	0	0
Felix Ohle	5	5	2	2	0	0	0	0	0	0
Shara Teo	5	5	2	2	0	0	0	0	0	0
Rod Touzel	2	2	0	0	0	1	1	0	0	0

Note: 1. Includes Special Meeting held in September 2021

Consultant services

In 2021-22, there were 28 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2021-22 in relation to these consultancies was \$2,546,231.67 (excl. GST). In 2021-22, there were 22 consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2021-22 in relation to these consultancies was \$88,105.21 (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 2021-22	Future Expenditure
RUSSELL KENNEDY SOLICITORS - (TRUST ACCOUNT)	PFAS Investigations - monitoring and assessment	1/07/21	30/06/22	588.9	588.9	-
KPMG	Price Submission, Vegetation Credits Accounting, SA2 and VIFSA data provision, Risk culture assessment, Enterprise architecture strategy current state, Finance System Uplift project, HRIS Function review and market scan	1/09/21	30/06/22	473.3	473.3	-
UTILITIES REGULATION ADVISORY	Price submission	1/07/21	30/06/22	387.5	387.5	-
INSYNC SURVEYS PTY LIMITED	Water Alliance 2021	1/07/21	30/06/22	342.8	342.8	-
IN2PROJECT MANAGEMENT PTY LTD	Project Management & Modelling	1/07/21	30/06/22	149.1	149.1	-
DEPARTMENT OF ENVIRONMENT LAND WATER AND PLANNING	Infrastructure, Land and Building Revaluation	1/07/21	30/06/22	90.5	90.5	-
GHD PTY LTD	Proposal for environmental investigations, Hydraulic review and design (GW - ROS Channel Culvert Replacement)	1/07/21	30/06/22	57.5	57.5	-
MIP AUSTRALIA PTY LTD	Business Transformation (ICT) Consulting	1/06/22	30/06/22	52.8	52.8	-

HSE GLOBAL AUSTRALIA PTY LTD	Current State Review and Strategic Roadmap Development Proposal - OHS and Wellbeing	1/07/21	30/06/22	38.1	38.1	-
MOTT MACDONALD AUSTRALIA PTY LTD	Operational System Plan Dutson Downs, Wastewater winter storage lagoon analysis	1/07/21	30/06/22	34.9	34.9	-
INDIGENOUS DESIGN ENVIRO SERVICES	Bulk Entitlement Monitoring & Reporting	1/07/21	30/06/22	31.5	31.5	-
NIBOI CONSULTING	Environmental review	1/07/21	30/06/22	28.1	28.1	-
NEXT LEVEL PEOPLE SOLUTIONS PTY LTD	Organisational development consulting - calibration, position descriptions, workshop	1/09/21	30/06/22	25.8	25.8	-
MARSDEN JACOB ASSOCIATES PTY LTD	Event based trade work pricing	1/02/22	30/06/22	23.7	23.7	-
ENVIROMICROBIO PTY LTD	Gippsland Water Factory Anaerobic Digestion Study for Continuous Stirred Tank Reactor (CSTR) treatment	1/07/21	30/06/22	22.6	22.6	-
COLLAB IT SYSTEMS PTY LTD	Hach WIMS functionality review and dashboard development	1/06/22	30/06/22	21.7	21.7	-
DENCH MCCLEAN CARLSON PTY LTD	Gippsland Water 2050 strategy, Gippsland Regional Organics funding case	1/10/21	30/06/22	21.0	21.0	-
DISCOVER EI SOLUTIONS PTY LTD	Asset strategy UWS dashboard	1/07/21	30/06/22	17.6	17.6	-
RSM BIRD CAMERON	Taxation and associated tax advice	1/07/21	30/06/22	16.5	16.5	-
CONVERGE INTERNATIONAL PTY LTD	Employee support	1/07/21	30/06/22	15.4	15.4	-
THE HUMPHREYS GROUP	Board Performance Review	1/07/21	30/06/22	15.2	15.2	-
PROFESSIONAL ADVANTAGE PTY LIMITED	Finance - Great Plains support for asset revaluation	1/10/22	30/06/22	15.0	15.0	-

TOWCHA TECHNOLOGY PTY LTD	Strategic assessment	1/12/21	30/06/22	14.8	14.8	-
ENVIRONMENTAL RESOURCES MANAGEMENT AUSTRALIA PTY LTD	Dutson Downs - Inceptions meeting and Dev of Stakeholder and Engagement strategy	1/12/21	30/06/22	14.6	14.6	-
BIOSIS PTY LTD	Desktop assessment for Dutson Downs Wind farm	1/05/22	30/06/22	14.5	14.5	-
HYDROLOGICAL PTY LTD	Neerim Sth WTP filter and Manganese investigation	1/05/22	30/06/22	11.6	11.6	-
AGRIBUSINESS VALUATIONS AUSTRALIA	Plantation valuation	1/06/22	30/06/22	11.3	11.3	-
WATER QUALITY RESEARCH AUSTRALIA	Review of pathogen levels for GWF membranes	1/06/22	30/06/22	10.0	10.0	-

For the requirements of FRD 22, 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

	BAU ICT expenditure \$M	Non BAU ICT expenditure total = A + B \$M	Operational expenditure A \$M	Capital expenditure B \$M
2021-22	9.3	0.0	0.0	0.0
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

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 2021-22 reporting period, we did not receive any new requests for information under the *Freedom of Information Act 1982 (Vic)*. A decision made in the previous financial year was referred to the Office of the Victorian Information Commissioner (OVIC). In accordance with Freedom of Information procedures, we were able to make a fresh decision on this matter as the applicant provided additional information for the request. This subsequently closed the review required by OVIC.

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 \$30.60 effective from 1 July 2022, 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.

Our building maintenance contractor performs an annual audit of all of our buildings and remote sites that are distributed throughout the entire service area and enable us to develop proactive plans to address current and future maintenance issues. These audits, along with programmed emergency and fire service equipment inspections inform our preventative maintenance activities and ensure we remain compliant with relevant standards and legislation.

During 2021-22, 163 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) 22 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.

Part 8: Year in review

Financial overview

Summary of Financial Results	2021-22	2020-21	2019-20	2018-19	2017-18
	\$'M	\$'M	\$'M	\$'M	\$'M
Service Charges	87.0	86.6	85.4	83.5	78.8
Usage Charges	41.4	40.0	39.1	41.2	39.3
Developer Contributions	11.7	18.5	7.6	18.8	12.3
Other Revenue	17.5	15.6	11.9	11.6	11.2
Total Revenue	157.6	160.7	144.0	155.1	141.6
Operations, Maintenance & Administration	85.0	82.8	85.4	79.9	76.4
Depreciation Expenses	52.2	47.4	47.0	42.4	39.7
Environmental Contribution	6.0	6.0	5.2	5.2	4.6
Finance Expenses	11.6	12.0	13.2	13.7	14
Total Expenditure	154.8	148.3	150.7	141.2	134.7
Net gain/(loss) on disposal of non-financial assets ⁽ⁱ⁾	(1.9)	(1.3)	(2.2)	(3.9)	(5.7)
Net Result Before Tax	1.0	11.1	(8.9)	10.0	1.2
Current Assets	43.0	38.8	40.3	37.2	32.3
Non-Current Assets	1,548.38	1,542.4	1,323.8	1,318.7	1,186.9
Total Assets	1,591.43	1,581.2	1,364.1	1,355.9	1,219.2
Current Liabilities	39.2	47.9	56.1	44.7	100.5
Non-Current Liabilities	555.7	536.3	457.2	453.2	351.9
Total Liabilities	594.4	584.1	513.3	497.9	452.4
Net assets	997.0	997.1	850.8	858.0	766.8
Net Cash Flow from Operations	43.7	40.3	34.0	36.7	41.4
Payments for Capital Works	45.0	55.7	48.8	45.8	50.4

(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	2021-22 Result	2020-21 Result	2019-20 Result	2018-19 Result	2017-18 Result
Cash Interest Cover (Times)	4.75	4.37	3.61	3.69	3.98
Gearing Ratio	20.70%	20.59%	23.20%	21.79%	23.21%
Internal Financing Ratio	97.00%	72.26%	69.54%	79.75%	82.08%
Current Ratio	1.10	0.92	0.80	0.96	0.34
Return on Assets	0.91%	1.57%	0.30%	1.82%	1.25%
Return on Equity	0.07%	0.85%	-0.73%	0.86%	0.11%
EBITDA Margin	42.26%	43.89%	35.49%	43.56%	40.33%

Total residential bill

YEAR	AVERAGE CONSUMPTION		200kL CONSUMPTION	
	Total bill	Customer bill	Total bill	Customer bill
2021-22	\$ 1,319.68	\$ 1,319.68	\$ 1,394.91	\$ 1,394.91
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 budgeted loss before tax was \$0.8 million for the 12 months ending 30 June 2022; however, for the year ending 30 June 2022, the actual profit before tax was \$1.0 million, \$1.8 million favourable to budget. The favourable variance consisted of a \$10.3 million favourable variance in revenue, offset by an unfavourable variance of \$8.5 million in expenditure.

The favourable revenue variance was largely due to:

- Favourable Income for Capital purposes of \$4.6 million to budget, which was driven by a significant increase in the volume of residential land being brought to the market as compared to budget.
- Gippsland Regional Agribusiness revenue was \$4.2 million favourable to budget, of which \$2.2 million was due to the sale of harvested timber plantations.
- Gippsland Regional Organics' Trade Waste revenue was \$0.5 million favourable.

Total expenditure was unfavourable \$8.5 million compared to budget, with material movements in:

- Depreciation \$5.9 million unfavourable to budget, due to the 2020-21 Valuer General of Victoria (VGV) Asset Revaluation increase of \$198 million in asset values and Drouin WWTP being capitalised earlier than anticipated.
- Maintenance and operations costs were \$3.5 million unfavourable to budget, mainly due to the cost of harvested timber plantations through the year.
- Administrative costs \$0.6 million favourable to budget.



Total assets at 30 June 2022 was \$1,591.4 million, a \$10.2 million increase compared to the previous year. The asset increase was due to an increase in current assets by \$4.2 million, increase in deferred tax assets by \$8.7 million, offset by a decrease in biological assets (standing plantation) by \$2.6 million.

Infrastructure, property, plant and equipment had a closing balance of \$1,500.4 million, of which \$41.8 million was Capital works in progress. The movement of Infrastructure, property, plant and equipment included \$43.0 million in additions of direct expenditure of capital works in progress and developer contributed assets of \$11.8 million; which was offset by depreciation of \$51.8 million and \$3.1 million due to the disposal of assets.

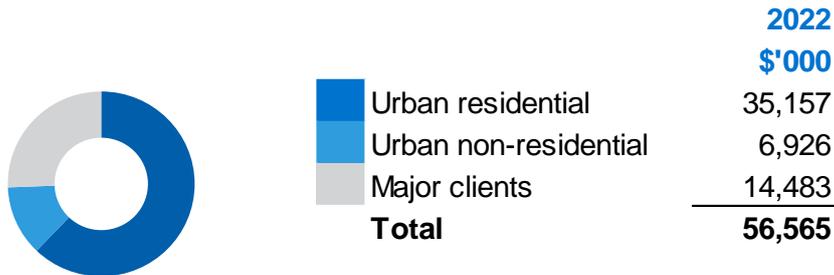
Capital works in progress began with an opening balance of \$82.0 million, with direct expenditure of \$43.0 million and capitalisations of \$83.0 million, Capital works in progress closed with a balance of \$41.8 million at 30 June 2022; the closing balance of Capital works in progress was \$50.4 million lower than budget, primarily due to the Drouin WWTP capital project being completed ahead of schedule and transferred to Wastewater Infrastructure in 2021-22 year compared to the expected transfer in 2022-23.

Total liabilities at 30 June 2022 was \$594.4 million, \$10.3 million higher than the previous year. \$9.3 million of the increase was due to an increase in the deferred tax liabilities, offset by a decrease in Trade and other payables of \$3.6 million. Total borrowings increased \$4.0 million, \$3.0 million lower compared to the budgeted expectations.

The net increase in cash and deposits for the year was \$2.9 million. \$8.6 million higher than the previous year. \$3.4 million of the increase was due to an increase in Cash flows from operating activities, which were due to increased Agribusiness Sales. \$10.6 million was due to a decrease in cash payments for infrastructure, property, plant and equipment, offset by \$5.0 million due to reduced cash flow from borrowings.

Financial Performance and Business Indicators as at 30 June 2022

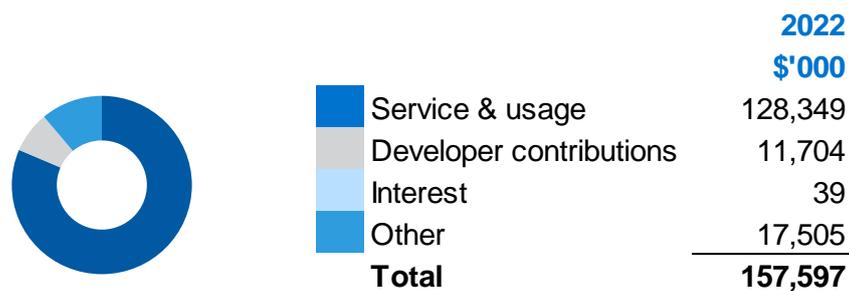
Water income from service & usage charges



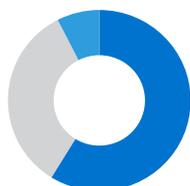
Wastewater income from service & usage charges



Total income from all sources

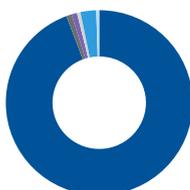


Total expenses



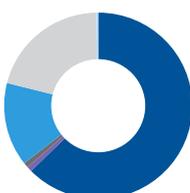
	2022
	\$'000
Operations, maintenance & administration	90,966
Depreciation	52,153
Interest	11,629
Total	154,748

Total assets



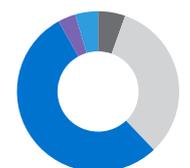
	2022
	\$'000
Fixed assets	1,500,427
Cash & investments	14,765
Debtors & receivables	15,135
Inventory & biological	9,697
Other	43,260
Contract assets	8,143
Total	1,591,427

Liabilities & equity



	2022
	\$'000
Equity	997,008
Creditors & accruals	13,944
Provisions	14,184
Deferred tax liability	230,925
Borrowings	329,500
Contract liabilities	5,866
Total	1,591,427

Business stream revenue



	2022
Bulk	5%
Water	33%
Waste	54%
Organics	4%
Agribusiness	5%
Total	100%

Business stream expenses

2022



	Bulk	29%
	Water	31%
	Waste	27%
	Organics	6%
	Agribusiness	7%
	Total	100%

Part 9: Financial sustainability

Financial performance and business indicators as at 30 June 2022

Financial Performance Indicators

KPI Number	Key Performance Indicator	2020-21 Result	2021-22 Result	2021-22 Target	Variance to Prior Year	Notes	Variance to Target	Notes
F1	Cash Interest Cover (Times) Net operating cash flows before net interest and tax / net interest payments	4.37	4.75	4.30	8.8%	1a	10.5%	1b
F2	Gearing Ratio (%) Total Debt (including finance leases) / total assets * 100	20.59%	20.70%	24.20%	-0.6%		14.4%	2b
F3	Internal Financing Ratio (%) Net operating cash flow less dividends / net capital expenditure * 100	72.26%	97.00%	83.40%	34.2%	3a	16.3%	3b
F4	Working Capital Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	0.92	1.10	0.57	19.4%	4a	92.8%	4b
F5	Return on Assets (%) Earnings before net interest and tax / average assets * 100	1.57%	0.91%	0.80%	-42.0%	5a	13.8%	5b
F6	Return on Equity (%) Net profit after tax / average total equity * 100	0.85%	0.07%	-0.10%	-91.8%	6a	169.4%	6b
F7	EBITDA Margin Earnings Before Interest, Tax, Depreciation and Amortisation / total revenue * 100	43.89%	42.26%	39.00%	-3.7%	7a	8.3%	7b

Notes

1a The Cash Interest Cover indicator is favourable due to an increase in operating cash flows as compared to prior year. The increase in operating cash flows is driven by increased Agribusiness Sales, due to favourable market conditions.

1b The Cash Interest Cover indicator is favourable due to an increase in operating cash flows as compared to target. The increase in operating cash flows is driven by increased Agribusiness Sales, due to favourable market conditions.

2b The Gearing ratio favourable variance is driven by lower borrowings levels compared to budget and the 2021 Asset Revaluation higher than originally budgeted.

3a The Internal Financing ratio is favourable due to increased net cash flow compared to prior year (refer 1a) and lower capital payments in the current year compared to prior year.

3b The Internal Financing ratio is favourable due to increased net cash flow compared to target (refer 1b).

4a The Working capital ratio favourable variance, compared to prior year, is driven by higher cash and debtor balances and lower short term loans compared to prior year.

4b The Working capital ratio favourable variance, compared to target, is driven by higher cash balances and lower short term loans compared to target.

5a Return on Assets is unfavourable due to lower Earnings before net interest and tax, as compared to prior year. The lower Earnings before net interest and tax is due to an increase in depreciation, which was driven by the 2020-21 Asset Revaluation.

5b Return on Assets is favourable is due to higher Earnings before net interest and tax, as compared to target. The higher Earnings before net interest and tax due to Agribusiness Sales, driven by favourable market conditions.

6a Return on Equity is unfavourable due to lower Earnings before net interest and tax, as compared to prior year (refer Note 5a).

6b Return on Equity is favourable due to higher Earnings before net interest and tax, as compared to target (refer Note 5b).

7b The EBITDA Margin, compared to target is favourable due to an increase in Agribusiness Sales, which were driven by favourable market conditions.

Water and Sewerage Service Performance Indicators

KPI Number	Key Performance Indicator	2020-21 Result	2021-22 Result	2021-22 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) Avg. duration of unplanned water supply interruptions	69.32	65.14	90.00	6.0%	2a	27.6%	2b
WS3	Restoration of unplanned water supply Unplanned water supply interruptions restored within 5 hours/ total unplanned water supply interruptions * 100	98.50%	98.88%	98.00%	0.4%		0.9%	
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	110	134	207	21.8%	5a	-35.3%	5b

Notes

2a The budget of 90 minutes per unplanned water supply interruption was positively impacted in 2021-22. With lower numbers of unplanned interruptions and less minutes required to restore water supply, the time taken has dropped by 25 minutes on average.

2b There were almost 8,000 unplanned water supply interruptions in 2020-21 compared to just over 7,000 in 2021-22. With this, the minutes taken to restore these unplanned water supplier were 549,326 in 2020-21 and 462,339 in 2021-22.

5a In 2021-22 reporting period we achieved 134 out of 134 interruptions restored within target time of 5hrs vs 110 out of 111 interruptions restored within target time of 5hrs in 2020-21 reporting period.

5b With a total of 134 interruptions for the 2021-22 reporting year, this is less than our target of 207 interruptions.

Customer responsiveness performance indicators

KPI Number	Key Performance Indicator	2020-21 Result	2021-22 Result	2021-22 Target	Variance to Prior Year	Notes	Variance to Target	Notes
CR1	Water quality complaints (No.) No. of complaints per 1000 customers	1.96	1.50	2.52	23.5%	8a	40.5%	8b
CR4	Billing complaints (No.) No. of complaints per 1000 customers	0.87	0.91	2.73	4.6%		-66.7%	9b

Notes

8a With a reduction of water quality complaints from a total of 144 in the 2020-21 year, to a total of 112 water quality complaints for the 2021-22 year. The final reporting year result of 112 complaints is the lowest recorded in the last 7 years. We attribute this improvement to ongoing preventative maintenance in the field, plant upgrades (PAC) and optimised operation, ongoing field monitoring and water quality mapping.

8b Continued good performance against the target demonstrates Gippsland Water's strive for continual improvement in the services to our customers through programs such as the Protecting Water Quality 5 C's 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.

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.

Environmental performance indicators

KPI Number	Key Performance Indicator	2020-21 Result	2021-22 Result	2021-22 Target	Variance to Prior Year	Notes	Variance to Target	Notes
E1	Effluent re-use volume (end use) Percentage recycled	27.91%	26.80%	25.00%	-4.0%		7.2%	10b
E2	Total net CO2 equivalent (T) Net tonnes CO2 equivalent	35,385	35,276	38,600	-0.3%		-8.6%	11b

Notes

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 2021-22 target results.

11b 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 2021-22

We certify that the accompanying Performance Report of Central Gippsland Region Water Corporation in respect of the 2021-22 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the 2021-22 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets 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 27 September 2022

VAGO Attestation



Independent Auditor's Report

To the Board of the Central Gippsland Region Water Corporation

Opinion	<p>I have audited the accompanying performance report of the Central Gippsland Region Water Corporation (the corporation) for the year ended 30 June 2022, 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 the Central Gippsland Region Water Corporation for the year ended 30 June 2022, presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the <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
28 September 2022



Paul Martin
as delegate for the Auditor-General of Victoria

Part 10: Financial performance report

Financial report for the year ended 30 June 2022

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Central Gippsland Regional Water Corporation Comprehensive operating statement for the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Revenue and income from transactions			
Revenue from contracts with customers	2.1	157,558	160,676
Interest income	2.2	39	37
Total revenue and income from transactions		157,597	160,713
Expenses from transactions			
Employee benefits	3.1.1	35,828	35,043
Direct operating expenses	3.2	24,408	24,878
Depreciation	4.1.1	51,713	46,962
Amortisation	4.2	442	489
Interest expense	6.1.2	11,629	11,960
Environmental contribution	8.2	5,953	5,953
Repairs and maintenance	3.3	15,643	15,796
Other expenses	3.4	9,132	7,183
Total expenses from transactions		154,748	148,264
Net result from transactions (net operating balance)		2,849	12,449
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	4.1.5	(1,860)	(1,291)
Total other economic flow included in net result		(1,860)	(1,291)
Net result before income tax		989	11,158
Income tax expense	8.1.1	297	3,342
Net result		692	7,816
Other economic flows - other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Changes in physical asset revaluation reserve	9.1.2	(544)	197,810
Deferred tax relating to components of other comprehensive income	9.1.2	(199)	(59,343)
Total other economic flows - other comprehensive income		(743)	138,467
Comprehensive result		(51)	146,283

The accompanying notes form part of these financial statements.

Central Gippsland Regional Water Corporation Balance sheet as at 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Assets			
Current assets			
Cash and deposits	6.2	13,765	10,897
Receivables	5.1	14,373	14,019
Contract assets	5.2	8,143	8,178
Inventories	5.5	3,793	3,726
Biological assets	5.9	1,990	1,079
Other non-financial assets	5.7	983	901
Total current assets		43,047	38,800
Non-current assets			
Receivables	5.1	762	965
Other financial assets	5.6	1,000	1,000
Infrastructure, property, plant and equipment	4.1.1	1,500,427	1,500,499
Biological assets	5.9	3,914	6,483
Intangibles	4.2	7,030	7,045
Net deferred tax assets	8.1.2	35,247	26,414
Total non-current assets		1,548,380	1,542,406
Total assets		1,591,427	1,581,206
Liabilities			
Current liabilities			
Trade and other payables	5.3	13,944	17,552
Contract liabilities	5.4	5,866	5,403
Employee benefits provision	3.1.2	9,371	9,260
Other provisions	5.8	500	159
Interest bearing liabilities	6.1	9,500	15,500
Total current liabilities		39,181	47,874
Non-current liabilities			
Employee benefits provision	3.1.2	857	881
Other provisions	5.8	3,456	3,797
Interest bearing liabilities	6.1	320,000	310,000
Net deferred tax liabilities	8.1.2	230,925	221,595
Total non-current liabilities		555,238	536,273
Total liabilities		594,419	584,147
Net assets		997,008	997,059
Equity			
Contributed capital	9.1.1	255,971	255,971
Physical asset revaluation reserve	9.1.2	410,592	411,335
Accumulated surplus / deficit	9.1.3	330,445	329,753
Total equity		997,008	997,059

The accompanying notes form part of these financial statements

Central Gippsland Regional Water Corporation Cash flow statement for the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts			
Revenue from contracts with customers		129,242	123,253
Interest received		39	37
Developer contribution fees		153	1,415
Goods and Services Tax received from the ATO		5,274	4,839
Other customer revenue		17,805	15,337
Total receipts		152,512	144,881
Payments			
Payments to suppliers		(54,206)	(50,510)
Payments to employees		(35,836)	(35,361)
Interest and other cost of finance paid		(11,672)	(11,981)
Goods and Services Tax paid to the ATO		(1,187)	(771)
Environmental contribution levy paid		(5,953)	(5,953)
Total payments		(108,851)	(104,577)
Net cash flows from/(used in) operating activities	6.2.1	43,659	40,304
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(45,008)	(55,651)
Proceeds from sale of infrastructure, property, plant & equipment	4.1.1	656	744
Payments for intangible assets	4.2	(439)	(122)
Net cash flows from/(used in) investing activities		(44,791)	(55,029)
Cash flows from financing activities			
Proceeds from borrowings		4,000	9,000
Net cash flows from/(used in) financing activities		4,000	9,000
Net increase/(decrease) in cash and deposits		2,868	(5,725)
Cash and deposits at the beginning of the financial year		10,897	16,622
Cash and deposits at the end of the financial year	6.2	13,765	10,897

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 2022

	Notes	Contributed capital \$'000	Physical asset revaluation reserve \$'000	Accumulated surplus / deficit \$'000	Total equity \$'000
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
Balance at 1 July 2021		255,971	411,335	329,753	997,059
Net result for the year		-	-	692	692
Other comprehensive income	9.1.2	-	(743)	-	(743)
Total comprehensive income		-	(743)	692	(51)
Balance at 30 June 2022		255,971	410,592	330,445	997,008

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 2022

Introduction

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

Advisors to Gippsland Water

The key advisors to Gippsland Water 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 to 30 September 2021 Pitcher Partners Consulting Pty Ltd from 1 October 2021
Tax Agents	RSM Australia Pty Ltd
Funding Agency	Treasury Corporation of Victoria (TCV)

External Auditors to Gippsland Water

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 27 September 2022.

Central Gippsland Regional Water Corporation

Notes to and forming part of the Financial Report for the year ended 30 June 2022

Note 1 ABOUT THIS REPORT

Basis of preparation

The financial report includes separate financial statements for Central Gippsland Region 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 2022.

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 Region 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 Region 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
Recognition and measurement of Software-as-a-Service (SaaS) arrangements	4.2
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 has had, and is still 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.

The consequential impacts on Central Gippsland Region 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 Region Water Corporation customers
- support for employees transitioning to working from home and back to the office
- 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)
- 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 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 2022

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 74,794 customers and wastewater services to 67,261 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

Section	Description	Page
2.1	Revenue from contracts with customers	97
2.1.1	Revenue from service, usage and trade waste charges	97
2.1.2	Developer contributions	98
2.1.3	Other revenue	98
2.1.4	Timing of recognition of revenue from customers	100
2.2	Interest income	101

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	2022 \$'000	2021 \$'000
Revenue from service, usage and trade waste charges	2.1.1	128,349	126,566
Developer contributions	2.1.2	11,704	18,477
Other revenue	2.1.3	17,505	15,633
Total revenue from contracts with customers		157,558	160,676

2.1.1 Revenue from service, usage and trade waste charges

	2022 \$'000	2021 \$'000
<i>Service charges</i>		
Water	21,597	21,530
Wastewater	65,091	64,799
Trade waste	296	289
Total service charges	86,984	86,618
<i>Usage charges</i>		
Water	34,965	33,716
Wastewater	6,400	6,232
Total usage charges	41,365	39,948
Total revenue from service and usage charges	128,349	126,566

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 on 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

	2022 \$'000	2021 \$'000
Developer contributed assets ⁽ⁱ⁾	11,704	17,167
Assets funded by developers and contributions received	-	1,310
Total developer contributions	11,704	18,477

Notes:

- (i) Developer contributions are indicative of 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

	2022 \$'000	2021 \$'000
Waste charges (prescribed and non-prescribed)	5,550	5,838
Agricultural pursuits	7,151	5,051
Operating fees	2,109	2,421
Rechargeable works	1,182	1,181
Miscellaneous fees	655	372
Salary sacrifice contributions	465	482
Workcover refunds received	152	76
Diesel fuel rebate	103	98
Liquidated damages	53	37
External service provision	85	77
Total other revenue	17,505	15,633

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 recognised over the period over which goods and services are provided to the customer.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
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.
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 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	
2022									
At a point in time	-	-	-	-	-	11,704	-	17,505	29,209
Over time	21,597	65,091	296	34,965	6,400	-	-	-	128,349
Total	21,597	65,091	296	34,965	6,400	11,704	-	17,505	157,558
2021									
At a point in time	-	-	-	-	-	17,167	1,310	15,633	34,110
Over time	21,530	64,799	289	33,716	6,232	-	-	-	126,566
Total	21,530	64,799	289	33,716	6,232	17,167	1,310	15,633	160,676

2.2 Interest income

	2022 \$'000	2021 \$'000
Interest from financial assets not at fair value through profit and loss		
Interest on bank deposits	21	18
Interest from Westpac (TCV 2019) investments	9	6
Interest from tariff/private scheme	9	13
Total interest income	39	37

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 2022

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.

Note contents

Section	Description	Page
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3.3	Repairs and maintenance	108
3.4	Administrative and other operating expenses	108

3.1 Expenses incurred in delivery of services

	Notes	2022 \$'000	2021 \$'000
Employee benefit expenses	3.1.1	35,828	35,043
Direct operating expenses	3.2	24,408	24,881
Repairs and maintenance	3.3	15,643	15,796
Operating expenses	3.4	9,132	7,180
Total expenses incurred in delivery of services		85,011	82,900

3.1.1 Employee benefits in the comprehensive operating statement

	2022 \$'000	2021 \$'000
Salaries and wages, annual leave and long service leave (i)	31,819	31,108
Superannuation	2,884	2,643
Other	1,125	1,292
Total employee benefit costs	35,828	35,043

Notes:

- (i) Salaries and wages, annual leave and long service leave includes an economic flow included in the net result. This is derived from the long service leave discount rate provided by Treasury Corporation of Victoria. 2022 movements total \$0.003M.

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.

	2022 \$'000	2021 \$'000
Current provisions:		
Employee benefits	192	146
<i>Annual leave</i>		
Unconditional and expected to settle within 12 months	2,956	2,807
Unconditional and expected to settle after 12 months	482	407
<i>Long service leave</i>		
Unconditional and expected to settle within 12 months	595	549
Unconditional and expected to settle after 12 months	4,124	4,313
<i>Provisions for on-costs</i>		
Unconditional and expected to settle within 12 months	483	412
Unconditional and expected to settle after 12 months	539	626
Total current provisions for employee benefits	9,371	9,260
Non-current provisions:		
Employee benefits	758	777
On-costs	99	104
Total non-current provisions for employee benefits	857	881
Total provisions for employee benefits	10,228	10,141

Reconciliation of movements in on-cost provisions

	2022 \$'000
Current provisions	
Annual leave and long service leave	
Opening balance	1,038
Additional provisions recognised	39
Closing balance - current	1,077
Non-current provisions	
Long service leave	
Opening balance	104
Additional provisions recognised	(5)
Closing balance - non-current	99

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 as an other economic flow included in the net result within the operating statement.

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 2022 and 30 June 2021 are detailed below:

Fund	Type of scheme	Rate (%)	2022 \$'000	2021 \$'000
Vision Super - Defined Benefits	Defined benefits	10.0% - 12.5%	141	130
Vision Super - Super Saver	Accumulation	10.0%	1,346	1,269
Other Superannuation Funds	Accumulation	10.0%	1,397	1,244
Total			2,884	2,643

There were no contributions outstanding to the above schemes as at 30 June 2022.

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 2022, this was 10% 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 2021. The result for the interim investigation for 30 June 2021 was made available October 2021. The vested benefit index (VBI) was 109.8%. 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:

	2022	2021
Net investment returns	4.75% p.a.	5.6% p.a.
Salary information	2.75% p.a.	2.5% p.a. for 2 years and 2.75% p.a. thereafter
Price inflation (CPI)	2.25% p.a.	2.0% p.a.

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

The Fund's full actuarial investigation as at 30 June 2021 identified the following:

	2022 \$m	2021 \$m
VBI surplus/(deficit)	71.0	97.6
Total service liability surplus/(deficit)	270.3	200.0

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2022.

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

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 Region 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

	2022	2021
	\$'000	\$'000
Energy	3,885	4,277
Chemicals	4,327	3,844
Agricultural costs ⁽ⁱ⁾	5,069	1,909
GRO costs	1,968	1,506
Consultants' fees	916	1,664
Sampling and testing	1,679	1,695
Operational overhead costs	1,379	1,814
Water purchases and cartage	1,059	1,126
Fleet	1,006	1,042
Sludge removal and transport	1,175	1,033
Rehabilitation costs	3	2,708
Modelling, investigation and decision making tools	532	766
Other operational costs	593	697
Meter reading services	462	444
EPA licence fee	355	353
Total direct operating expenses	24,408	24,878

Direct operating expenditure includes all costs directly attributable to the operations of the Corporation. These are recognised as expenses when incurred.

Notes:

(i) Agricultural costs includes the decrement in plantations due to timbers harvested throughout the year

3.3 Repairs and maintenance

	2022 \$'000	2021 \$'000
Major maintenance	3,773	3,813
Mechanical and Electrical corrective maintenance	2,541	2,725
Building, land and site maintenance	1,690	1,790
Other contract works	1,672	1,924
Mechanical and Electrical preventative maintenance	1,616	1,551
Other sewer maintenance	1,142	1,043
Maintenance agreements and contractor payments	1,448	1,208
Other repairs and maintenance	703	683
Other water maintenance	897	930
Corrective maintenance	161	129
Total repairs and maintenance	15,643	15,796

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 Other expenses

	2022 \$'000	2021 \$'000
Maintenance agreements and contractor payments	687	852
Licence fees	1,696	1,261
Billing and revenue collection costs	865	832
Other repairs and maintenance	582	530
Land and building costs	675	662
Utilities, rates and other services	639	584
Other administration costs	520	524
Insurance premiums and claims	690	492
Legal fees	101	271
Auditors' remuneration	304	247
Consultants' fees ⁽ⁱ⁾	1,718	181
Fleet	103	90
Membership fees	143	136
Environmental offsets	205	148
Community engagement and development costs	165	237
Expected credit loss on receivables	37	133
Low-value lease expenses	2	3
Total other expenses	9,132	7,183

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

Notes:

- (i) Increased consultancy expenditure relates to independent advisory services to support the development of our 2023-28 Price Submission including economic modelling and customer engagement, as well as specialist IT support.

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 2022

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	Buildings	Leasehold improvements	Water infrastructure	Wastewater infrastructure	Plant and equipment	Motor vehicles	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2022									
Opening net book amount	53,889	14,671	-	555,363	780,724	7,908	6,020	81,924	1,500,499
Additions (i)	-	-	-	3,896	7,912	-	-	42,960	54,768
Disposals	-	-	-	(792)	(1,496)	-	(497)	-	(2,520)
Correction of prior year revaluation (ii)	(279)	-	-	(218)	(47)	-	-	-	(544)
Transfer between asset classes (iii)	32	(115)	-	13,720	65,735	3,030	617	(83,082)	(63)
Depreciation charge	-	(625)	-	(18,270)	(30,047)	(1,761)	(1,010)	-	(51,713)
Closing net book amount	53,642	13,931	-	553,917	822,828	9,177	5,130	41,802	1,500,427
Total as at 30 June 2022 represented by:									
Gross book value	53,642	14,603	-	572,775	853,437	25,724	8,715	41,802	1,570,698
Accumulated depreciation	-	(672)	-	(18,858)	(30,609)	(16,547)	(3,585)	-	(70,271)
Net book value as at 30 June 2022	53,642	13,931	-	553,917	822,828	9,177	5,130	41,802	1,500,427

Notes:

- (i) Additions for water and wastewater infrastructure reflect the owner cost works (gifted assets by developers)
- (ii) Correction of prior year asset revaluation
- (iii) Total Work in progress movement for 2021/22 was \$83,082M with new works in and capitalisations out

	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 ^(iv)	-	-	4,603	10,303	-	-	61,579	76,485
Disposals	-	-	(739)	(510)	(118)	(666)	-	(2,033)
Transfer between asset classes ^(v)	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	-	(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:
- (iv) Additions for water and wastewater infrastructure reflect the owner cost works (gifted assets by developers)
 - (v) As a result the 2021 VGV Asset Revaluation process accumulated depreciation of revalued assets was netted off against costs and fair values were updated net off depreciation. The netting-off was performed under the provisions of FRD103. This brought the accumulated depreciation down for the 2021 year.

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 (2021: \$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 103).

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

Revaluations may occur more frequently if fair value assessments indicate material changes in values. In such instances, interim managerial revaluations are undertaken in accordance with the requirements of FRD 103. 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 21. 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*.

Exposure to climate-related matters could be an indicator that an asset (or a group of assets) is impaired. 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:

	2022	2021
	\$'000	\$'000
Proceeds from disposal of assets	660	743
Written down value (WDV) of assets disposed	(2,520)	(2,034)
Net gain/(loss) on disposal	(1,860)	(1,291)

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 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 (i)	-	-	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
Year ended 30 June 2022					
Opening net book amount - 1 July 2021	4,500	2,288	160	97	7,045
Additions	-	-	-	379	379
Disposals	-	-	-	-	-
Transfer between asset classes (i)	-	302	-	(240)	62
Gain/(loss) on LGC spot price movement	-	-	(13)	-	(13)
Amortisation	-	(443)	-	-	(443)
Closing net book amount	4,500	2,147	147	236	7,030
Total as at 30 June 2022 represented by:					
Cost	4,500	8,682	147	236	13,565
Accumulated amortisation	-	(6,535)	-	-	(6,535)
Net book value as at 30 June 2022	4,500	2,147	147	236	7,030

Notes:

(i) LGC's 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 109 *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

Software Costs

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets. See Note 9.9 for the new accounting policy for software.

Large-scale Generation Certificates

Large-scale Generation Certificates are recognised as an intangible asset on the Balance Sheet at fair value (in accordance with AASB 138 *Intangible Assets* and FRD 109 *Intangible Assets*), and will not be subject to amortisation, as the Large-scale Generation Certificates have an indefinite life.

Central Gippsland Regional Water Corporation

Notes to and forming part of the Financial Report for the year ended 30 June 2022

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

	2022 \$'000	2021 \$'000
Current		
<i>Contractual</i>		
Private schemes unmatured capital	91	91
Services and usage charges	13,696	13,010
Allowance for expected credit losses	(640)	(603)
Loans to third parties	50	47
<i>Statutory</i>		
GST input tax credit recoverable	1,176	1,474
Total current receivables	14,373	14,019
Non-current		
<i>Contractual</i>		
Private schemes unmatured capital	709	862
Loans to third parties	53	103
Total non-current receivables	762	965
Total receivables	15,135	14,984

Receivables consist of:

Receivable	Initial measurement	Subsequent measurement
Private schemes unmatured capital	<p>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.</p> <p>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.</p>	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.

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 would 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 was PWC's intention to make payment of the dividend on 30 September 2021. PWC noted that they would not require any funding from the State (as had previously been contemplated) to meet creditor's claims in full. As at 30 June 2022 these funds have not been received.

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 COVID-19 might have on the impact of customers to make payments of their water bills.

On that basis, the loss allowance as at 30 June 2022 was determined as follows for receivables – service and usage charges and other receivables:

30 June 2022	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%	11%	12%	11%	19%	24%	
Gross carrying amount - receivables from service and usage charges	10,324	250	461	1,068	786	806	13,695
Loss allowance	99	28	56	117	146	193	640

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

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

	2022 \$'000	2021 \$'000
Opening balance 1 July	(603)	(470)
Increase in provision recognised in the net result	(37)	(133)
Balance as at 30 June	(640)	(603)

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 \$0.04 million to reflect risks and uncertainties brought about by the COVID-19 pandemic. Should the macroeconomic assumptions change in the future, it could have an 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

	2022 \$'000	2021 \$'000
Service and usage charges	5,046	4,911
Developer contributions	2,155	2,260
Other	942	1,007
Total contract assets	8,143	8,178
<i>Represented by</i>		
Current contract assets	8,143	8,178
		Service and usage charges
Opening balance as at 1 July 2021		8,178
Less: Amounts billed during the year		(8,178)
Add: Amount accrued at year end (to be billed)		8,143
Carrying amount as at 30 June 2022		8,143

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 \$3,904,591.19 (2021: \$3,738,395) for residential customers and \$1,141,802 (2021: \$1,172,334) 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

	2022 \$'000	2021 \$'000
Current		
<i>Contractual</i>		
Trade creditors	261	353
Accrued expenses	10,604	14,643
<i>Other</i>		
Security deposits	1,801	1,606
Retentions	844	760
Other	132	(65)
Total	13,641	17,297
<i>Statutory</i>		
GST payable	201	150
Other government payables	101	105
Total	302	255
Total current payables	13,944	17,552
Non-current		
Total non-current payables	-	-
Total trade and other payables	13,944	17,552

To support the local economy we have commenced the settlement of all approved invoices within 5-10 working days since the declaration of the COVID-19 pandemic in March 2020 by the Victorian government.

5.3.1 Ageing analysis of contractual payables

30 June 2022	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
Trade and sundry creditors	260	260	260	-	-	-
Accrued expenses	10,604	10,604	10,604	-	-	-
Other payables	2,777	2,777	2,777	-	-	-
Total	13,641	13,641	13,641	-	-	-

30 June 2021	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
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	-	-	-

5.4 Contract liabilities

	2022 \$'000	2021 \$'000
Customers paid in advance	5,866	5,403
Total contract liabilities	5,866	5,403
<i>Represented by</i>		
Current contract liabilities	5,866	5,403

	Service usage charges - customer paid in advance \$'000	Total \$'000
Carrying amount as at 1 July 2020	4,645	4,645
Contract liabilities recognised in the reporting period	758	758
Closing balance at 30 June 2021	5,403	5,403
Add: Payments received in advance for provision of goods and services	463	463
Total contract liabilities at 30 June 2022	5,866	5,866

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

	2022 \$'000	2021 \$'000
Current		
<i>Stores and consumables - at cost</i>		
Raw materials	3,793	3,726
Total current inventories	3,793	3,726
Total inventories	3,793	3,726

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

	2022 \$'000	2021 \$'000
Current		
Other	-	-
Total current other financial assets	-	-
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	1,000

Environmental bond

The Corporation operates a prescribed (Industrial) waste treatment and storage facility at its Dutson Downs property which falls under EPA Licence OL000070000, which is issued under section 74(1)(a) of the *Environment Protection Act 2017 (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

	2022 \$'000	2021 \$'000
Current		
Prepayments	983	901
Total other non-financial assets	983	901

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

	2022 \$'000	2021 \$'000
Current		
Bioremediation pond rehabilitation	500	159
Landfill site rehabilitation	-	-
	500	159
Non-current		
Bioremediation pond rehabilitation	2,700	3,041
Landfill site rehabilitation	756	756
	3,456	3,797
Total other provisions	3,956	3,956

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. Additional investigation and data gathering works is required to be undertaken during the year of 2022/23. The provision remains at \$3.2m for 30 June 2022. The provision will continue to be reviewed on an annual basis in light of the data obtained from the ongoing investigation works.

Landfill site rehabilitation

The Corporation operates an EPA licensed landfill for the disposal of inorganic waste. This provision recognises the final restoration cost to close and restore the landfill 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 (2027/28). 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.

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 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
Opening balance as at 1 July 2021	3,200	756	3,956
Carrying amount as at 30 June 2022	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	
		2022	2021	2022 \$'000	2021 \$'000
Consumable assets					
<i>Mature assets</i>					
<i>Fodder</i>					
Silage	Bales	345	3,558	14	215
Cereal and legume silage	Tonnes	3,580	-	77	-
Hay	Bales	1,427	555	98	40
<i>Crops</i>					
Feed mixed grain	Tonnes	500	320	200	99
Total consumable assets (CA1)		5,852	4,433	388	354
Non-bearer assets					
<i>Immature assets (plantation)</i>					
Softwood pinus radiata	Hectares	542	542	1,394	3,871
Total non-bearer assets (NCA1)		542	542	1,394	3,871

5.9.2 Livestock

Biological asset	Measurement basis	Quantities		Carrying amount	
		2022	2021	2022 \$'000	2021 \$'000
Consumable assets					
<i>Immature assets</i>					
Mixed sex calves and weaners	Headcount	887	414	1,602	725
<i>Mature assets</i>					
Total consumable assets (CA2)		887	414	1,602	725
Bearer assets					
<i>Immature assets</i>					
Heifers	Headcount	178	427	425	679
<i>Mature assets</i>					
Cows and bulls	Headcount	845	951	2,095	1,933
Total bearer assets (NCA2)		1,023	1,378	2,520	2,612
				2022	2021
				\$'000	\$'000
Total current biological assets					
Crops and fodder (CA1) and livestock (CA2)				1,990	1,079
Total non-current biological assets					
Plantations (NCA1) and livestock (NCA2)				3,914	6,483

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 2022 and previously at 30 June 2021.

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 Practising Valuers completed an independent valuation of the plantations at 30 June 2022 and at 30 June 2021.

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

	2022 \$'000	2021 \$'000
Opening net book amount	7,562	5,802
<i>Increases due to:</i>		
Purchases	-	-
Natural increase	356	343
Movement in crops	34	-
Fair value increase - livestock and plantations	1,837	2,318
<i>Decreases attributable to:</i>		
Sales	(1,356)	(819)
Deaths	(52)	(34)
Movement in crops	-	(40)
Fair value decrease - livestock and plantations	(2,477)	(8)
Closing net book amount	5,904	7,562

See Note 7.3.1 for fair value assessment of these assets.

5.9.4 Cost of biological assets sold

	2022 \$'000	2021 \$'000
Cost of biological assets sold - livestock	1,356	819
Total cost of biological assets sold	1,356	819

Central Gippsland Regional Water Corporation

Notes to and forming part of the Financial Report for the year ended 30 June 2022

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

	2022 \$'000	2021 \$'000
Current interest-bearing liabilities		
Loans from Treasury Corporation of Victoria (TCV)	9,500	15,500
Total current interest-bearing liabilities	9,500	15,500
Non-current interest-bearing liabilities		
Loans from Treasury Corporation of Victoria (TCV)	320,000	310,000
Total non-current interest-bearing liabilities	320,000	310,000
Total interest-bearing liabilities	329,500	325,500

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 2022							
Loans from TCV	329,500	299,647	9,500	-	40,000	150,000	130,000
Total	329,500	299,647	9,500	-	40,000	150,000	130,000
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

6.1.2 Interest expense

	2022 \$'000	2021 \$'000
Interest on loans from Treasury Corporation of Victoria (TCV)	7,459	7,803
Financial accommodation levy	4,170	4,157
Total interest expense	11,629	11,960

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.

	2022 \$'000	2021 \$'000
Cash at bank	13,765	10,897
Balance as per cash flow statement	13,765	10,897

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

6.2.1 Cash flow reconciliation

	Notes	2022 \$'000	2021 \$'000
Net result for the period		692	7,816
Non-cash movements			
Depreciation and amortisation of non-current assets		52,157	47,451
(Gain)/loss on sale and impairment of property, plant and equipment		1,862	1,291
Non cash developer contributions and gifted assets	2.1.2	(11,704)	(17,167)
Movements in assets and liabilities			
(Increase)/decrease in receivables		(108)	(766)
(Increase)/decrease in inventories		(65)	16
(Increase)/decrease in biological assets		1,658	(1,759)
(Increase)/decrease in contract assets		(1,889)	(2,538)
(Increase)/decrease in deferred tax liabilities / assets		298	3,341
Increase/(decrease) in payables		284	(466)
Increase/(decrease) in contract liabilities		462	758
Increase/(decrease) in employee benefits		12	(318)
Increase/(decrease) in provisions		-	2,645
Net cash provided by/(used in) operating activities		43,659	40,304

6.2.2 Financing facilities

	2022 \$'000	2021 \$'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 2022				
Capital expenditure commitments payable	15,736	270	-	16,006
Environmental contribution levy commitments	5,953	11,905	-	17,858
Short-term and low value lease payments	61	301	238	599
Total commitments (inclusive of GST)	21,750	12,476	238	34,463
Less GST recoverable	-	-	-	-
Total commitments (exclusive of GST)	21,750	12,476	238	34,463
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

Central Gippsland Regional Water Corporation

Notes to and forming part of the Financial Report for the year ended 30 June 2022

Note 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

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

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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.

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. 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.

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*.

	Notes	Cash and deposits \$'000	Financial assets at amortised cost (AC) \$'000	Financial liabilities at amortised cost (AC) \$'000	Total \$'000
2022					
Contractual financial assets					
Cash and deposits	6.2	13,765	-	-	13,765
Receivables⁽ⁱ⁾					
Private schemes unmatured capital	5.1	-	800	-	800
Services and usage charges	5.1	-	13,056	-	13,056
Loans to third parties	5.1	-	103	-	103
Contract assets	5.2	-	8,143	-	8,143
Investments and other contractual financial assets					
Westpac investment deposit - environmental bond	5.6	-	1,000	-	1,000
Total contractual financial assets		13,765	23,102	-	36,967
Contractual financial liabilities					
Payables					
Trade creditors	5.3	-	-	260	260
Accrued expenses	5.3	-	-	10,604	10,604
Other	5.3	-	-	2,777	2,777
Borrowings					
Loans from Treasury Corporation of Victoria (TCV)	6.1	-	-	329,500	329,500
Total contractual financial liabilities		-	-	343,141	343,141

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

2021	Notes	Cash and deposits \$'000	Financial assets at amortised cost (AC) \$'000	Financial liabilities at amortised cost (AC) \$'000	Total \$'000
Contractual financial assets					
Cash and deposits	6.2	10,897	-	-	10,897
Receivables⁽ⁱ⁾					
Private schemes unmatured capital	5.1	-	953	-	953
Services and usage charges	5.1	-	12,407	-	12,407
Loans to third parties		-	150	-	150
Contract assets	5.2	-	8,178	-	8,178
Investments and other contractual financial assets					
Westpac investment deposit - environmental bond	5.6	-	1,000	-	1,000
Other	5.6	-	-	-	-
Total contractual financial assets		10,897	22,688	-	33,585
Contractual financial liabilities					
Payables					
Trade creditors	5.3	-	-	353	353
Accrued expenses	5.3	-	-	14,643	14,643
Other	5.3	-	-	2,301	2,301
Borrowings					
Loans from Treasury Corporation of Victoria (TCV)	6.1	-	-	325,500	325,500
Total contractual financial liabilities		-	-	342,797	342,797

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

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

2022	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	-	11,629	-	-	11,629
Total contractual financial liabilities	-	11,629	-	-	11,629

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

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 Finance 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 Finance 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 2021-22 (refer to Note 5.1).

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

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

2022	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	13,765	-	-	13,765
Financial assets with loss allowance measured at lifetime expected credit loss:				
Receivables (excl. statutory receivables)	-	-	13,959	13,959
Other financial assets	1,000	-	-	1,000
Total financial assets	14,765	-	13,959	28,724

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

(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 2022, 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.

2022	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	13,765	-	13,765	-
Receivables (excl. statutory receivables) (ii)	-	13,906	-	-	13,906
Other financial assets	-	1,000	1,000	-	-
Total financial assets		28,671	1,000	13,765	13,906
Contractual financial liabilities					
Payables (excl. statutory payables) (ii)	-	27,282	-	-	27,282
Loans from Treasury Corporation of Victoria (TCV)	2.40	329,500	320,000	9,500	-
Total financial liabilities		356,782	320,000	9,500	27,282

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
Other financial assets	-	1,000	1,000	-	-
Total financial assets		25,304	1,000	10,897	13,407
Contractual financial liabilities					
Payables (excl. statutory payables) (ii)	-	34,594	-	-	34,594
Loans from Treasury Corporation of Victoria (TCV)	2.30	325,500	310,000	15,500	-
Total financial liabilities		360,094	310,000	15,500	34,594

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.

2022 Financial instruments	Carrying amount \$'000	Profit or Loss		Equity	
		-100 basis points \$'000	+100 basis points \$'000	-100 basis points \$'000	+100 basis points \$'000
<i>Financial assets</i>					
Cash and deposits ⁽ⁱ⁾	13,765	(138)	138	(138)	138
Trade receivables ⁽ⁱⁱ⁾	13,056	-	-	-	-
Other receivables ⁽ⁱⁱ⁾	141	-	-	-	-
Other receivables - Westpac deposit	1,000	(10)	10	(10)	10
<i>Financial liabilities</i>					
Payables ⁽ⁱⁱ⁾	13,641	-	-	-	-
Interest bearing liabilities - fixed	280,000	-	-	-	-
Interest bearing liabilities - maturing	40,000	400	(400)	400	(400)
Interest bearing liabilities - variable	9,500	95	(95)	95	(95)
Total	371,103	347	(347)	347	(347)

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)

(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. As at 30 June 2022, the Corporation 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 1.6% to 5.39% (2021: 1.19% to 5.93%).

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 2022 \$'000	Fair value 2022 \$'000	Carrying amount 2021 \$'000	Fair value 2021 \$'000
<i>Financial assets</i>				
Cash and cash equivalents	13,765	13,765	10,897	10,897
Trade receivables	13,056	13,056	12,407	12,407
Other receivables	141	141	138	138
Deposits at TCV	1,000	1,000	1,000	1,000
Total	27,962	27,962	24,442	24,442
<i>Financial liabilities</i>				
Payables	13,641	13,641	17,297	17,297
Loans from TCV	329,500	329,500	325,500	325,500
Total	343,141	343,141	342,797	342,797

7.3.2 Fair value determination – Non-financial physical assets

	Carrying amount as at 30 June 2022 \$'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	52,025	-	-	52,025
Total land at fair value	53,642	-	-	53,642
<i>Buildings at fair value</i>				
Non-specialised buildings	10,377	-	-	10,377
Specialised buildings	3,554	-	-	3,554
Total buildings at fair value	13,931	-	-	13,931
<i>Water infrastructure assets at fair value</i>				
Headworks	160,050	-	-	160,050
Water transfer	87,974	-	-	87,974
Water disinfection	621	-	-	621
Water storage	22,170	-	-	22,170
Water treatment	66,804	-	-	66,804
Water pump stations	5,524	-	-	5,524
Water reticulation	210,774	-	-	210,774
Total water infrastructure assets at fair value	553,917	-	-	553,917
<i>Wastewater infrastructure at fair value</i>				
Waste transfer	115,685	-	-	115,685
Waste storage	12,253	-	-	12,253
Waste treatment	298,876	-	-	298,876
Waste pump stations	45,046	-	-	45,046
Waste reticulation	350,969	-	-	350,969
Total wastewater infrastructure at fair value	822,829	-	-	822,829
<i>Plant and equipment at fair value</i>				
Vehicles	5,130	-	5,130	-
Plant and equipment	9,177	-	-	9,177
Total plant and equipment at fair value	14,307	-	5,130	9,177
<i>Biological assets</i>				
Crops and fodder	388	-	388	-
Animals	4,122	-	4,122	-
Plantations	1,394	-	1,394	-
Total biological assets	5,904	-	5,904	-
Total assets at fair value (excluding works in progress)	1,464,530	-	11,034	1,453,496

	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

There were no changes in valuation techniques throughout the period to 30 June 2022.

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.

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 or 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 (VGV). The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2021. The Fair Value was assessed in 2022 using VGV indices. No movement plus ten percent was identified.

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 2022.

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 in 2021. 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 2022.

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 2022 and previously at 30 June 2021.

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 Practising Valuers completed an independent valuation of the plantations at 30 June 2022 and at 30 June 2021.

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

2022 and 2021	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.

2021-22	Opening balance 1 July 2021	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 2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Land</i>								
Non-specialised land	1,617	-	-	-	-	-	-	1,617
Specialised land	52,272	32	(279)	-	-	-	-	52,025
Total land	53,889	32	(279)	-	-	-	-	53,642
<i>Buildings</i>								
Non-specialised buildings	10,952	138	(252)	-	-	(461)	-	10,377
Specialised buildings	3,719	324	(325)	-	-	(164)	-	3,554
Total buildings	14,671	463	(577)	-	-	(625)	-	13,931
<i>Water infrastructure assets</i>								
Headworks	157,205	464	7,938	(193)	-	(5,364)	-	160,050
Water transfer	85,592	323	4,316	(65)	-	(2,192)	-	87,974
Water disinfection	1,070	-	(414)	-	-	(36)	-	621
Water storage	20,101	2,258	1,161	(104)	-	(1,246)	-	22,170
Water treatment	65,742	3,004	2,174	(183)	-	(3,933)	-	66,804
Water pump stations	4,364	3,546	(2,082)	(17)	-	(286)	-	5,524
Water reticulation	221,289	7,019	(12,093)	(228)	-	(5,213)	-	210,774
Total water infrastructure assets	555,363	16,615	1,000	(791)	-	(18,270)	-	553,917
<i>Wastewater infrastructure</i>								
Waste transfer	129,954	1,449	(13,806)	(20)	-	(1,892)	-	115,685
Waste storage	11,090	2	1,822	-	-	(662)	-	12,253
Waste treatment	262,615	54,269	(1,839)	(1,165)	-	(15,004)	-	298,876
Waste pump stations	51,826	5,674	(10,426)	(235)	-	(1,793)	-	45,046
Waste reticulation	325,238	13,254	23,248	(75)	-	(10,696)	-	350,969

Total wastewater infrastructure	780,723	74,649	(1,001)	(1,496)	-	(30,047)	-	822,829
<i>Plant and equipment</i>								
Plant and equipment	7,908	2,453	577	-	-	(1,761)	-	9,177
Total plant and equipment	7,908	2,453	577	-	-	(1,761)	-	9,177
Total Level 3 assets	1,412,554	94,211	(279)	(2,286)	-	(50,703)	-	1,453,496

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
Total water infrastructure assets	514,328	20,469	-	(738)	40,093	(18,789)	-	555,363
<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
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

Central Gippsland Regional Water Corporation

Notes to and forming part of the Financial Report for the year ended 30 June 2022

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	2022 \$'000	2021 \$'000
(a) Income statement			
Current income tax expense		297	3,342
Income tax reported in the Income Statement		297	3,342
(b) Statement of changes in equity			
Net deferred tax - debited/(credited) directly to equity	8.1.2	199	59,343
Income tax reported in equity		199	59,343
(c) Tax reconciliation			
Profit from continuing operations before income tax expense		989	11,158
Tax at the Australian tax rate of 30.0% (2021 - 30.0%)		297	3,347
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		-	2
Permanent differences			(7)
Changes for developer contributions		-	-
Income tax on profit before tax		297	3,342
(d) Tax expense (income relating to items of other comprehensive income)			
Gain/(loss) on revaluations of infrastructure, property, plant and equipment		(199)	(59,343)

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	2022 \$'000	2021 \$'000
Amounts recognised in Comprehensive Operating Statement			
Loss allowance		-	-
Employee benefits		-	-
Provisions and accrued expenditure not deductible		5,858	7,432
Intangible assets		-	-
Building write-down		-	-
Lease liabilities		-	-
Other		195	227
Tax losses		29,194	18,755
Total deferred tax assets		35,247	26,414
Movements:			
Opening balance at 1 July		26,414	33,873
Amounts restated through opening retained earnings			
Credited/(debited):			
to the Comprehensive operating statement		(199)	8
to other comprehensive income	8.1.1	-	-
Tax losses		9,032	(7,467)
Closing balance at 30 June		35,247	26,414
Deferred tax asset expected to be recovered within 12 months		-	-
Deferred tax asset expected to be recovered after more than 12 months		-	-
Tax losses		29,194	-
Closing balance at 30 June		29,194	-

Deferred tax liabilities

		2022 \$'000	2021 \$'000
Amounts recognised in Comprehensive Operating Statement			
Depreciation		53,091	41,419
Other deferred tax liabilities		1,548	3,890
Amounts recognised directly in equity			
Revaluation of infrastructure, property, plant and equipment		176,286	176,286
Total deferred tax liabilities		230,925	221,595
Movements:			
Opening balance at 1 July		221,595	166,370
Credited/(debited):			
to the comprehensive operating statement		9,131	(4,118)
to equity		199	59,343
Closing balance at 30 June		230,925	221,595
Deferred tax liabilities expected to be settled within 12 months		-	-
Deferred tax liabilities expected to be settled after more than 12 months		230,925	221,595
Closing balance at 30 June		230,925	221,595

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% for associated urban water revenue and 2% 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

	2022 \$'000	2021 \$'000
Environmental contribution levy	5,953	5,953

Central Gippsland Regional Water Corporation

Notes to and forming part of the Financial Report for the year ended 30 June 2022

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

	2022 \$'000	2021 \$'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

	2022 \$'000	2021 \$'000
Asset revaluation surplus		
- Land (net of tax)	26,356	26,737
- Buildings (net of tax)	3,546	3,546
- Infrastructure (net of tax)	380,690	381,052
Total reserves	410,592	411,335
Movements during the reporting period		
Opening balance at 1 July	411,335	272,868
Revaluation increment/(decrement) on non-current assets (gross)	-	197,810
Correction of prior year revaluation (i)	(544)	-
- less tax on revaluation increments/(decrements)	(199)	(59,343)
Closing balance at 30 June	410,592	411,335

(i) Correction of prior year asset revaluation

9.1.3 Accumulated surplus

	2022 \$'000	2021 \$'000
Opening balance at 1 July	329,753	321,937
Net result for the period	692	7,816
Accumulated surplus/(deficit) at end of financial year	330,445	329,753

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. 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.

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 2021 - 26 June 2022
The Hon. Harriet Shing MP	Minister for Water	27 June 2022 - 30 June 2022
The Hon. Richard Wynne MP	Acting Minister for Water	1 July 2021 – 22 August 2021
<i>Board members</i>		
Therese Ryan	Board Chair	1 July 2021 - 30 June 2022
Greg Hade	Board Deputy Chair	1 July 2021 - 30 June 2022
Jane Oakley	Board Member	1 July 2021 - 30 June 2022
Jo Benvenuti	Board Member	1 July 2021 - 30 June 2022
Malcolm Eccles	Board Member	1 July 2021 - 30 September 2021
Christopher Badger	Board Member	1 July 2021 - 30 June 2022
Rod Touzel	Board Member	1 July 2021 - 30 September 2021
Katrina Lai	Board Member	1 July 2021 - 30 June 2022
Penelope Hutchinson	Board Member	1 October 2021 – 30 June 2022
Felix Ohle	Board Member	1 October 2021 – 30 June 2022
Shara Teo	Board Member	1 October 2021 – 30 June 2022
Sarah Cumming (Managing Director)	Board Member	1 July 2021 - 30 June 2022

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 Victorian Annual 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: \$360,000 – \$369,999 in 2021 - 2022.

Income bands (\$)	2022 number	2021 number
Less than 20,000	2	-
20,000 - 29,999	3	-
30,000 - 39,999	5	7
70,000 - 79,999	1	1
310,000 – 319,999	-	1
360,000 - 369,999	1	-
Total	12	9
Total remuneration	\$708,000	\$639,000

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.

	2022 \$'000	2021 \$'000
Short-term employee benefits	1,321	1,419
Post-employment benefits	131	125
Total remuneration	1,452	1,544
Total number of executives	7	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 \$9.3 million (2021: \$9.8 million) and \$19.9 million (2021: \$19.4 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	2022 \$'000	2021 \$'000
Department of Families, Fairness & Housing	Refund of concession rebates	5,870	6,395
Department of Families, Fairness & Housing	Payment of fixed charge on properties	2,579	2,564
State Revenue Office	Refund of charities rebates	349	215
Latrobe Regional Hospital	Rates and charges	260	310
West Gippsland Hospital	Rates and charges	200	284
Vic Roads	Rates and charges	4	6
Total revenue		9,263	9,774

Government-related entity receivables

Entity name	Brief description of main activity	2022 \$'000	2021 \$'000
Department of Families, Fairness & Housing	Refund of concession rebates	547	-
Department of Families, Fairness & Housing	Payment of fixed charge on properties	120	120
Total revenue		667	120

Government-related entity payments

Entity name	Brief description of main activity	2022 \$'000	2021 \$'000
Treasury Corporation Victoria	Interest on borrowings	7,434	7,833
Department of Environment, Land, Water and Planning	Environmental contribution	5,953	5,953
Department of Environment, Land, Water and Planning	Other fees and charges	313	139
Department of Treasury and Finance	Financial accommodation levy	5,257	4,148
Southern Rural Water	Storage management and recreation facilities fees	732	763
Environment Protection Authority	Licence fees and levies	22	369
South East Water Limited	Tarago water usage	26	121
Vic Roads	Registration fees	117	51
Total expenses		19,853	19,377

Government-related entity payables

At 30 June 2022 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.

Compensation of key management personnel	2022 \$'000	2021 \$'000
Short-term employee benefits	653	590
Post-employment benefits	55	49
Total remuneration	708	639

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

	2022 \$'000	2021 \$'000
Victorian Auditor-General's Office		
Audit or review of the financial statements	162	127
Other non-audit services		
Internal audit - RSM	6	120
Internal audit - Pitcher Partners	85	-
Other non-audit services	15	-
ESC audit - BECA	36	-
Total remuneration of auditors	304	247

9.7 Ex-gratia expenses

	2022	2021
	\$	\$
Forgiveness or wavier of debt	155	130
Property damage payments	53	37
Other	9	14
Total ex-gratia expense	217	181

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 2021-22 included no claims associated with a major treated sewer overflow or a major water overflow (\$nil, \$nil) (2021: \$nil, \$nil) twelve of the fifteen claims being less than \$5,000 each. There were two claims in excess of \$11,000 for reinstatement of farmland. Where incurred, these cost have been included in administration expenses in the comprehensive operating statement.

Other

Other in 2021-22 represents the settlement of legal fees associated with the purchase of property easements.

9.8 Australian Accounting Standards issued that are not yet effective

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

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2022 reporting period. DTF assesses the impact of all these new standards and advises the Corporation of their applicability and early adoption where applicable.

Topic	Key requirements	Effective date	Estimated impact
AASB 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

9.9 Changes in accounting policies

Initial application of the International Financial Reporting Standards Interpretations Committee (IFRS IC) Agenda decisions

Software-as-a-Service (SaaS) arrangements

The International Financial Reporting Standards Interpretations Committee (IFRIC) has issued two final agenda decisions which impact SaaS arrangements:

- Customer's right to receive access to the supplier's software hosted on the cloud (March 2019) – this decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.
- Configuration or customisation costs in a cloud computing arrangement (April 2021) – this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Corporation's accounting policy has historically been to recognise all costs related to SaaS arrangements as an operating expense in the Comprehensive Operating Statement/capitalise all costs related to SaaS arrangements as intangible assets in the Statement of Financial Position. The Corporation currently have no Software-as-a-Service arrangements, therefore the adoption of the above agenda decisions has not result in a reclassification of intangible assets to either a prepaid asset in the Statement of Financial Position and/or recognition as an expense in the Statement of Comprehensive Income.

Central Gippsland Region Water Corporation

Statutory Certification

The attached financial statements for Central Gippsland Regional Water Corporation have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister of Finance under the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2022 and financial position of the Corporation at 30 June 2022.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 27 September 2022.



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

VAGO Attestation



Victorian Auditor-General's Office

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 2022• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement for the year then ended• notes to the financial statements, including significant accounting policies• statutory certification. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2022 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <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
28 September 2022



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
Central Gippsland Region Water Corporation

Dated 26 August 2022

Part 11: Disclosure index

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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.
	CO ₂ equivalent	A variety of atmospheric gas compounds, collectively known as greenhouse gases. As each component has a different level of impact on the environment, greenhouse gas emissions are converted to CO ₂ equivalents, which is the concentration of carbon dioxide (CO ₂) that would contribute an equivalent degree of impact as the total amount of greenhouse gases emitted.
	Corporate Plan	Our rolling five-year plan, updated annually.
	CPI	Consumer Price Index
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	Gigalitre (GL)	One billion litres
	GLaWAC	Gunaikurnai Land and Waters Aboriginal Corporation
	GRA	Gippsland Regional Agribusiness
	GRO	Gippsland Regional Organics
	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 Financial Management Act 1994 (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
T	tCO ₂ ey-1	Tonnes of CO ₂ equivalent per year.
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 [corporate documents page](#).



Additional copies

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

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