



# Annual Report

## 2021/22

# At a Glance

## East Gippsland Water's Region

East Gippsland Water serves an area of 21,000 square kilometres in the east of Victoria, which boasts some of Australia's most diverse and spectacular scenery.

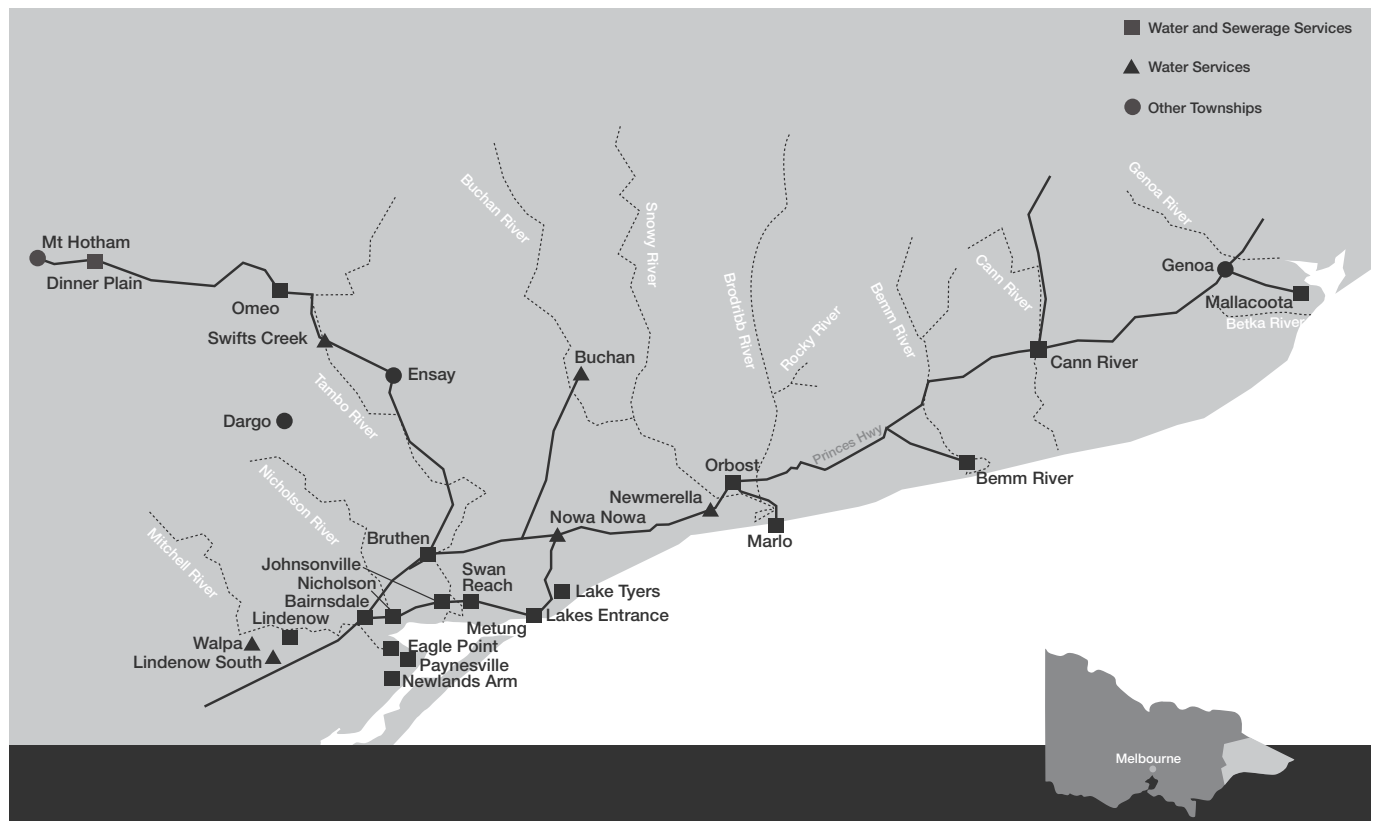
The region's world renowned beaches, lakes, high country and national parks are a natural draw-card for those seeking a lifestyle change, as well as for the many tourists that swell the region's population numbers over the busy holiday periods.

We serve a population of more than 47,000. Our service area extends east from Lindenow, through to the region's capital Bairnsdale, the holiday centres of Paynesville and Lakes Entrance, and on to the wilderness coast and Mallacoota near the New South Wales border. It also serves as far north as Dinner Plain in the High Country of the Victorian Alps.

We have nine separate water supply systems that serve the communities of Bairnsdale, Bemm River, Bruthen, Buchan, Cann River, Dinner Plain, Eagle Point, Johnsonville, Lakes Entrance, Lake Tyers Aboriginal Trust, Lake Tyers Beach, Lindenow, Lindenow South, Mallacoota, Marlo, Metung, Newlands Arm, Newmerella, Nicholson, Nowa, Omeo, Orbost, Paynesville, Raymond Island, Sarsfield, Swan Reach and Swifts Creek.

Eleven individual wastewater systems serve Bairnsdale, Bemm River, Bruthen, Cann River, Dinner Plain, Eagle Point, Johnsonville, Lakes Entrance, Lake Tyers Beach, Lindenow, Mallacoota, Marlo, Metung, Newlands Arm, Nicholson, Omeo, Orbost, Paynesville, Raymond Island and Swan Reach.

Water services are provided to more than 27,400 account holders (assessments) with wastewater services also provided to more than 23,260 account holders.



### Water

Serviced properties	
- residential assessments .....	24,233
- non-residential assessments .....	3,205
Volume of water consumed (ML/y).....	4,284
Length of water mains (km).....	989
Water treatment plants .....	9
Water disinfection plants .....	11
Separate water supply systems.....	9

### Wastewater

Serviced properties	
- residential assessments .....	20,907
- non-residential assessments .....	2,362
Volume of wastewater collected (ML/y) .....	3,806
Length of sewer mains (km) .....	740
Wastewater treatment plants.....	11
Water recycled (%) .....	99.7
Separate wastewater systems.....	11

## The Corporation

East Gippsland Region Water Corporation was initially established as East Gippsland Region Water Authority on 1 January 1995, by Ministerial Order and under powers conferred by the *Water Act 1989*. It trades as East Gippsland Water.

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

In accordance with the *Water Act 1989*, we deliver the full range of retail water services, including water harvesting, storage and drinking water supply. We also provide wastewater collection and treatment services, recycled water for rural and beneficial community uses, as well as trade waste services to industrial and commercial customers.

### Our Vision

Sustainability and resilience through leading and innovative water solutions

### Our Role

Providing quality water and wastewater services to sustain and enhance our community

### Our Values

Proudly United

Truly Authentic

Passionately Innovative

Openly Accountable

### Our Objectives

- To deliver safe and sustainable water and wastewater services for our community
- To meet the expectations of our customers and stakeholders
- To enhance the liveability, development and resilience of our region
- To maximise the performance and potential of our people
- To innovate and achieve whole of business sustainability

## About this report

This Annual Report details our performance and achievements in all areas of our operations during 2021/22. It has been prepared in accordance with the Financial Reporting Direction FRD 30 - Standard Requirements for the Publication of Annual Reports. This defines the design and print specifications of annual reports to ensure consistency, cost minimisation and low environmental impact.

Further information and previous Annual Reports are available at [www.egwater.vic.gov.au](http://www.egwater.vic.gov.au)

### Responsible Body Declaration

In accordance with the *Financial Management Act 1994* I am pleased to present East Gippsland Water's Annual Report for the year ending 30 June 2022.



Therese Tierney  
Chairperson  
East Gippsland Water

20 September 2022

### East Gippsland Water Financial Management Compliance Attestation Statement

I Therese Tierney, on behalf of the Responsible Body, certify that East Gippsland Water has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



Therese Tierney  
Chairperson  
East Gippsland Water

20 September 2022



# Report from the Chairperson and Managing Director

**We are pleased to present East Gippsland Water's 2021-22 Annual Report to our customers and the community.**

The past 12 months has been one that demonstrates the resilience and adaptability of East Gippsland Water and indeed the communities and region that we serve.

In under three years, we have gone from the driest period on record to what is currently the wettest. With the Bureau of Meteorology forecasting an established La Nina, spring and summer will also bring further complications around the management of our wastewater.

Significant rain events and milder weather during the reporting period brought a major challenge in the management of treated wastewater (recycled water) – greatly restricting opportunities to use this resource for irrigation purposes at our sites already saturated by rainfall.

We entered 2021/22 with the following priorities:

- Transitioning to the new post-COVID-19 reality,
- Adapting to a changing climate and building climate resilience,
- Continuing the step-change in asset management and the supporting investment,
- Acting with commercial responsibility to maintain a strong financial base to implement our strategic priorities,
- Being curious and open-minded about new opportunities and innovation to support community prosperity, liveability and well-being.

These priorities are also central to our 2023-28 Price Submission, which is currently being reviewed by the Essential Services Commission.

This Annual Report provides a wealth of information about the activities and innovation displayed by the corporation during 2021/22, for which we extend our sincere thanks to East Gippsland Water staff for their responsiveness and commitment on behalf of our customers. We are always exploring ways to expand our level of engagement, to ensure that customers are informed and, where appropriate, involved in the shaping and implementation of initiatives, programs and services that have an impact on them.

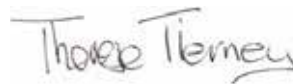
We also acknowledge the contribution of all Board Directors' whose terms expired in September 2021 and welcome new Directors to the Board for their term of appointment.

## Vale Tim Weight

We acknowledge the passing of former Board Director, Tim Weight on 28 December 2021.

Tim was appointed to the Board on 1 October 2017 and his tenure finished on 30 September 2021. As well as serving on the Board, Tim was a member of the Strategy, Audit & Risk and Infrastructure, Operations & Environment committees. Tim was a highly respected Board Director at East Gippsland Water and was involved in a number of entities that contributed significantly to East Gippsland and the broader Gippsland region.

From an East Gippsland Water perspective, Tim brought to us a quiet wisdom and sense of innovation in how we viewed the future. He was a great role model to many due to his leadership style and more recently in his graciousness during his illness. He will be greatly missed.



Therese Tierney  
Chairperson

20 September 2022



Steve McKenzie  
Managing Director

20 September 2022



Front cover photo: An East Gippsland Water vehicle bogged to the axles at one of our farm sites. Record rainfall and sodden ground has made irrigation of treated wastewater impossible, forcing controlled discharges of recycled water at several locations.

Credit: Caleb Chippindall, East Gippsland Water

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***East Gippsland Water acknowledges the Gunaikurnai people as the Traditional Custodians of the land and water on which we live and work. We pay our respects to Elders past and present. We commit to working respectfully to honour their ongoing cultural and spiritual connections to this country. We recognise the role and value of culture in our community.***

# Corporate Governance

## The Board

In accordance with the *Water Act 1989*, the Board of East Gippsland Water consists of eight Non-Executive Directors appointed by the Minister for Water, based on their skills and experience, and a Managing Director appointed by the Board.

The Board is responsible for the establishment of corporate strategy and overseeing policies and business objectives to achieve that strategy. It is committed to performing its role in accordance with the highest standards of corporate governance.

### Therese Tierney – Chairperson

*First appointed: October 2019*

*Current term expires: September 2023*

Therese is an experienced CEO, Board Director and Chair. She has held CEO and senior management roles in Melbourne and regional Victoria, and in both the private and public health sectors and local government as both a councillor and general manager.

Therese is currently the Deputy Chair of VicWater, Chair of the Gippsland Primary Health Network and Maryvale Private Hospital. In 2021 she was appointed as Chair of the Gippsland Regional Partnership and a member of the Regional Development Advisory Committee.

She now works as a consultant, providing strategic and innovative solutions to challenges with business, change management, health/business planning and design, people and systems thinking. This also includes supporting Boards to improve their governance and create a positive and accountable culture.

#### **Committee memberships:**

- People, Safety and Culture (Chairperson)
- Strategy (Chairperson)

### Angela Hutson – Deputy Chairperson

*First appointed as a Director: October 2015*

*Current term expires: September 2025*

Angela is a management and education consultant. She is a Board Member of TAFE Gippsland, a Director of Workways Australia and a Member of the Gunaikurnai Traditional Owner Land Management Board. She also is a Member of the Regional Development Australia Gippsland Committee and an Independent Member of the Latrobe Community Health Services Board Nominations Committee.

Angela has a Masters in Organisational Leadership, a Bachelor of Arts, a Graduate Diploma of Business in Entrepreneurship & Innovation and a Diploma of Education.

She is a Fellow and Graduate of the Australian Institute of Company Directors.

#### **Committee memberships:**

- Infrastructure, Operations and Environment (Chairperson)
- Strategy

### Ian Gibson

*First appointed a Director: October 2019*

*Current term expires: September 2023*

Ian is a long-term resident of Gippsland and has extensive networks in the public sector, community organisations, business, academia and sporting bodies.

He holds qualifications as a Master of Public Policy and Management and in Economics and Arts. He also has public sector board experience, which includes the State Electricity Commission of Victoria, Coal Corporation, West Gippsland Catchment Management Authority and the Latrobe Regional Hospital.

Ian's work experience has been in local government, regional development and tertiary education. He is currently a sessional member at Planning Panels Victoria, a member of the Board of the Mine Land Rehabilitation Authority and Chair of the Community Advisory Committee for the Star of the South offshore windfarm, and works part-time at Federation University.

#### **Committee memberships:**

- People, Safety and Culture
- Infrastructure, Operations and Environment
- Strategy

### Tricia Hiley

*First appointed as a Director: October 2021*

*Current term expires: September 2023*

Tricia has worked in government, IT, financial and social services, education, and NGO sectors and has extensive experience as an organisation change and leadership development consultant, coach, and adult educator.

She lives in Mallacoota in far East Gippsland and is a semi-retired business consultant, focusing on innovation, sustainability, resilience and social/climate change for individuals, organisations, and communities.

Tricia has been a Member of East Gippsland Water's Customer Committee since 2016 and its Chair for the last three years. She's also Coordinator of Mallacoota Sustainable Energy Group, on the Governance Group of the Gippsland Community Power Hub and Secretary of the Croajingolong Centre for Communications and the Arts.

Tricia has a PhD in Business and a Masters in Organisation Change and Development. She is a member of the Australian Institute of Company Directors.

#### **Committee memberships:**

- Infrastructure, Operations and Environment
- Strategy

## Michelle McLean

*First appointed as a Director: October 2019*  
*Current term expires: September 2023*

Michelle is the Chief Commissioner of the Victorian Building Authority and Deputy Chair of the Country Fire Authority (CFA). She is a Board member of Frontier FSI and a member of the Royal Melbourne Agricultural Society, Equestrian Australia and the Risk Management Institute.

Previously, Michelle was Managing Partner and CEO of the law firm Cornwall Stodart (now Cornwalls). She has also been President of the Australian Legal Practice Management Association (where she is a life member), an Advisory Board member of the Melbourne University Business School, an Executive Council member of the Victorian Chamber of Commerce and Industry, and a Board member of the Mercy Health Foundation, the Overnewton Anglican Community College and Acom International.

### **Committee memberships:**

- Audit and Risk (Chairperson)
- Strategy

## Andrew Webster

*First appointed as a Director: October 2021*  
*Current term expires: September 2025*

Andrew is the General Manager - Risk, Compliance and Regulatory Affairs at Aussie Broadband Limited. He is an independent member of the Finance, Risk and Audit Committee of the Fitzroy Legal Service and business mentor with the Asylum Seeker Research Centre. Andrew has 20 years of experience in utilities, infrastructure, and the public sector in Australia and overseas.

Andrew holds a Masters in Criminal Justice Administration, Graduate Certificate in Business Law, Graduate Certificate in Business Administration, Diploma in Management and Diploma in Business Management.

### **Committee memberships:**

- Audit and Risk
- Strategy

## Steven Wright

*First appointed as a Director: October 2021*  
*Current term expires: September 2025*

Steven Wright is an experienced Director, Strategic Advisor, Consultant and CEO.

He is the Founder and Managing Director of ODIN360, a management consultancy that specialises in undertaking projects for the government, tourism, sport, major events and for purpose sectors. Previously, Steven has held a number of CEO roles including BIG4 Holiday Parks of Australia, Tourism & Events Queensland, Richmond Football Club and the Australian Grand Prix Corporation.

Steven is currently Chairman of South East Leisure (a subsidiary of the City of Greater Dandenong) and a Director of the Victorian Tourism Industry Council and Whitehorse Community Enterprises. He is also a member of the Advisory Board of Delaware North Australia.

He holds a Master of Laws and Bachelor of Economics and is a graduate of the Australian Institute of Company Directors. He is also a Life Member of Aust & NZ Sports Law Association

### **Committee memberships:**

- Audit and Risk
- Strategy

## Kate Young

*First appointed as a Director: October 2021*  
*Current term expires: September 2025*

Kate Young is a fourth-generation East Gippslander and a qualified Town Planner at Crowther & Sadler.

Kate is an experienced Director in the water sector having recently served six years with South Gippsland Water, including four as Chair of the People, Safety and Culture Committee. Kate is currently on the Board at Gippsland Grammar, and is a former Director of the East Gippsland Catchment Management Authority. Kate also served on the Gippsland Lakes Ministerial Advisory Committee and East Gippsland Shire Inundation and Adaption Management Project Steering Group Committee.

Kate holds a Bachelor of Arts (Psychology), post graduate qualifications in Planning and Environment, Arts (Criminology) and is a Graduate of the Australian Institute of Company Directors..

### **Committee memberships:**

- People, Safety and Culture
- Strategy

# Corporate Governance

## Steve Bird

*Until September 2021*

Steve was Deputy Chairperson of the East Gippsland Water Board. He was also Chairperson of the Infrastructure, Operations and Environment Committee, and a member of the Strategy Committee.

## Susan Taylor

*Until September 2021*

Susan was Chairperson of East Gippsland Water's Audit and Risk Committee, and a member of the People, Safety and Culture Committee and the Strategy Committee.

## Timothy Weight

*Until September 2021*

Tim was a member of East Gippsland Water's Infrastructure, Operations and Environment Committee; Audit and Risk Committee; and Strategy Committee.

## Steve McKenzie – Managing Director

*Appointed a Director: October 2018*

East Gippsland Water's Managing Director, Steve McKenzie, is a Director of the Board.

Steve has 30 years' experience in various senior executive water industry roles in Victoria and the Northern Territory. He has a Degree in Civil Engineering, a Graduate Diploma of Management and is a Graduate of the Australian Institute of Company Directors.

He is a member of the AICD and industry associations including VicWater, the Water Services Association of Australia, the Institute of Water Administration and the Australian Water Association.

## Board Meetings

The Board meets formally eight times a year, with invited members of the executive management attending as necessary. Additional meetings are held, as required, to consider specific issues.

## Board Committees

The Board has constituted a committee structure to assist in meeting its governance obligations, – Each committee has a charter that guides its functions and duties and is reviewed regularly.

### Audit and Risk Committee

The committee supports the Board in fulfilling its governance and oversight responsibilities in relation to financial planning and reporting, internal and external audit, internal control processes, risk management systems, legal compliance and fraud control.

#### **Members:**

- Susan Taylor (Chairperson until September 2021)
- Michelle McLean (Chairperson from October 2021)
- Timothy Weight (until September 2021)
- Steven Wright (from October 2021)
- Andrew Webster (from October 2021)
- Chris Barry (Independent member)
- Thelma Hutchison (Independent member)

### Infrastructure, Operations and Environment Committee

The Infrastructure, Operations & Environment Committee focuses on effective management of technical, operational and environmental risks, compliance with laws and regulations

#### **Members:**

- Steve Bird (Chairperson until September 2021)
- Angela Hutson (Chairperson from October 2021)
- Ian Gibson (from October 2021)
- Tricia Hiley (from October 2021)
- Timothy Weight (until September 2021)
- Steve Bird (Independent member)



## People, Safety and Culture Committee

The People, Safety and Culture Committee ensures the Board has a strategic, sustainable and long-term approach to issues relating to people working for the corporation including

- Health, safety and wellbeing
- Workplace culture
- Organisational capability
- Executive remuneration and Managing Director performance
- Safety culture and leadership
- Strategic human resources (including but not limited to diversity and inclusion, employee engagement and change management)
- Compliance with regulations, code of conduct and ethical standards

### **Members:**

- Therese Tierney (Chairperson)
- Ian Gibson
- Susan Taylor (until September 2021)
- Kate Young (from October 2021)

## Strategy Committee

The Strategy Committee acts in an advisory capacity to the Board in the development of strategic direction, plans and objectives in priority areas such as strategic intent, the corporate plan, price submission, response to Water for Victoria and other strategic issues.

### **Members:**

- Therese Tierney (Chairperson)
- Steve Bird (until September 2021)
- Ian Gibson
- Tricia Hiley (from October 2021)
- Angela Hutson
- Michelle McLean
- Susan Taylor (until September 2021)
- Andrew Webster (from October 2021)
- Timothy Weight (until September 2021)
- Steven Wright (from October 2021)
- Kate Young (from October 2021)
- Steve McKenzie

# Corporate Governance

## Meeting Attendance 2021/22

Director	Board		Audit and Risk Committee		Infrastructure, Operations and Environment Committee		People, Safety and Culture Committee (formerly the People and Remuneration Committee)		Strategy Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Therese Tierney	8	8	-	-	-	-	4	5	5	5
Steve Bird	1	1	-	-	-	-	-	-	-	-
Ian Gibson	8	8	-	-	5	5	5	5	5	5
Angela Hutson	8	8	-	-	5	5	-	-	5	5
Michelle McLean	8	7	4	4	-	-	-	-	5	5
Susan Taylor	1	1	1	1	-	-	2	2	-	-
Timothy Weight	1	-	-	-	1	-	-	-	-	-
Steve McKenzie	8	8	-	-	-	-	-	-	5	5
Steven Wright	7	7	3	3	-	-	-	-	5	5
Andrew Webster	7	7	3	3	-	-	-	-	5	5
Tricia Hiley	7	7	-	-	4	4	-	-	5	5
Kate Young	7	7	-	-	-	-	3	3	5	5

## Ethical Standards

The Board of East Gippsland Water recognises the need for the highest standards of corporate governance practice and ethical conduct by all Directors, employees and contractors of the corporation. The Board has adopted the Directors' Code of Conduct, as issued by the Victorian Public Sector Commissioner.

## Declaration of Pecuniary Interests

All Board Directors and senior staff have completed a register of interests form for the reporting period.

## Customer Committee

We have a Customer Committee to strengthen our connection, and the quality of engagement, with residential and business customers on important drinking water and wastewater issues.

Its input provides the corporation with an invaluable customer perspective on key areas of business.

The committee comprises seven community members, who are all East Gippsland Water customers. The aim is that they be representative of the broad customer base demographically.

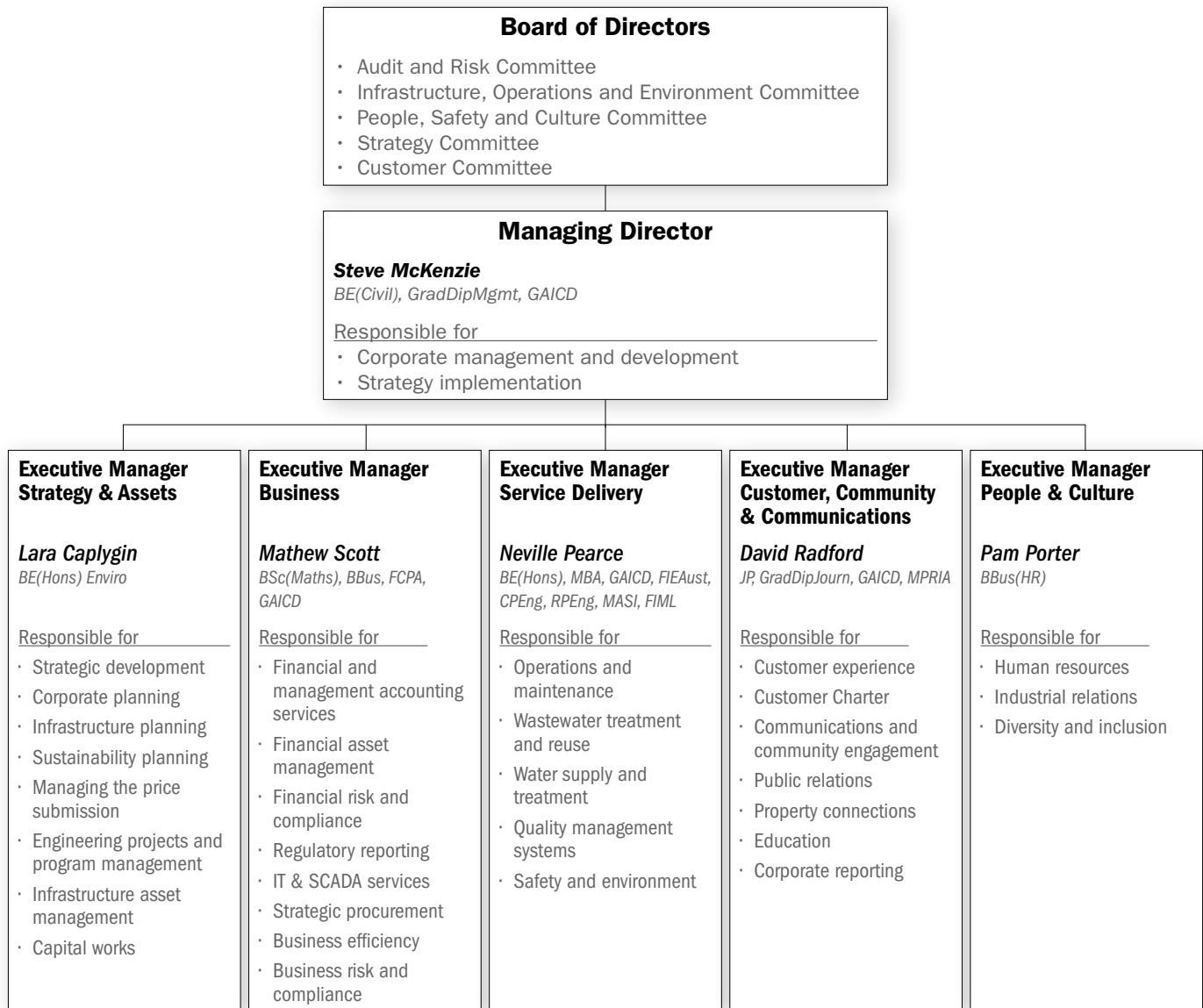
The committee is essentially an advisory group to the Board. It meets quarterly, with additional meetings held as required.

During the reporting period the committee continued to play an instrumental role in developing and assessing the community engagement process associated with our 2023-2028 Price Submission – ultimately deciding Guaranteed Service Levels on behalf of customers.

It also played a significant role in relation to: assessing and authorising grants under the Native Vegetation and Habitat Creation Grants Program; and, monitoring the Guaranteed Service Levels and associated reporting requirements for our 2018-2023 Price Submission.

# Organisation Structure

East Gippsland Water's organisation structure as at 30 June 2022:



# People and Culture

East Gippsland Water aspires to be an Employer of Choice through developing, supporting and empowering our people - ensuring they have the skills, capability, capacity and attributes to achieve our strategic objectives. Health, safety and wellbeing are central to the way in which we work.

We are committed to creating a culture of inclusivity in everything we do, through the development of a diverse workforce and a culture of inclusion in all areas of our organisation, reflective of the community we serve.

Our values and behaviours guide the way in which we work and articulate the standard required to uphold our workplace culture. Developed internally, the agreed East Gippsland Water values and behaviours are:

- Proudly United
- Openly Accountable
- Truly Authentic
- Passionately Innovative

## Building Workforce Capability

We have continued to invest in enabling learning and development experiences, attracting and retaining talent and driving high performance outcomes throughout East Gippsland Water, which is critical to building the capability of our workforce and addressing the future needs of the organisation. As our operating environment continues to change, we need to equip our people with the knowledge, skills and competencies to deliver on organisation objectives, now and into the future.

During 2021/22 we continued with the utilisation and development of our Human Resource Information System.

This system facilitates learning and development across the organisation and ensures alignment to organisational objectives and individual development plans.

The learning and development module provides a platform for employees to access eLearning programs such as regulatory and compliance training and refreshers (for example the Corporate Induction Program, Privacy, Anti Bullying and Harassment, Fraud and Corruption, Preventing Family Violence, Diversity and Inclusion and Code of Conduct training {encompassing Victorian Public Sector Principles}). In addition, the system allows staff to access a range of personal and professional development eLearning content such as leadership, customer service, communication, providing feedback, effective teams, collaboration, strategy and innovation.

The People and Culture team distribute quarterly reports promoting learning and development, showcasing opportunities provided throughout the organisation such as training courses and conferences attended, higher duties and secondment opportunities, as well as future opportunities and events.

During the reporting period we partnered with Water Training Australia (a registered training organisation) to deliver Certificate II, III and IV in Water Industry Operations to our treatment, and operations and maintenance staff. This model is evolving to utilise the expertise and experience of our supervisory staff in verification of competency in practical tasks, to ensure we maintain the high standard of service we pride ourselves on and to deliver timely, safe, cost-effective services to our community. Our field supervisory staff are actively engaged in developing their front-line leadership skills by undertaking the Cert IV in Water Industry Operations.

### Staff Undertaking Accredited Tertiary Training 2021/22

Certificate III in Water Industry Operations: Networks	12
Certificate III in Water Industry Operations: Treatment	2
Certificate IV in Water Industry Operations: Networks	6
Certificate III in Electrotechnology Electrician	1
Certificate III in Business Administration	2
Certificate IV in Training and Assessment	1
Diploma of Information Technology	1
Bachelor of Business	1
Professional Certificate of Asset Management Planning	1
<b>TOTAL</b>	<b>27</b>

\* These figures include traineeship and apprentice certificates

Staff attended facilitated workshops during the reporting period on topics such as contact officer training, a leadership essentials short course, communications workshops, report writing workshops and workplace relations workshops, as well as attending a range of water industry conferences. We

also have one staff member participating in the Gippsland Community Leadership Program and another participating in The Leadership Series program with the local TAFE. East Gippsland Water encouraged and supported 15 staff to complete their Mental Health First Aid certificate.



In June 2022, all staff attended training on successfully managing equal opportunity, bullying and diversity in the workplace for employees and managers.

East Gippsland Water is proud to support women in leadership roles and has actively encouraged women within the corporation to participate in a range of development initiatives including:

- Women in water leadership programs
- Intelligent Water Networks champion
- Gippsland Environmental Agencies Women's Leadership Team
- Gippsland Community Leadership Program
- Mentoring programs
- Leadership programs and coaching services.

We have developed a capability framework that aims to identify the skills and knowledge required to effectively perform every role in the organisation, now and into the future. This framework will enable us to identify required leadership and technical competencies, address skills gaps and verify competency to ensure that staff have demonstrated the ability to perform the tasks necessary in their roles.

East Gippsland Water has a commitment to provide local opportunities and employment. Throughout 2021/22 we hosted tertiary students, who undertook student vacation placements. Due to COVID-19, we have been unable to offer work experience programs, but in 2022/23 we will rebuild and revamp our work experience program and partnerships with local schools and community groups.

Our focus will be on developing a new leadership program aimed at emerging leaders in our organisation, reviewing our employee commencement process, as well as the implementation and embedding of the East Gippsland Water capability framework, and the assessment and verification of staff competency.

## Talent and Succession

East Gippsland Water is committed to taking a strategic approach to the investment required to develop our future workforce capabilities. By taking a deliberate and structured approach to managing the career growth of employees in line with the capability framework, East Gippsland Water will develop a talent pool and ensure the right people are ready for critical roles now and in the future.

Throughout 2021/22 we implemented and provided staff training on the talent and succession module of our Human Resource Information System. This module will assist with the acquisition, development and retention of employees and maximise the potential of the workforce, by ensuring staff have the aptitude and abilities to meet current and future organisational needs.

## Public Administration Employment and Conduct Principles

East Gippsland Water has developed and implemented a resourcing strategy that is committed to maximising the potential of our staff by ensuring we have the right people, in the right place, at the right time with the right capabilities.

East Gippsland Water is committed to applying merit and equity principles, including key initiatives through the Victorian Government Gender Equality Act, when appointing staff. The selection process ensures that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria, values and behaviours, and other role-specific factors, without discrimination.

The eRecruitment Module in our Human Resource Information System allows us to align our screening questions to our values and behaviours, and build this into our shortlisting process for potential candidates. The module streamlines the recruitment and selection process, and through a straightforward application procedure a job seeker can submit their application online through a customised advertisement and screening process, making it easier for us to recruit the best candidates for vacant positions.

We aim to attract high quality talent to address current and future resourcing challenges by proactively progressing initiatives targeted at promoting diversity and inclusion, succession planning and retention of talent.

All staff are expected to actively engage in behaviours in the workplace that abide by the principles of Equal Employment Opportunity, the Victorian Charter of Human Rights and Responsibilities and the Public Sector Employment Principles. They are provided with appropriate training to inform them of this obligation.

Staff receive updates on the Victorian Charter of Human Rights, and all new staff receive an introduction to the Charter and the Equal Opportunity Act as part of their induction to East Gippsland Water.

## Workplace Relations

East Gippsland Water has established a number of forums where information can be shared, feedback provided and change management instigated.

The Employee Consultative Committee is one such forum, where every department has at least one representative. This is used for two-way communication, debate, the exchange of ideas and importantly, the establishment of working groups that focus on matters important to East Gippsland Water. Examples include the establishment of a working group for the Enterprise Agreement, the ongoing embedding of the trademark values and behaviours, the introduction of legislation and frameworks, the application of a range of policies and procedures, and feedback on staff surveys and health and wellbeing initiatives.

The East Gippsland Water Enterprise Agreement 2021 provides the employment terms and conditions for most employees. This enterprise agreement was negotiated throughout 2021/22 between employee representatives and the union.

# People and Culture

## Adapting to Change: A COVID-safe Workplace

Throughout 2021/22 East Gippsland Water staff continued to show great resilience and adaptability in the face of an ever-changing COVID-19 landscape. They adjusted to COVID-Safe working environments and hybrid ways of working, whilst maintaining high quality water and wastewater services.

We developed and constantly updated our COVID-Safe Plan to ensure that we always met Victorian government and Department of Health guidelines, to safeguard the health and safety of our staff, their families and customers. Our response has since been managed as 'business as usual' by the corporation's Emergency Management Team.

As part of our ongoing response to the COVID-19 outbreak, we continued to operate with additional precautions in place to ensure staff and contractors had the support they needed to deliver essential water and wastewater services safely. These precautions included:

- our head office customer reception area adhering to physical distancing recommendations, with protective barriers in place for our customer service team
- field staff continuing to work, often in split teams in various locations across the region, to ensure essential services could continue in the event of an outbreak in any one location
- continuing to apply health measures for staff in the office, including physical distancing, wearing masks in alignment with government directions and limiting numbers in office spaces and meeting rooms
- continuing to deliver a range of initiatives and measures to support the mental health wellbeing of staff and their connection with peers - including fortnightly 'Keeping Connected' staff newsletters, trivia groups, daily or weekly Zoom catchups and virtual events to engage staff in monthly health & wellbeing activities
- utilising feedback gathered through pulse surveys and the People Matter Survey to promote relevant services and tools to support staff mental wellbeing.

East Gippsland Water has embraced this new way of working by supporting flexible working arrangements, enabling teams to self-manage around work to be done. We have embraced new technologies and digital capabilities to support staff to work in an ongoing hybrid environment.

## Staff Engagement

Surveys help our corporation identify where we are performing well with the leadership of our people, our employee experience, as well as identifying opportunities for improvement in workplace processes and practices.

Along with other water corporations, East Gippsland Water participates in the Victorian Public Sector Commission (VPSC) People Matter Survey to assess staff satisfaction with the organisation and our employment practices. This is held every year and our consistently high participation rates attest to our workforce's confidence in the value that we place in utilising this feedback as part of our ongoing drive towards workplace improvements.

Results from this survey provide valuable feedback on how our workforce continues to adapt to the lasting impacts of COVID-19, including health and wellbeing and work/life balance impacts, and assists us in adapting our support and actions for improvement in response to the changing needs of our workforce.

In 2021, the survey focused on how employees view different aspects of the workplace, including equal employment opportunity, collaboration, learning and development, and diversity and inclusion. Taking into account the results, East Gippsland Water developed an action plan to focus on particular areas such as communication methods and target audiences, awareness of learning and development opportunities, psychological health and safety, unacceptable behaviour training and awareness, and an increase in employee peer support.

The results from the survey also deliver a useful comparison with other water industry providers.

Satisfaction continues to remain high within East Gippsland Water and we pride ourselves on being an employer of choice and maintaining a high level of public trust.

The most recent People Matter Survey was conducted in June 2022. The results from this will provide an invaluable measure of employee mental health and wellbeing and how staff have adjusted to the ongoing effects of COVID-19. The survey results will also provide us with detailed workplace demographic data that will support our commitment to enhance equity, diversity and inclusion opportunities for our staff. In addition they will generate a new action plan, building on the outcomes from 2021.

The corporation also undertakes an annual safety culture survey, which assists in identifying trends and issues that either promote or inhibit East Gippsland Water as a safe place to work. Corrective actions are identified and working groups have been established throughout the organisation to empower employees to make decisions that help keep them and the community safe.

To further monitor staff satisfaction we collect and consider feedback as part of the personal development planning and review process, as well as our staff exit process.

## Workforce Inclusion

We are committed to engendering a spirit of inclusivity in everything East Gippsland Water does, through the ongoing advancement of a diverse workforce and a culture of inclusion in all areas of the business.

The community we live and work in is becoming increasingly diverse, with a significant Indigenous culture, multicultural groups from across the globe and a strong farming community. Historically diversity has covered gender, age, disability, race and nationality. The scope of diversity and inclusion has recently broadened to consider more holistically the strengths that can be leveraged from people with different backgrounds, lifestyles, abilities and opinions.

At East Gippsland Water we value difference of opinion, style and approach, and give our people a voice in order to achieve improvements in the way we do business. A Diversity and Inclusion Strategy has been developed and implemented that is aligned with the VicWater Diversity and Inclusion objectives and we continue to follow three key stages over a five-year period - Build, Embed and Sustain - to enhance inclusion opportunities for our workforce and customers.

We implement a range of different strategies to drive sustainable and genuine change, and continue to move forward and encourage people of all abilities and backgrounds to build a rewarding career and achieve their full potential.

We believe that working together with our community, their representatives, industry and government, creates the best opportunity for us to add value. Our work in this area recognises the efforts of our stakeholders, including:

- Gunaikurnai Land and Water Aboriginal Corporation (GLaWAC) and Gippsland Environment Agencies (GEA) Partnership Agreement
- Department of Environment, Land, Water and Planning (DELWP)
- The water industry, including other water corporations, peak bodies, industry networks and catchment authorities
- Local business partners, schools and training providers
- Gippsland and East Gippsland Aboriginal Co-operative
- Gippsland Regional Alliance
- GROW (Growing Regional Opportunities for Work) Gippsland

We are also proud to be involved in support network initiatives such as Pride in Water, WaterAble, and the Gippsland Engaged Mentoring Program.

With an increased emphasis on key initiatives through the Victorian Government *Gender Equality Act 2020*, we recognise not only the importance of supporting an inclusive and equitable workplace culture, but reflecting the diverse needs of our community in the services that we provide to our customers. We are proud to be implementing a Gender Equality Action Plan to support actions identified in the *Gender Equality Act 2020*, to enhance our Resourcing and Diversity and Inclusion Strategic goals, and the introduction of Community Impact Assessments as a consideration in the delivery of services to our customers.

During 2021/22 we continued to assist with the development of a cultural competency framework that will apply to all public sector staff in the Gunaikurnai catchment. This framework has three tiers. Tier 1 is mandatory for all East Gippsland Water staff to cover in their first year of employment and has been included in the online induction program. The development of Tiers 2 and 3 has been delayed by the recent bushfires and ongoing impact of COVID-19 on the Aboriginal people in the region.

East Gippsland Water continues to support opportunities for aboriginal trainees undertaking certification in Water Operations, mentored by other employees currently undertaking certified training.

# People and Culture

## Key diversity and inclusion targets and the outcomes

2023 VicWater Targets	2023 East Gippsland Water Targets	2022 East Gippsland Water Outcomes	2021 East Gippsland Water Outcomes
50:50 gender balance in senior leadership positions	50:50 gender balance in senior leadership positions (this means the total number of women executives continuing at three)	50:50 gender balance at executive and MD level 30:70 gender balance at top 3 levels of organisation	50:50 gender balance at executive and MD level 39:61 gender balance at top 3 levels of organisation
10% of our workforce identify as a person with a disability	7% differing abilities*	4% differing abilities*	4% differing abilities*
20% of our workforce speak a language other than English	14% multicultural inclusion*	1% multicultural inclusion*	3% multicultural inclusion*
3% of our workforce identify as Aboriginal and/or Torres Strait Islander	3% Aboriginal and/or Torres Strait Islander	6% self-identify as Aboriginal or Torres Strait Islander**	7% self-identify as Aboriginal or Torres Strait Islander**
35% of our workforce identify as carers, with caring responsibilities for children, elderly family, a person with a disability or other caring responsibility	35% of our workforce identify as carers, with caring responsibilities for children, elderly family, a person with a disability or other caring responsibility	Not yet formally identified - has been included in future People Matter Surveys and recruitment application forms as a voluntary response	Not yet formally identified - has been included in future People Matter Surveys and recruitment application forms as a voluntary response
7% of our workforce identify as belonging to the LGBTIQ+ community	7% LGBTIQ+	6% LGBTIQ+	6% LGBTIQ+
Flexible work arrangements are available to all employees, unless there is a specific operational constraint	Flexible work arrangements are available to all employees, unless there is a specific operational constraint	Flexible work arrangements are available to all employees, unless there is a specific operational constraint	Flexible work arrangements are available to all employees, unless there is a specific operational constraint
35% of employees work flexibly (through informal and formal flexible work arrangements)	All roles are flexible with 35% of employees utilising informal and formal flexibility arrangements	All employees continue to have the option to work flexibly, other than those with specific operational restraints	All employees continue to have the option to work flexibly, other than those with specific operational restraints

\* Takes into account the regional demographics that differentiate the East Gippsland region from Melbourne and urban areas

\*\* The only means of recording this information is through the 2021 People Matter Survey as the declaration is voluntary



## Workforce Data

As at 30 June 2022, the corporation employed 115 people, or 110 full-time equivalent (FTE), compared to 99 people, or 94 FTE, on 30 June 2021.

June 2022	All Employees		Ongoing			Fixed term and Casual	
	Number (Headcount)	FTE	Full-Time (Headcount)	Part-Time (Headcount)	FTE	Number (Headcount)	FTE
<b>Gender</b>							
Men	79	78	70	1	71	8	7
Women	36	32	23	7	28	6	4
Self-described*	n*	n*	n*	n*	n*	n*	n*
<b>Age</b>							
15-24	5	5	3	0	3	2	2
25-34	26	25	24	2	25	0	0
35-44	30	28	22	5	25	3	2
45-54	26	26	21	0	21	5	5
55-64	24	22	21	1	22	2	1
65+	4	3	2	0	2	2	1
<b>Classification</b>							
Trainees	0	0	0	0	0	0	0
Technical and Administrative Staff	56	52	43	5	46	8	5
Field Staff	39	39	39	0	39	0	0
Senior Managers	14	13	11	3	13	0	0
Executive and Managing Director	6	6	0	0	0	6	6
<b>Total Employees</b>	<b>115</b>	<b>110</b>	<b>93</b>	<b>8</b>	<b>99</b>	<b>14</b>	<b>11</b>

June 2021	All Employees		Ongoing			Fixed term and Casual	
	Number (Headcount)	FTE	Full-Time (Headcount)	Part-Time (Headcount)	FTE	Number (Headcount)	FTE
<b>Gender</b>							
Men	68	67	62	0	62	6	5
Women	31	27	20	7	24	4	3
Self-described*	n*	n*	n*	n*	n*	n*	n*
<b>Age</b>							
15-24	5	5	5	0	5	0	0
25-34	23	22	21	2	22	0	0
35-44	22	20	15	5	18	2	2
45-54	24	24	21	0	21	3	3
55-64	23	22	18	0	18	5	3
65+	2	2	2	0	2	0	0
<b>Classification</b>							
Trainees	0	0	0	0	0	0	0
Technical and Administrative Staff	43	40	37	5	40	1	0
Field Staff	37	36	35	0	35	2	1
Senior Managers	13	12	10	2	11	1	1
Executive and Managing Director	6	6	0	0	0	6	6
<b>Total Employees</b>	<b>99</b>	<b>94</b>	<b>82</b>	<b>7</b>	<b>86</b>	<b>10</b>	<b>8</b>

Some figures adjusted due to rounding

### Notes for both tables above

\* Figure not available - The way staff data is collected is being reviewed and adapted to enable this figure to be collected in the future

(i) These figures include staff employed in the last full pay period in June of the reporting year

(ii) Excluded are those on external contractors/consultants and temporary staff employed by employment agencies including trainees

(iii) Ongoing employees includes people engaged on an open-ended contract of employment

(iv) Senior Managers are managers paid at or above Band 4, in accordance with the East Gippsland Water Enterprise Agreement 2021

(v) Executive and the Managing Director are engaged under Public Entity Executive Remuneration (PEER) contracts

# People and Culture

## Trainees, apprentices and vacation students from various training organisations and universities hosted by East Gippsland Water as at 30 June 2022

Staff classification	Total	Men	Women	Self-described
Trainees & Apprentices (hosted)	5	4	1	n*
Vacation Students	0	0	0	n*
<b>Total</b>	<b>5</b>	<b>4</b>	<b>1</b>	<b>n*</b>

\* n – Figure not available. The way staff data is collected is being reviewed to enable this figure to be collected in the future

## Executive Officer Data

As at 30 June 2022, East Gippsland Water employed five Executive Officers (known as Executive Managers), excluding responsible persons (ministers and accountable officers), of which two are women. Executive Managers are employed under a PEER contract and report directly to the Managing Director.

The breakdown of Executive Officer numbers was as follows:

### Executive Officers – Number

	All		Ongoing*	
	No.	Variation on previous year	No.	Variation on previous year
Executive Managers	5	0	5	0
<b>Total</b>	<b>5</b>	<b>0</b>	<b>5</b>	<b>0</b>

\* Ongoing – Executives responsible for ongoing functions.

### Executive Officers – Gender

	Ongoing						
	Men		Women		Self-described		Vacancies
	No.	Variation on previous year	No.	Variation on previous year	No.	Variation on previous year	No.
Executive Managers	3	+1	2	-1	n*	0	0
<b>Total</b>	<b>3</b>	<b>+1</b>	<b>2</b>	<b>-1</b>	<b>n*</b>	<b>0</b>	<b>0</b>

\* n – Figure not available. The way staff data is collected is being reviewed and adapted to enable this figure to be collected in the future

### Reconciliation of Executive Numbers

	2021	2022
Executives with total remuneration over \$199,014 (financial statements, Note 9.5 (pages 112-113))*	2	5
<b>Add</b> Vacancies	0	0
Executives with total remuneration below \$199,014	<b>3</b>	<b>0</b>
<b>Less</b> Separations**	<b>0</b>	<b>2</b>
<b>Total executive numbers at 30 June</b>	<b>5</b>	<b>5</b>

\* Note 9.5 in the financial statements shows the amount of remuneration paid to executive officers over the course of the reporting period. It does not report against vacant positions or separations which are included above

\*\* Separations are those executives who received less than \$199,014 in the financial year and have left the corporation during this year

## Workplace Health and Safety

East Gippsland Water maximises service delivery by putting staff and the public first.

The delivery of safe services to customers using safe work procedures and safe equipment remains a top priority in line with East Gippsland Water's Corporate Plan and future business strategy, despite numerous physical risks.

The corporation maintains a Health & Safety (H&S) management system with a recently upgraded certification to the international ISO 45001:2018. OHS certification has been maintained since 2005.

The basis of the safety management system continues to be:

- staff taking ownership of creating and maintaining safe workplaces
- investing in and maintaining staff skills to ensure the timely management of hazards and reporting incidents
- open consultation on workplace H&S matters

- delivering relevant and current H&S training for staff and contractors, as well as nationally accredited formal and industry-specific training
- sound incident investigation to determine the root cause of an incident and identify preventive solutions
- a return to work, rehabilitation, or stay at work plan will be initiated in line with medical advice
- applying modern and agreed safe work procedures, and
- developing and maintaining competent staff in high risk tasks.

The Contractor Health, Safety and Environment Management System remains a critical component of successful safety management. Contract construction works are recognised as high-risk activities and during 2021/22 the focus at the design and tender stages on ensuring best practice risk control remained an integral component of the contractor management system. This yielded improved results in the number and type of incidents.

Safety-related key performance indicators are shown in the table below:

### Performance for 2021/22

	Audits/inspections conducted	External audit compliance*	Safety meetings conducted	Incidents reported on time
Result (%)	100	100	90	94

\*No major non-conformances by external auditor

Significant achievements in Health & Safety for 2021/22 included:

- an upgraded certification of the corporation's H&S Management System to the international ISO 45001:2018 to AS/NSZ 4801 and compliance across all management system elements
- continuation of the corporate health and wellbeing program, with an emphasis on monthly, theme-focused activities, mental health and social events
- continued management of H&S workplace inspections and risk assessments, which enables staff to complete field workplace inspections on-line
- ongoing participation in the water industry as a member of both the VicWater OH&S steering group and the WSAA Health & Safety Network.

East Gippsland Water maintained its active leadership role within the Victorian Water Industry OH&S Network (which has operated since 2002) and is also an active member of the national industry network led by the Water Services Association of Australia.

In addition, we continue to implement actions in line with the Victorian Government Leading the Way framework to support the health, safety and wellbeing of our staff in the workplace. This framework advocates for the prevention of mental health injury or illness as an integrated safety consideration. It addresses process improvements to meet external and internal expectations relating to Occupational Violence, and strongly aligns with our emphasis on commitment to, and accountability for, the safety of our people as a key focus across the organisation.

# People and Culture

## Staff Health and Wellbeing

### Promoting Health & Wellbeing

East Gippsland Water's Health & Safety (H&S) Management System focuses on ensuring staff have a good work/life balance, and emphasises the importance of personal wellbeing through regular health and wellbeing initiatives and events. These are coordinated on a monthly basis, with each event covering a specific physical or mental health theme; some serious, some social. Fundraising, raising awareness and shifting focus are key outcomes for these events.

This year, we launched our Health & Wellbeing Working Group to assist in facilitating and promoting these activities. This group is made up of representatives from teams across the business, allowing for more diverse ideas and relevant contributions, to encourage our workforce to consider their personal wellbeing as an important contributing factor to their employee experience.

During 2021/22, health and wellbeing themes included initiatives relating to mental and physical health such as heart health, bowel cancer awareness, nutrition and exercise. With the easing of COVID restrictions we were once again able to arrange COVID-Safe in-person activities, including a BBQ to mark World Day for Safety and Health at Work. Other activities included fundraisers for cancer research, the Multiple Sclerosis (MS) Society and anti-bullying awareness activity Do it for Dolly Day.

We continue to align our initiatives and activities with the East Gippsland Water Mental Health and Wellbeing Charter, which outlines the organisation's commitment to promoting, protecting and supporting the mental health and wellbeing of our workforce. The Charter aligns with the Victorian Public Sector guidance framework Leading the Way - embedding mental health into safety systems and processes - and supports our vision of an engaged workforce that is physically and mentally healthy and safe. Central to this concept is psychological safety and we have commenced upskilling our executive leadership team and employees in the importance of supporting and enabling a psychologically safe workplace.

### Employee Assistance Program (EAP)

This ongoing initiative offers staff and their families confidential counselling and support for personal and workplace issues that may impact on their wellbeing and work capability. The corporation employs the services of a qualified independent counsellor, who regularly visits work sites to discuss any issues with staff in the strictest confidence.

This service was maintained throughout 2021/22. We responded to additional pressures on our workforce from the impact of COVID-19 by actively promoting the various services provided by our EAP provider, Converge International, and utilising a range of initiatives to keep in touch and provide support, such as:

- Increased staff training for accredited mental health first aid and contact officers, available to provide support directly to staff as needed
- continuing with the promotion of activities to keep our people connected in a remote working environment, including ongoing engagement activities and a fortnightly staff newsletter
- regularly updating our staff wellbeing page on the intranet with resources, articles and links to other support services and organisations.
- circulating the monthly Converge International e-magazine 'Flourish' - providing relevant resources for mental, physical and emotional wellbeing.

## H&S Statistics

### Number of Incidents/Lost-Time Incidents

Hazard reporting and incident investigation remains an effective tool to assess the effectiveness of East Gippsland Water's safety system, including the timeliness of reporting all incidents.

The number of hazards and incidents reported decreased during 2021/22 by 20%. The overall seriousness of incidents remained stable.

All incidents are tabled at regular committee and Board meetings. Significant incidents, including high potential near misses, are subject to a formal investigation to determine the cause and build in preventive controls.

There were 39 incidents in 2021/22 (or 51 incidents per 100 FTE), one of which was a 'lost time injury' that resulted in 1.5 days off work. All significant incidents, whether a near hit or an injury, were formally investigated so that suitable preventive controls could be agreed and implemented.

A 'lost time incident' is one that results in a person being absent from work for at least one full shift due to a workplace injury. Although we have low incident and WorkCover claim statistics, a claim submitted in June 2020 is now impacting workers compensation due to high claim costs that are out of East Gippsland Water's control.



### Total Health & Safety Incidents Reported (per 100 FTE\*)

Incidents	2017/18	2018/19	2019/20	2020/21	2021/22
No. of reported incidents for the year	39.98	46.62	42.75	51.57	35.45
No. of reported hazards for the year	46.29	103.38	94.46	104.21	109.09
No. of lost time standard claims	2.10	2.02	1.98	1.05	0.90
No. of medical treatment incidents	0	0	0	0	0
Average cost per claim for the year	0	\$627	\$2,293	\$1,647**	\$1,769
WorkSafe estimate of outstanding claim costs	0	\$5,676	\$51,315	0	\$2,355,969

\* FTE – Full Time Equivalent staff

\*\* This is a combination of actual costs, plus a statistical claims estimate across one claim as at 13 July 2022

### Average Time Lost

'Average time lost' is the average time lost from work, per incident, in days. For the purpose of this indicator 12 months (220 days) is the maximum time for any single incident. It is calculated against total incidents recorded, as well as against lost time incidents.

$$\text{Average Time Lost} = \frac{\text{Number of Working Days Lost}}{\text{Number of Incidents in the Period}}$$

Average Lost Time	2017/18	2018/19	2019/20	2020/21	2021/22
Days lost per total incidents	0.13	0.06	0.06	0.03	0.05
Days lost per lost time incident	5	1.5	5.25	1.5	2

# Risk Management

Risk management principles and procedures are applied to all areas of East Gippsland Water's work including business operations, construction works and stakeholder management.

Risk can be described as the effect of uncertainty on the achievement of objectives: that is, a deviation from planned performance due to uncertainties at the time plans are developed. These effects are expressed in terms of consequence and likelihood, and may be negative (threat risks) or positive (opportunity risks). The aim of risk management is to minimise the threat to the corporation and optimise opportunities.

The Board considers and adopts a risk appetite statement that represents the level of risk it is willing to accept to achieve East Gippsland Water's strategic objectives. Success is measured as effectively managing the business to deliver strategic objectives as defined in the Corporate Plan.

The Executive Risk Review Team, which comprises the Managing Director, Executive Managers and the Manager Business Risk, continues to be a key means of achieving sound risk management oversight of the corporation. The team meets quarterly to review and oversee business-wide risk issues and this structure also assists in maintaining business resilience to external factors.

Responsibility for the management of risk is clearly defined within each Executive Manager's portfolio and the team approach allows for 'top level' visibility across the organisation. The interaction and interdependence of the portfolios is also recognised.

The corporation's risk management system, based on AS/NZS ISO 31000:2018, is reviewed annually. This includes a full review of our risk appetite and risk matrix, as well as department risk registers with key staff. Similarly, the Code of Conduct, another key risk management tool, is reviewed annually and refresher sessions are conducted with all staff.

Systems that currently assist in the management of risk are the:

- Drinking Water Quality Management System
- Health & Safety Management System, including the Project and Contractor Health, Safety and Environment Management System
- Environmental Management System
- Dam Safety Management System
- Emergency Incident Management System, which includes: the Emergency Incident Response Manual; Business Resilience Plan (including East Gippsland Water's Pandemic Plan); Bushfire Preparation, Response and Recovery Plan; and the Security Risk Management Plan
- Asset Management System, which includes the capital works and project planning processes
- Financial Management System, which incorporates the Financial Management Compliance Framework, Accounting Manual and Audit Plan.

Stakeholder consultation is an integral part of the risk management process. Known and emerging risks are assessed so that the needs, concerns and interests of relevant parties are judged. The corporation continues to be an active member of the Department of Environment, Land, Water and Planning (DELWP) Water Sector Security Resilience Network and the federal Water Services Sector Group – both of which focus on the management of critical infrastructure to ensure service delivery. This is in addition to the Water Sector Risk Management and other industry networks, which enable benchmarking and the sharing of ideas and solutions to common issues.

## Victorian Government Risk Management Framework

All state government agencies are required to comply with the Victorian Government Risk Management Framework (VGRMF). This describes the minimum risk management requirements to demonstrate that agencies are managing risk effectively. Compliance with this framework is included within the Financial Management Compliance Attestation on page 1 of this annual report. The VGRMF was updated in 2020, with the new version effective from 1 July 2021.

## Emergency Management

Our emergency management capacity is maintained through annual exercises and the training of key personnel. During 2021/22 we continued to engage with DELWP on the development of tailored training to improve emergency management capacity and capability across the water sector. This is an ongoing initiative and particularly relevant given the expected increase in emergency events due to climate change.

The corporation continued to respond to the COVID-19 pandemic throughout 2021/22 and responded to changes to government restrictions. Close engagement with DELWP and the state and national water sector enabled collaboration on risk control solutions. Our 2021 annual emergency exercise saw us participate in a national water sector cyber exercise facilitated by the Australian Cyber Security Centre. This exercise was the culmination of 12 months of planning and workshops with water corporation staff at a national level.

## Insurance

East Gippsland Water maintains a full suite of insurance policies that are regularly reviewed to ensure adequate cover, with new products considered as they arise.

In late 2014 the (then) 19 Victorian water corporations joined together to collectively tender for insurance broking services for 2015/16. This was the first time that all of the water corporations had agreed to common brokerage services, resulting in 50 percent savings on the former \$14 million insurance program, with no dilution of cover. This collaborative program continues to deliver strong coverage with significant cost savings. The sector is also supported by an independent insurance consultancy.

# Environmental Sustainability

The East Gippsland region is a key natural asset in Victoria and is highly valued by permanent residents and tourists alike.

East Gippsland Water recognises this link between a healthy environment supporting numerous industries and a community spread across a vast geographic area. As a result, water and wastewater services are managed with a view to minimising adverse impacts to land, water and air in order to ensure services and resources are sustained into the future.

During 2021/22 the corporation's ongoing commitment to sustainability and protecting the environment was reinforced by:

- maintaining investment in strategies to achieve a 44 per cent reduction in East Gippsland Water's greenhouse gas emissions by 1 July 2025. This would bring annual emissions down to a maximum of 4,650 tonnes of CO<sub>2</sub>-e equivalent (t CO<sub>2</sub>-e) - compared with corporation's 2011-2016 baseline of 8,272 t CO<sub>2</sub>-e
- East Gippsland Water Board bringing forward the target for us to achieve net-zero emissions from 2050 to 2035 at the latest, with the organisation powered by 100 per cent renewable electricity by 2025
- recording net greenhouse gas emissions of 7,825 t CO<sub>2</sub>-e for 2021/22 specifically, which was 1 per cent below the targeted maximum for the 12 months
- the installation of a 22kW ground mounted solar array at our Mallacoota Water Treatment Plant. This was progressed under a community-driven initiative involving the Mallacoota Sustainable Energy Group and the Energy Innovation Cooperative, with funding from Sustainability Victoria through the Gippsland Community Power Hub. It is already proving itself as a win-win-win project – benefiting the local community and environment, while also reducing our electricity costs to operate the Mallacoota plant.
- our ongoing partnership with 12 other Victorian water corporations to collectively purchase solar power from the Kiamal Solar Farm in north-west Victoria, under the umbrella organisation Zero Emissions Water (ZEW). This went live in January 2021 and is significant in our drive to cut greenhouse gas emissions. It is also helping us to maintain affordable water bills for customers, by enabling us to purchase solar power at a cheaper rate
- the sustainable reuse of biosolids produced during the wastewater treatment process. In 2021/22 we continued to implement and update our Biosolids Management Plan, which covers the management of current and forecast levels of biosolids. To facilitate future de-sludging operations, an additional storage bund is being designed for the Paynesville wastewater treatment facility. Reuse opportunities are being explored for biosolids stored at our Bruces Track and Newmerella irrigation sites, which now meet the required standard for reuse

- actively progressing integrated water management across East Gippsland as part of the corporation's commitment to delivering 'Water for Victoria' initiatives. The East Gippsland Integrated Water Management Forum (IWM) and Practitioners' Group have continued to progress key projects and completed a review of their Strategic Directions Statement to identify and prioritise new IWM opportunities.
- continuing to assist and partner with other agencies to improve waterway health and support biodiversity initiatives
- maintaining the Environmental Management System, externally certified to ISO 14001.

## Water Consumption Report

The 2021/22 reporting period was characterised by a mild summer and significant rainfall through the year.

Water consumption showed an ongoing reduction from previous years, with customers using less on their gardens for example, and the impact of the coronavirus (COVID-19) pandemic seeing a reduction in tourist numbers to East Gippsland during the first half of the reporting period.

The total amount of water consumed by residential and non-residential customers in 2021/22 went down to 4,284ML, compared with 4,692ML the year before. Average water consumption fell from 183L to 157L per person, per day. Similarly, average annual residential water consumption went down from 147kL to 126kL – a fall of 14 per cent.

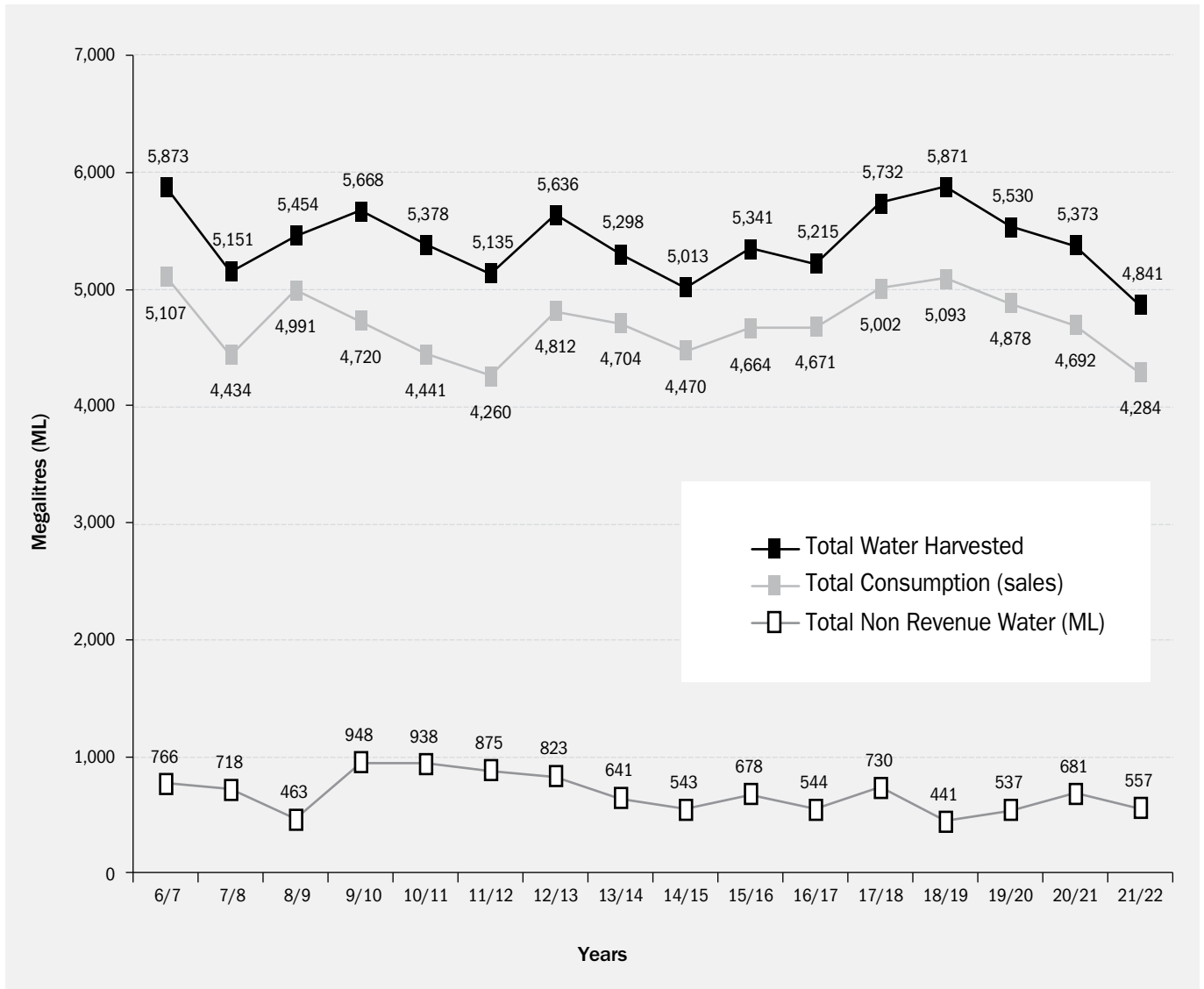
There was a reduction in the total amount of non-revenue water from 681ML to 557ML - representing 11.5 per cent of the total water received from all sources (4,841ML). A number of factors contributed to this reduction, including an ongoing focus on leak reduction in our water supply networks and the absence of large-scale capital works requiring the draining and flushing of mains and water storages, as occurred in 2020/21.

During the reporting period, the amount of water harvested by East Gippsland Water to meet customer and other corporation needs correspondingly fell to 4,857ML.

While there were no formal, staged water restrictions anywhere in East Gippsland during the reporting period, common-sense Permanent Water Saving Rules applied at all times.

# Environmental Sustainability

Water Consumption Trends - 2006/07 to 2021/22



## Water Consumption Statistics by District/System 2021/22

District/ System	Residential Customers				Non-Residential Customers				Non-Revenue Water									
	Number	(1) Drinking Water Volume (ML)	(2) Recycled Wastewater Volume (ML)	(3) Recycled Stormwater Volume (ML)	Number	(4) Drinking Water Volume (ML)	(5) Recycled Wastewater Volume (ML)	(6) Recycled Stormwater Volume (ML)	Total Number of Customers	(7) Total Drinking Water Volume (ML) (1) + (4)	(8) Total Recycled Water Volume (ML) (2) + (3) + (5) + (6)	(9) Total Water Consumption (ML) (7) + (8) <sup>#1</sup>	Average Annual Water Consumption (ML) <sup>#2</sup>	(10) Leakage (ML)	(11) Firefighting (ML)	(12) Other (ML) <sup>#3</sup>	(13) Total Non-Revenue Water (ML) (10) + (11) + (12)	Total Water all Sources Received (ML) (9) + (13)
Bemm River	97	6	N/A	N/A	13	5	N/A	N/A	110	12	N/A	12	13	1	0	0	1	13
Buchan	85	8	N/A	N/A	34	6	N/A	N/A	119	13	N/A	13	17	2	0	0	2	15
Cann River	153	13	N/A	N/A	62	10	N/A	N/A	215	23	N/A	23	26	2	0	0	3	25
Dinner Plain	491	23	N/A	N/A	50	13	N/A	N/A	541	36	N/A	36	55	29	0	3	31	67
Mallacoota	1,022	87	N/A	N/A	107	44	N/A	N/A	1,129	131	N/A	131	905	18	0	0	19	149
Mitchell	20,278	2,441	N/A	N/A	2,450	1,078	N/A	N/A	22,728	3,519	N/A	3,519	2,304	376	0	24	400	3,919
Omeo	224	20	N/A	N/A	81	20	N/A	N/A	305	40	N/A	40	978	3	0	2	4	44
Orbost	1,782	212	N/A	N/A	375	283	N/A	N/A	2,157	495	N/A	495	344	92	0	5	97	593
Swifts Creek	101	9	N/A	N/A	33	7	N/A	N/A	134	16	N/A	16	139	0	0	0	0	16
<b>Total 2021/22</b>	<b>24,233</b>	<b>2,818</b>	<b>N/A</b>	<b>N/A</b>	<b>3,205</b>	<b>1,466</b>	<b>N/A</b>	<b>N/A</b>	<b>27,438</b>	<b>4,284</b>	<b>N/A</b>	<b>4,284</b>	<b>4,781</b>	<b>524</b>	<b>1</b>	<b>34</b>	<b>557</b>	<b>4,841</b>

### Notes:

#1 Excludes Non-Revenue Water

#2 Average calculated between the years 2017/18 and 2021/22

#3 e.g. rainwater tanks, mains flushing, scouring of tanks and basins, evaporation

N/A Not Applicable

Some figures adjusted due to rounding



# Environmental Sustainability

## Water Entitlements

### East Gippsland Water Entitlement Reporting 2021/22

Supply System	Source	Annual amount of water taken (ML)	Total Entitlement (ML/year)	Volume unused (ML/year)	Any temporary or permanent transfer of all of part of Bulk Entitlement (ML)	Any BE or licence in respect of the waterway temporarily or permanently transferred to the corporation	Any amendment to the Bulk Entitlement	Any failure by the corporation to comply with any provision of the Bulk Entitlement	Any difficulties experienced or anticipated by the corporation in complying with the BE and any remedial action taken or proposed	Passing Flow Compliance Clause
Mitchell System	Mitchell River	3,974	9,208	5,234	0	No	N/A	No	No	Cl.8
Mitchell System*	Groundwater	0	171	171	0	No	N/A	No	No	N/A
Mitchell System ASR*	Groundwater	0	172	172	0	No	N/A	No	No	N/A
Bemm River	Bemm River	13	100	87	0	No	N/A	No	No	Cl.7
Cann River	Cann River	25	192	167	0	No	N/A	No	No	Cl.7
Mallacoota	Betka River	26	330	304	0	No	N/A	No	No	Cl.7
Mallacoota	Groundwater	87	220	133	0	No	N/A	No	No	N/A
Nowa Nowa**	Boggy Creek	0	118	118	0	No	N/A	No	No	Cl.7
Swifts Creek	Tambo River	16	224	208	0	No	N/A	No	No	Cl.7
Buchan	Buchan River	15	170	155	0	No	N/A	No	No	Cl.7
Orbost	Brodribb River / Rocky River***	589	2,031	1,442	0	No	N/A	No	No	Cl.7
Omeo	Butchers Creek	44	77	33	0	No	N/A	No	No	Cl.7
Dinner Plain	Groundwater	67	120	53	0	No	N/A	No	No	N/A

#### Notes:

\* Groundwater in the Mitchell System consists of a fixed license component and a managed aquifer recharge project (Aquifer Storage and Recovery - ASR). During the reporting period 21.7ML was injected into the Latrobe Valley Group of aquifers. No water was extracted from the 171ML available for extraction in any year (under a take and use license) to supplement supply.

\*\* The infrastructure to enable harvesting from Boggy Creek has been decommissioned.

\*\*\* The infrastructure to enable harvesting from Rocky River has been decommissioned.

N/A Not Applicable

- East Gippsland Water did not submit any proposals associated with 'Making Allowances' Bulk Entitlement clauses.
- Environment programs were in place where required and there were no amendments to these programs.
- East Gippsland Water manages Bulk Entitlements in accordance with approved metering programs.
- No new Bulk Entitlements were granted to East Gippsland Water.
- All Bulk Entitlement conditions were met and no difficulties were experienced in meeting these conditions.

## Corporate Water Consumption

Total water consumption within the corporation's Bairnsdale office increased from 99kL in 2020/21 to 196kL in 2021/22, with the easing of COVID-19 restrictions and the progressive return of staff to the building returning usage to pre COVID-19 levels.

The volume of water consumed per member of staff in the office increased from 1.7kL to 2.5kL.

Water consumption is not calculated for East Gippsland Water's other sites such as depots, water and wastewater treatment plants as the majority is utilised as part of operational processes.

## Sustainable Water Use

During 2021/22 the corporation continued to progress a number of initiatives in line with the Victorian Government's objectives for sustainable water use, and specifically its 'Water for Victoria' plan. This plan sets a long-term direction for managing precious water resources across the state to deal with the challenges presented by climate change and a growing population.

East Gippsland Water is supporting the GLaWAC 'Aboriginal water project' to gain a deeper understanding of Aboriginal water values in our landscape. We are continuing to investigate the option to share water storage capacity in the Mitchell system with GLaWAC, to advance Aboriginal self-determination and cultural water values.

### Water Conservation

East Gippsland Water has an ongoing program to utilise water supplies more efficiently and reduce the corporation's impact on the environment. Activities in the reporting period included minimising the amount of non-revenue water by replacing old meters, and investigating pipelines and property connections to pinpoint and reduce leaks under the leak detection program.

The corporation's 2021/22 ongoing meter replacement program resulted in 683 meters being replaced.

## Sustainable and resilient water services systems

### Water supply and water security planning

Every five years East Gippsland Water is required to develop an Urban Water Strategy and Drought Preparedness Plan (UWS) as part of the Statement of Obligations. The Urban Water Strategy provides a detailed, 50-year plan to safeguard water security for our customers across the region.

Our latest Urban Water Strategy was approved by the Minister for Water in June 2022 and is available to view on our website [www.egwater.vic.gov.au](http://www.egwater.vic.gov.au). It has been informed by learnings from the 2017-2019 period of drought in our region, when record-low stream flows were experienced. It considers current customer demand patterns and forecasts, recent population growth projections, climate change projections, recent water supply system upgrades and changes to operations. Where there is an imbalance between supply/storage and demand, initiatives to meet forecast demands are recommended.

The strategy also details East Gippsland Water's approach to manage demand, the use of recycled wastewater and other integrated water management initiatives and enhancing Traditional Owner values.

The Drought Preparedness Plan, which is part of the Urban Water Strategy, details how East Gippsland Water will prepare and respond to periods of water shortage, including triggers and procedures for water restrictions and identifying key public assets to be considered for water restriction exemption, such as recreation facilities.

The 2022 Urban Water Strategy has been a key component in the development of our 20-year capital works plan and our 2023-2028 Price Submission. Customer engagement was a core requirement in its development, which was aligned to the Price Submission engagement process where possible.

A partnership relationship with the Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC) has been developed through the Urban Water Strategy process which is being used to further collaborative project opportunities.

Consistency with the State Government's 'Water for Victoria' plan and the Central and Gippsland Sustainable Water Strategy (CGSWS) was sought when developing the Urban Water Strategy. The CGSWS is being led by the Department of Environment, Land, Water and Planning (DELWP), in collaboration with the relevant water corporations, including East Gippsland Water, who are represented on relevant working groups and the Consultative Committee. The CGSWS seeks to provide a balanced approach to the provision of water for all water users including Traditional Owners, the environment, recreation, agriculture and urban water users.

The key recommendation from the 2022 Urban Water Strategy is to address the need for an additional water storage to provide long-term water security to customers supplied by the Mitchell Water Supply System. Historically the Mitchell River has been a reliable source of water supply for the region, requiring approximately three months of storage as a buffer during summer low flow periods.

The climate change scenarios used in the 2022 strategy, based on more recent trends, show that there is an immediate deficit based on levels of services agreed with customers. Extensive work has been done to assess options to address this deficit, with significant engagement undertaken with the East Gippsland community, Customer Committee, and Board. Ultimately, the decision has been made to progress with a third off-stream storage at the Woodglen Water Treatment Plant site, scheduled for construction early in the 2023-2028 pricing period.

Our eight other water supply systems were also assessed in detail during the development of the 2022 Urban Water Strategy, using the climate change scenarios. While no major augmentations were identified for these supply systems, significant planning will be required in the next five years to ensure water security into the future for customers across the East Gippsland region.

# Environmental Sustainability

## **Integrated water management**

East Gippsland Water is actively progressing integrated water management across the region as part of the commitment to deliver 'Water for Victoria' initiatives.

This is being coordinated through the East Gippsland Integrated Water Management Forum, established in 2017/18. The forum comprises the CEOs and Managing Directors of the East Gippsland region's water, environmental, indigenous, ports and health agencies.

The forum is one of a number established across Victoria to guide the development and implementation of integrated water management projects. It is supported by a Practitioners' Group, drawn from a number of state and local government authorities - bringing together an invaluable depth of knowledge across organisations that influence the water cycle. Its priorities are guided by a locally developed Strategic Directions Statement, outlining a vision and plan for implementing integrated water management projects in the region.

East Gippsland Water has supported the inclusion of a project to protect and enhance Aboriginal values in water planning. As part of this project, we are working with GLaWAC and the East and West Gippsland Catchment Management Authorities to gain a stronger understanding of the Aboriginal water values in our landscape. As Aboriginal values are identified they will be incorporated into our Integrated Management projects and forward planning programs.

A revised statement is due to be published early in the 2022/23 financial year following a review to identify and prioritise new opportunities for integrated water management.

During 2021/22, the East Gippsland Integrated Water Management Forum and Practitioners' Group focused on delivering the following high priority projects:

**Alternative water sources for the Bairnsdale Livestock Exchange and adjacent Bairnsdale Oval, to replace the use of reticulated drinking water** - *(Joint project managed by East Gippsland Shire Council, with partners East Gippsland Water and East Gippsland Catchment Management Authority)*

This project recommends using a variety of different water sources for the two sites including rainwater, treated wastewater and groundwater. A DELWP grant application was submitted for the capital costs of transporting and reticulating treated wastewater to the site from the nearby Bairnsdale Wastewater Treatment Plant, and in July 2020 the Victorian Government announced more than \$600,000 in funding to deliver this initiative.

Currently at design stage, the project will save 12ML of drinking water per year that is currently used to supplement rainwater collected for irrigation and wash-down. It also provides an opportunity to irrigate nearby Peppercorn Park - potentially supplying up to 19ML per year of recycled water in dry conditions.

**Crooke Street Wetlands** - *(Joint project managed by East Gippsland Shire Council, with partners East Gippsland Catchment Management Authority)*

The Integrated Water Management Forum secured a \$250,000 DELWP grant for the Crooke Street wetland development in Bairnsdale, to treat stormwater and improve water quality entering the Gippsland Lakes.

**Bairnsdale Wastewater Treatment Plant / VicForests Nursery** - *(Joint project managed by East Gippsland Water, with partners VicForests)*

East Gippsland Water has been working in partnership with VicForests and GLaWAC in establishing a state nursery on East Gippsland Water land - by leasing a site adjacent to our Bairnsdale Wastewater Treatment Plant. One of the conditions for the lease is that recycled water must be used as the primary source of water supply.

Additional treatment is required to upgrade the Class C recycled water currently produced to Class A standard, to meet the needs of the nursery. Upgrade works will be jointly funded by VicForests and East Gippsland Water, with grant funding also being sought to support the future expansion of the project and connection of additional customers to the recycled water.

## **Promoting community water awareness**

In our communication with all groups in the community, East Gippsland Water places emphasis on promoting the efficient use of water as a finite resource, highlighting the impact of extreme weather events and changes in climate, and the drive for long-term security of drinking water supplies.

During the reporting period, there was regular messaging to customers to embrace the habit of using water efficiently and to be aware of the need to follow mandatory, state-wide Permanent Water Saving Rules.

Channels of communication included social media, the East Gippsland Water website, the quarterly On Tap newsletter mailed/emailed to all account holders, our monthly In the Flow public information page in the Bairnsdale Advertiser, Lakes Post and Snowy River Mail, and road signage at entry points to towns.

East Gippsland Water is committed to the Victorian Water Efficiency Strategy, working with other water corporations and DELWP on the promotion of statewide initiatives such as the 'Target Your Water Use' water efficiency program. Aimed at rural and regional Victorians, East Gippsland Water continued to encourage the community to get behind this voluntary initiative, which is a key action of 'Water for Victoria'. It is designed to assist customers to use their water wisely and help ensure there will be enough water to meet all our needs now and into the future.

The program's focus is on taking a longer-term view of water usage habits, while providing customers with access to useful information to make informed decisions about the amount of water they use - including through the East Gippsland Water website [www.egwater.vic.gov.au](http://www.egwater.vic.gov.au). This links to the Smart Water Advice website for tips on how to save water.

In addition, despite restrictions in relation to the COVID-19 situation, we were still able to provide a very limited number of tours and presentations and to attend a small number of community markets to engage with customers and the wider community. This provided the opportunity to promote water efficiency in line with 'Target Your Water Use', whenever appropriate.

A total of eight East Gippsland schools are registered on the Victorian Government's Schools Water Efficiency Program. This enables them to track their water usage with data logger technology, so that they can explore and monitor their

water efficiency in a practical and educational way, address inefficiencies such as leaks and assess the benefits.

Between 2012 and 30 June 2022, participating local schools together saved more than 43ML of water, worth some \$87,000, and during 2021/22 they saved 166.7KL.

(See also the Community Engagement and Social Sustainability sections on pages 42-49)

#### **Working with businesses**

East Gippsland Water maintains a record of non-residential customers consuming more than 5ML of drinking water per year and works with them on the implementation and monitoring of water efficiency measures.

In 2021/22 the corporation had one customer exceeding the water consumption threshold of 100ML per year and therefore classified as a 'major non-residential water user' under Section 122ZJ of the *Water Act 1989*.

#### **Major non-residential customers by volume range for 2021/22**

<b>Volumetric Range – ML/year</b>	<b>Number of Customers</b>
Equal to or greater than 100ML and less than 200ML	1
Equal to or greater than 200ML and less than 300ML	0
Equal to or greater than 300ML and less than 400ML	0
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 1000ML	0
Greater than 1000ML	0
<b>Total number of customers</b>	<b>1</b>

<b>Name of customer</b>	<b>Customer's participation in a water conservation program</b>
Vegco	Yes – water management plan developed. Water consumption increased from 147ML in 2020/21 to 182ML in 2021/22

#### **Assisting local government**

During the reporting period East Gippsland Water continued to collaborate with East Gippsland Shire Council on projects of mutual benefit including:

- replacement and upgrade of the Bosworth Road water main in Bairnsdale
- a review of council facilities exempt from water restrictions
- various current and future developer works
- the East Gippsland Integrated Water Management Strategic Directions Statement, to guide the implementation of integrated water management across the region (see Integrated water management section on page x)
- the installation of three permanent water refill stations at key locations around the region – Bairnsdale, Eastwood and Sarsfield.

# Environmental Sustainability

## Other Statutory Obligations

### River Health

East Gippsland Water actively works to ensure that compliance with river health requirements set out in the Statement of Obligations is consistent with the Victorian Waterway Management Strategy and in particular the East Gippsland Waterway Strategy 2014-2022.

During the reporting period we continued to work closely with the East Gippsland Catchment Management Authority (EGCMA). Regular liaison ensured East Gippsland Water was aware of activities occurring upstream of river offtake points to improve water quality and manage weeds.

We will continue to work closely with the EGCMA to support the revegetation and stock exclusion fencing of key waterways.

Harvesting drinking water to supply East Gippsland Water customers is undertaken with minimal impact on existing environmental flows from the region's waterways.

The corporation has no major on-stream dams. The small Nicholson River dam is no longer in use and opportunities are being explored for its decommissioning.

We are actively involved in additional initiatives to protect and improve wetland and river health such as:

- monitoring and ensuring compliance with bulk entitlement obligations
- participation in the Gippsland Regional Water Monitoring Partnership Group, which monitors water flows across Gippsland streams and estuaries. The group's information is crucial in monitoring catchment health and the corporation contributes funds, staff and other resources

### Regional Catchment Management and Biodiversity

The corporation continued to support the EGCMA with its implementation of the East Gippsland Regional Catchment Strategy.

In particular, we have committed to the Bairnsdale Wastewater Treatment Plant Macleod Morass Distribution Channel Repair and Constructed Wetlands Improvement Project. This will ensure that the operational effectiveness of the constructed wetlands and distribution channel is maintained to ensure continued flows of high-quality treated wastewater into the morass from the wastewater treatment plant.

The project promotes collaboration between agencies (East Gippsland Water, EGCMA, Parks Victoria) with a shared interest in the operation and maintenance of the distribution channel and constructed wetlands as an asset that aids in the protection and enhancement of the Macleod Morass. It will also assist with maintaining the health of the Gippsland Lakes.

East Gippsland Water has signed a Catchment Partnership Agreement reaffirming a commitment to improve the management of land, water and biodiversity in the region. This agreement is designed to enhance the corporation's collaboration with DELWP, the EGCMA and other catchment management partners in relation to catchment management activities.

East Gippsland Water acts as a referral authority for works that occur in the corporation's water supply catchments and contributes more broadly to strategy and biodiversity management across the region. During the reporting period projects included:

- working with DELWP in relation to the department's District Action Plan (DAP) and its implications for the supply of drinking water throughout the region. The DAP covers all maintenance activities to be undertaken by DELWP in East Gippsland, such as road widening, bridge works and other civil works
- working with DELWP on a forestry management agreement
- contributing to the review of the Central and Gippsland Sustainable Water Strategy.

East Gippsland Water will remain a key stakeholder of future East Gippsland Regional Catchment strategies.

### Drinking water quality

The delivery of safe drinking water to the community is fundamental and East Gippsland Water monitors drinking water quality regularly in all water supply systems to comply with the *Safe Drinking Water Act 2003*, *Safe Drinking Water Regulations 2015* and the corporation's Customer Charter.

We operate a Drinking Water Quality Risk Management System, which has certification in accordance with the *Safe Drinking Water Act 2003* and includes specific compliance standards for quality and frequency of sampling.

Regulatory audits are typically undertaken biennially by certified auditors appointed by the Department of Health to ensure the integrity of this system. Since our last year's report, no audits have been conducted, East Gippsland Water regulatory audit has been scheduled for February 2023.

During 2021/22, East Gippsland Water complied fully with the *Act*, *Regulations* and the *Charter* in the provision of drinking water services, with the exception of one missed water quality sampling at Bullock Island. This was due to the site being temporarily inaccessible behind a locked construction fence managed by a third-party contractor. This had no impact on the quality of water being delivered to customers and we have implemented more controls to prevent this situation reoccurring.



**2021/22 Compliance with the Water Quality Standards specified in the Safe Drinking Water Act 2003 and the Safe Drinking Water Regulations 2015**

Volumetric Range – ML/year	E. coli (0 organisms in 100% of samples taken)	Turbidity (<5 NTU) <sup>1</sup>	Disinfection By-products <sup>2</sup>
Bairnsdale	✓	✓	✓
Bemm River	✓	✓	✓
Buchan	✓	✓	✓
Cann River	✓	✓	✓
Dinner Plain	✓	✓	✓
Eagle Point / Paynesville	✓	✓	✓
Kalimna	✓	✓	✓
Lindenow	✓	✓	✓
Lindenow South	✓	✓	✓
Mallacoota	✓	✓	✓
Merrangbaur	✓	✓	✓
Metung	✓	✓	✓
Nicholson / Swan Reach	✓	✓	✓
Nowa Nowa	✓	✓	✓
Omeo	✓	✓	✓
Orbost	✓	✓	✓
Sarsfield / Bruthen	✓	✓	✓
Sunlakes / Toorloo	✓	✓	✓
Swifts Creek	✓	✓	✓

<sup>1</sup> 95th percentile of results for samples in any 12-month period must be less than, or equal to, 5.0 NTU

<sup>2</sup> Disinfection By-Products are defined as Trihalomethanes: <0.25 mg/L

**Water quality compliance incidents**

In 2021/22, two Section 22 notifications were made to the Department of Health. The first related to taste and odour management in Orbost and was due to the presence of algae in the water storage basins - resulting in small number of customer queries. There was no threat to health and the water remained compliant with drinking water quality standards. Remedial action eliminated the taste issue.

The second notification was in relation to a false positive E.coli detection in Metung - due to the use of unsterilised sampling equipment at one water sampling point. At no time was the water unsafe to drink as the bacteria was not in the drinking water.

No Section 18 notifications were made to the Department of Health.

**Maintaining and improving water quality**

During the reporting period East Gippsland Water implemented and continued a number of major initiatives to maintain and improve water quality for customers, such as:

- construction of a 430,000-litre raw water tank at Buchan to secure high quality water supply in periods of poor river quality such as flood and fire.
- upgrade of the Dinner Plain water treatment process to include chlorine dosing - providing a second treatment barrier in line with best practice.
- inspecting lined and covered water storages - using a small, remotely operated underwater vehicle to assess their integrity against any risks of external contamination
- conducting water quality risk management upgrades to water treatment plants to ensure the continuation of effective treatment practices
- replacing a number of sections of water main around the region, to improve water quality for customers
- implementing various upgrades to our Supervisory Control and Data Acquisition (SCADA) system, which operates continuously using remote monitoring to provide a timely warning of faults or performance issues at our key water facilities. Upgrades were designed to boost service reliability and cyber-security.

# Environmental Sustainability

## Water Recycling

In spite of the challenges presented by unprecedented rainfall during the reporting period we maintained our strong position in the Victorian water industry for water recycling – achieving almost 100 per cent beneficial reuse across our 11 wastewater treatment plants.

### Recycled Water Performance

	Volume (ML)					
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Wastewater collected	3,200	3,103	3,114	2,773	3,279	3,806
Recycled water produced	3,074	2,773	2,496	2,438	2,969	3,148
Recycled water used	2,933	2,773	2,496	2,438	2,969	3,140
Recycled water used (%)	95%	100%	100%	100%	100%	99.7%
<b>Target</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\*The volume of recycled water produced was greater than the amount of wastewater collected in 2015/16, due to a carry-over of recycled water held in water storages from the previous year.

### Volume of Recycled Water Used per Town/System - 2021/22

Town/System	Number of Assessments (customers)	Annual Wastewater Volume Re-used (ML)
Bairnsdale	8,068	1,525
Bemm River	104	0
Cann River	172	13
Dinner Plain	543	71
Lakes Entrance	4,805	778
Lindenow	210	13
Mallacoota	1,067	88
Metung / Bruthen	2,129	168
Omeo	254	20
Orbost / Marlo	1,762	326
Paynesville	4,155	138
<b>Total</b>	<b>23,269</b>	<b>3,140</b>

Some figures adjusted due to rounding

### How Reuse is Achieved

	Reuse Purpose						
	Wetlands	Alpine woodland	East Gippsland Water pasture	East Gippsland Water tree plantations	Racecourse	3rd party pasture/crops	Golf course
Bairnsdale	✓				✓		
Lindenow	✓						
Paynesville			✓			✓	
Metung			✓			✓	
Lakes Entrance, Kalimna West and Swan Reach			✓	✓		✓	✓
Omeo						✓	
Dinner Plain		✓					
Orbost and Newmerella			✓	✓		✓	
Mallacoota				✓			✓
Cann River						✓	
Bemm River			✓				

Efforts are made to ensure that all the recycled water produced by the corporation's wastewater treatment facilities is beneficially reused where possible, with a priority on protecting the environment. It is used on East Gippsland Water properties in Newmerella, Mallacoota, Metung, Paynesville, Bemm River and the Bruce's Track Farm at Kalimna to irrigate pasture, tree plantations and open areas.

Third parties to benefit from the recycled water include two golf courses and the Bairnsdale Racecourse, as well as farmers in Swan Reach, Paynesville, Omeo, Lakes Entrance, Newmerella and Cann River.

Plans for the development of a Class A wastewater treatment facility at Bairnsdale are advancing. While the first stage of development will provide high quality recycled water to the VicForests nursery, additional opportunities are being sought to expand Class A supply.

### **Wet Weather Controlled Wastewater Releases**

The exceptional rainfall over the reporting period placed significant pressure on a number of our wastewater treatment facilities impacted by stormwater infiltration, where the volume of treated wastewater (recycled water) held in storage exceeded what could be used for irrigation.

As on-site storages reached capacity, controlled releases (overland, into nearby creeks and wetlands) were necessary to prevent uncontrolled overflow to surrounding communities and the environment. The wastewater treatment facilities affected were at Paynesville, Cann River, Metung, Lakes Entrance (Kalimna West), Omeo and Bairnsdale, with a total of 1,248ML released.

To comply with regulatory requirements neighbours, nearby residents, government agencies (notably EPA and DELWP) and relevant community groups were notified in advance of the controlled releases. Signage was erected in the immediate area to advise that recycled water would be mixing with other water (such as creek water) and this water should be avoided. Regular samples were taken to monitor the quality of the treated wastewater and minimise any adverse environmental impact – with these results fed through to the EPA.

Unfortunately, we received a fine of \$9,087 from the EPA for 'the unlawful deposit of wastewater into Macleod Morass under the Section 115 (4) of the Environment Protection Act', for our unavoidable release of some 30ML into the wetlands in April 2022, due to the impact of extreme weather.

Further controlled releases will be necessary from various facilities during 2022/23 while the exceptionally wet weather persists. The impact of ongoing releases on our future operations - in terms of environmental compliance and general duty in accordance with the *Environmental Act 2017* – will remain a focus for our operational and environmental teams.

Upgrades are being carried out at our Paynesville wastewater treatment facility to future-proof the treatment and irrigation infrastructure. There are currently around 132 hectares of irrigated pasture using recycled water at the facility – including ten hectares purchased two years ago. Irrigation expansion has already commenced to help cope with future extreme wet weather events and meet population growth. Design is nearing completion on up to 50 extra hectares of irrigation, which will be completed in less than 12 months and in time for next summer. A new irrigation storage lagoon will also be constructed.

### **Biosolids Management**

East Gippsland Water is committed to the sustainable reuse of biosolids produced during the wastewater treatment process.

In 2021/22 we continued to implement and update our Biosolids Management Plan, which covers the management of current and forecast levels of biosolids.

To facilitate future de-sludging operations, an additional storage bund is being designed for the Paynesville Wastewater Treatment Plant site.

Biosolids held at our Bruces Track and Newmerella storage and irrigation facilities have now achieved their required treatment level and reuse opportunities are being explored.

# Environmental Sustainability

## Greenhouse Gas Emissions and Net Energy Consumption

East Gippsland Water continues to actively seek to minimise energy use and greenhouse gas emissions, with a commitment to reduce the environmental impact of operations.

During the reporting period the corporation maintained concerted efforts to reduce annual greenhouse emissions to a maximum 4,650 tonnes of CO<sub>2</sub>-e equivalent (t CO<sub>2</sub>-e) by 2025 (this is a revised target set in 2018/19 to replace the previous target of 6,496 t CO<sub>2</sub>-e). It represents a reduction of approximately 3,600 t CO<sub>2</sub>-e from the corporation's 2011-2016 baseline of 8,272 t CO<sub>2</sub>-e.

In October 2021 the East Gippsland Water Board brought forward the target for us to achieve net-zero emissions from 2050 to 2035 at the latest, with the corporation powered by 100 per cent renewable electricity by 2025

We continue to participate in an energy partnership with 12 other Victorian water corporations - established to collectively purchase solar power from the new Kiamal Solar Farm in north-west Victoria, under an umbrella organisation called Zero Emissions Water (ZEW). This forms part of a forward plan to reduce greenhouse gas emissions, while also maintaining affordable water bills for customers.

This project was officially commissioned in January 2021 and by the end of June 2022 it had provided East Gippsland Water with over 1,000 Large Generation Certificates (LGCs) to assist in meeting our annual emissions targets. Ongoing, it will enable us to purchase 1.24 GWh of renewable energy – equivalent to a reduction of approximately 22 per cent in the corporation's annual energy needs.

Other initiatives implemented, or furthered, during 2021/22 included:

- the installation of a 22kW ground mounted solar array at our Mallacoota Water Treatment Plant. This was progressed under a community-driven initiative involving the Mallacoota Sustainable Energy Group and the Energy Innovation Cooperative, with funding from Sustainability Victoria through the Gippsland Community Power Hub. It is already proving itself as a win-win-win project – benefiting the local community and environment, while also reducing our electricity costs to operate the Mallacoota plant. It also means we have commissioned a total of 265kW of solar systems across 18 sites in recent years
- planning and tendering for a large-scale solar installation at our Paynesville wastewater treatment facility - due to be commissioned later in 2022
- active engaging and collaborating with other water corporations, industry bodies, community networks and external agencies to pursue best practice in energy management and greenhouse gas reduction.

Importantly, we recorded net greenhouse gas emissions of 7,825 t CO<sub>2</sub>-e for 2021/22 specifically, which was 1 per cent below the targeted maximum of 7,900 t CO<sub>2</sub>-e for the 12 months, but higher than the 7,636 t CO<sub>2</sub>-e recorded in 2020/21.

This increase on last year was primarily due to the necessity to treat higher volumes of wastewater as a result of exceptional wet weather events. A reduction in water consumption balanced out some of the increase seen on the wastewater side.

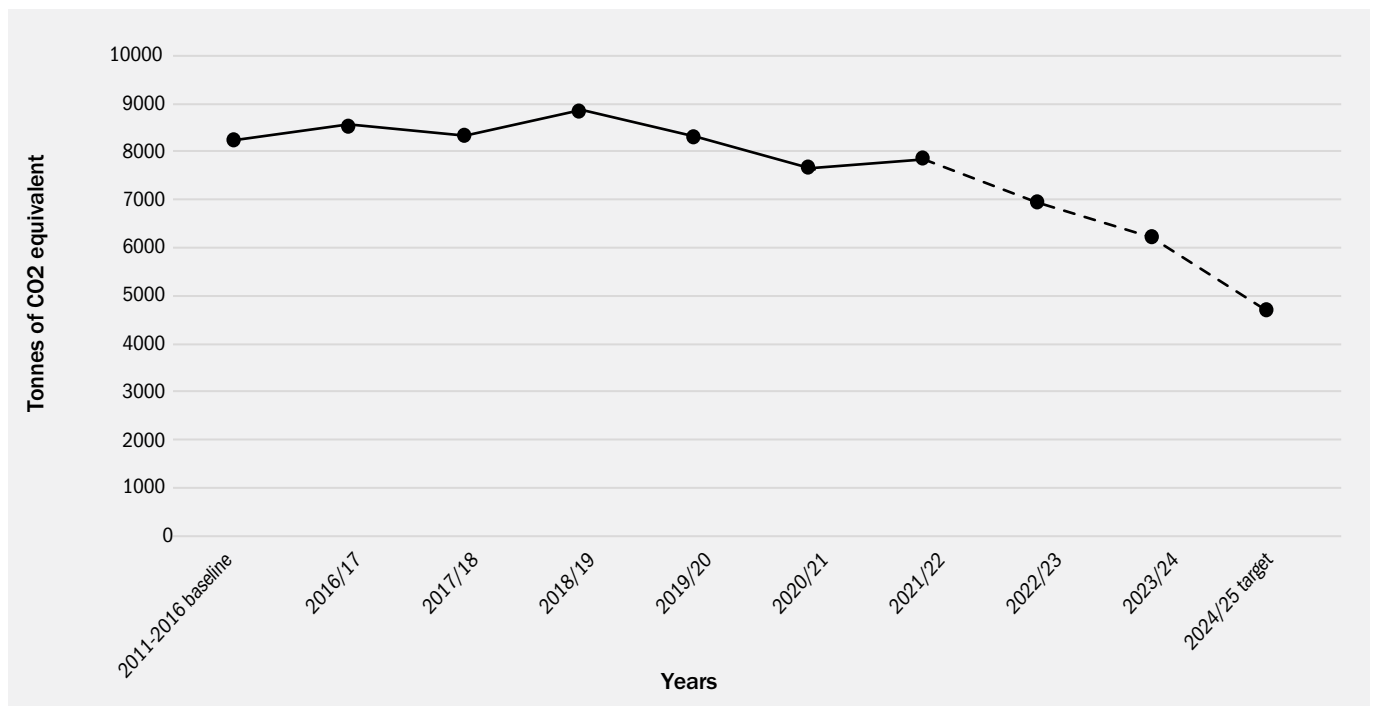
Our involvement with the Kiamal Solar farm (above) continued to provide us with access to LGCs. In June 2022 we voluntarily surrendered 560 LGCs, which in turn enabled us to report an extra 560MWh of renewable electricity consumption and reduce our emissions accordingly.

We are continuing to progress a more concerted business-wide approach to emissions reduction going forward, looking at data analytics and monitoring the performance of systems.

## Greenhouse Gas Emissions

Performance Indicator	Greenhouse gas emissions in tonnes of CO2-e				Variance (%)	Commentary
	2021/22 Projected Emissions	2021/22 Result				
		Scope 1 emissions	Scope 2 emissions	Total emissions		
Water treatment and supply	3,263	28	2,283	2,310	-29.2%	Electricity usage was slightly lower than previous years due to a ~10% decrease in water demand from customers. We voluntarily surrendered 560 Large Generation Certificates received from the IWN Large Scale Renewable Project on 27 June 2022. This in turn resulted in a decrease of approximately 538 tonnes CO2-e
Sewage collection, treatment and recycling	4,211	2,244	2,826	5,070	+20.4%	There was a 16% increase in the volume of wastewater treated in 2021/22 due to significant wet weather. This resulted in an increase in Scope 1 and Scope 2 emissions. Electricity consumption per ML of wastewater treated was similar to previous years. Temporary diesel pumping requirements from emergency discharges resulted in an increase in fuel consumption.
Transport	316	347	0	347	+9.9%	We saw a slight increase in vehicle usage due to the relaxation of COVID restrictions. We also increased the accuracy of reporting business usage compared to private usage of some vehicles, which resulted in a minor increase in the emissions reported.
Other	111	0	98	98	-11.6%	We consumed an additional 8MWh of self-generated solar with the installation of a larger system at our head office.
<b>Total emissions</b>	<b>7,900</b>	<b>2,619</b>	<b>5,207</b>	<b>7,825</b>	<b>-1.0%</b>	<b>The increase in emissions from the previous year was mainly due to an increase wastewater flows and treatment as a result of exceptionally wet weather.</b>

## Progress Towards the Greenhouse Gas Emissions Target for 1 July 2025





# Environmental Sustainability

## Total Electricity Consumption

Total electricity use	2020/21 Result (MWh)	2021/22 Result (MWh)	Commentary
Water treatment and supply	3,396	3,107	There was a reduced volume of water supplied to customers due to wet weather.
Sewage collection, treatment and recycling	2,553	2,980	There was an increase in the volume of sewage treated due to infiltration and ingress during periods of significant rainfall.
Other (office, workshops, depots, etc)	147	148	No comment
<b>Total</b>	<b>6,095</b>	<b>6,235</b>	<b>A minor increase from last year, primarily due to the increase in wastewater treatment due to exceptionally wet weather.</b>

Note: Values in this table include both grid consumption and any renewable energy consumption from East Gippsland Water facilities

## Renewable Electricity

Performance indicator	2020/21 Renewable electricity used (MWh)	2021/22 Renewable electricity used (MWh)	2021/22 Renewable electricity consumption (% of total consumption)	Commentary
<i>Renewable electricity consumption from the electricity East Gippsland Water receives from the electricity grid as a result of the Commonwealth Government's LRET</i>				
Total Grid-sourced: Mandatory	1,110	1,124	18%	
<i>Renewable electricity consumption as a result of corporation led/self-sourced activities and initiatives</i>				
Biogas	60.4	0	0%	Mechanical issues with the combined heat and power unit at Bairnsdale Wastewater Treatment Plant continued into 2021/22, which meant that no electricity was produced from biogas. This unit is scheduled for replacement in 2022/23
Hydroelectric	0	0	0%	Not applicable
Solar	225.7	252.5	4%	There was a slight increase in solar output due to several new projects. With additional projects completed midway through the reporting period this number is expected to be higher again for 2022/23
Wind	0	0	0%	Not applicable
Other	479	560	9%	560 Large Generation Certificates (LGC's) from the Zero Emissions Water Solar project were voluntarily surrendered by East Gippsland Water during the reporting period
Total Corporation led/self-sourced	765.1	812.4	13%	
<b>Total renewable electricity consumption</b>	<b>1,874.95</b>	<b>1,936.83</b>	<b>31%</b>	<b>See comments above</b>

## Climate Change Adaptation

In addition to reducing greenhouse gas emissions to help mitigate climate change, East Gippsland Water continues to plan for a warmer and drier climate by:

- water resource planning, including development of the Urban Water Strategy, using the latest DELWP Guidelines for Assessing the Impact of Climate Change on Water Supplies in Victoria
- utilising latest predictions in relation to storm intensity for planning sewer networks - ensuring compliance with EPA requirements
- undertaking an assessment of the vulnerability of assets and business processes to climate change, and developing a prioritised action plan
- continuing investigation into Integrated Water Management to provide more climate-resilient pathways for water resources

East Gippsland Water continues to monitor actual and predicted impacts of climate change, and to adapt its asset management and business processes as required.

## Environmental Management System (EMS)

East Gippsland Water's Environmental Management System (ISO 14001:2015) continues to drive conscientious environmental stewardship and performance management. It again performed consistently well in all areas during an external audit conducted by MSC Global in April 2022.

Our focus on managing incidents from the sewer network, such as spills, and odour management at treatment plants remain a high priority within the EMS.

# Asset Management

East Gippsland Water is responsible for delivering quality water and wastewater services to customers through the planning, creation, augmentation, operation and maintenance of an extensive range of infrastructure assets. These assets comprise water and sewerage networks and include pipes, pumps, storages, treatment plants and equipment, in addition to depots and office buildings.

The provision of services valued by customers is at the forefront of asset management decision making, with the services tailored to meet their needs, and associated assets structured to provide these services.

The corporation's Asset Management Policy aims to achieve the safe, reliable, cost effective and efficient delivery of services to both existing and new customers. During the reporting period we worked to ensure that assets were being managed safely and with minimal environmental impact.

Of note, the corporation is implementing an Asset Management Improvement Plan to improve asset management practices through a series of projects that will improve the reliability, cost effectiveness and delivery of services to customers.

This will also improve compliance with the Asset Management Assessment Framework (AMAF). The AMAF is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements. East Gippsland Water is currently compliant with 29 of these requirements – which can be found on the DTF website ([www.dtf.vic.gov.au/infrastructure-investment/asset-management-accountability-framework](http://www.dtf.vic.gov.au/infrastructure-investment/asset-management-accountability-framework)).

## Asset Planning

East Gippsland Water's 20-year capital works program outlines the planned upgrade and renewal of assets for the long-term. This program, informed the corporation's 2018-2023 Price Submission, and the upcoming 2023-2028 Price Submission. The program is updated regularly based on business risk and opportunity management principles.

To formulate the works program, East Gippsland Water's customer demand forecasts, proposed developments, water resource modelling, and water and sewerage hydraulic models continue to be reviewed and updated. These models, together with asset data, such as asset age and asset condition, are key inputs to developing, reviewing and updating our asset management plans - to plan for the future of our assets to meet customer demands. This will continue as part of the Asset Management Improvement Plan.

In addition, the corporation continues to consider innovative approaches to meet future asset needs through new technology and appropriate industry best practice.

## New Assets and Projects

2021/22 marked the fourth year of a five-year capital works program worth more than \$60 million. Capital expenditure totalled \$10.29 million for the year and this included \$288,000 of bushfire recovery works.

A number of projects were initiated or completed during the reporting period to maintain high quality, reliable water supplies and wastewater services to customers, while catering for population growth into the future.

During the planning and implementation of the program, East Gippsland Water continued to work closely with regulators and stakeholders, including the GunaiKurnai Land and Waters Aboriginal Corporation, in relation to the cultural heritage aspects.

Key projects during the reporting period included the following -

### Water Storage Upgrades

Construction commenced on a new 430,000L raw water storage tank at Buchan Water Treatment Plant. This will help ensure the plant continues operating during extreme weather events such as floods and bushfires – maintaining the supply of high quality water to customers.

The project is being funded as part of the Victorian Government's \$2.7 billion Building Works stimulus package.

In addition, a number of drinking water storage upgrade and renewal projects to improve the security and reliability of the water supply to Nicholson, Johnsonville, Swan Reach, Metung, Nowa Nowa and Mallacoota were undertaken during the reporting period. These included:

- replacing the bushfire-damaged shade cloth covers over the potable and raw water storage basins at Mallacoota Water Treatment Plant
- refurbishing the 4.55ML water storage tank at Metung, and
- replacing the roof of the water storage tank at Nowa Nowa.

## Bairnsdale and Lakes Entrance Wastewater Treatment Plant Upgrades

A number of significant projects were undertaken at these two sites, including:

- refurbishment of the Lakes Entrance Wastewater Treatment Plant Grit Management System
- renewal of the ageing electrical switchboard at Lakes Entrance Wastewater Treatment Plant and undertaking other electrical improvements
- replacement of ageing pumping, and other fluid transfer, infrastructure
- design work on a number of renewal projects progressed - notably:
  - upgrade of the septic disposal facility at Bairnsdale Wastewater Treatment Plant
  - replacement of the inlet screen, upgrade to the sedimentation tanks, and removal of the redundant golf course pump building at Lakes Entrance Wastewater Treatment Plant.

## Other Treatment Plant and Pump Station Works

The corporation continued with an ongoing program of renewal and improvement works at various water and wastewater treatment plants and pump stations, designed to improve the ongoing reliability, performance and efficiency of these assets, as well as safe access.

## Water and Sewer Pipe Network Renewals

East Gippsland Water has an ongoing program to replace or refurbish ageing sewers and water mains, particularly those presenting service reliability risks for customers. During 2021/22 the program included:

- upgrading 1km of water main along the Paynesville Road, between Bairnsdale and Eagle Point and 550m of water main at the entrance to Paynesville
- commencing an upgrade to 1.7km of water main in Bairnsdale's Bosworth Road industrial precinct and surrounding area, to provide enough future capacity to meet anticipated growth
- upgrading 400m of water main along Day Avenue in Omeo, and 100m of problematic water main in Bailey Street, Bairnsdale
- replacing around 200m of ageing water main in Nicholson Street, Orbost
- commencing a program to clean and reline 3.1km of gravity sewers in Bairnsdale, Paynesville, Metung, Mallacoota and Lakes Entrance and Orbost.
- upgrading the water main under the Lindenow-Glenaladale Road railway crossing in Lindenow South.

## Energy Efficiency Upgrades

In 2021/22 we achieved the following energy efficiency projects:

- The installation of a 22kW ground mounted solar array at our Mallacoota Wastewater Treatment Plant - which was progressed under a community-driven initiative involving the Mallacoota Sustainable Energy Group and the Energy & Innovation Co-operative, with funding from Sustainability Victoria. It is already proving itself as a win-win-win project – benefiting the local community and environment, while also reducing our electricity costs to operate the Mallacoota plant.
- We awarded contracts for a 99kW solar installation at our Paynesville Wastewater Treatment Plant. Installation is expected to occur during the 2022 calendar year. In 2023 we will continue to progress with a large-scale solar installation at our Wy Yung water storage facility.
- We awarded contracts and received shipment of a new Combined Heat and Power Unit for our Bairnsdale Wastewater Treatment Plant. This will utilise the biogas captured onsite to produce approximately 500MWh of electricity to power the site.

## Supervisory Control and Data Acquisition (SCADA)

SCADA operates continuously using remote monitoring to provide a timely warning of faults or performance issues at our key water and wastewater facilities.

As part of \$312,000 in capital stimulus funding we received from DELWP in 2020/21, we completed \$48,000 of works to boost the capability of SCADA at our sites where physical access might be prevented by bushfires - to remotely monitor the operational condition of generators and operate sprinklers.

The remaining \$264,000 is for a major upgrade to our radio network linking to remote SCADA locations and has been awarded to two projects. The first (Stage 1) is to replace our existing radio network and add a new repeater site at Lakes Entrance. The second (Stage 2) is to add radio communications to our Disaster Recovery Site (DR), to Lakes Entrance Wastewater Treatment Plant and to add 15 Sewerage Pump Station Sites.

Unfortunately this major upgrade has been impacted by delivery delays for the radios, with the works expected to be completed in 2022/23.

Additional works on SCADA in 2021/2022 included:

- replacing ageing Remote Telemetry Units at various sites with new ones that communicate with ClearSCADA
- bringing 11 Sewerage Pump Stations online to SCADA
- Upgrading all data loggers from 3G to 4G, in preparation for Telstra switching off all of its remaining 850Mhz 3G by June 2024
- adding further level sensors to Paynesville wastewater lagoons and Bairnsdale Trade Waste.

# Asset Management

## Developer Works and Subdivisions

A total of 332 new serviced properties were added to East Gippsland Water's networks during 2021/22, a 1 per cent increase on the 2020/21 period. The value of the owner-financed water and sewer assets was around \$1.4 million.

## Tree-lot Harvesting – Mallacoota

During 2021/21, works concluded on a major tree harvesting initiative (worth \$356,000) that will enable refurbishment of the recycled water system at the Mallacoota wastewater treatment facility. This has a critical role to play in the treatment of wastewater from the local community, which will be put to environmentally beneficial reuse for growing more trees.

## Maintenance and Renewal of Assets

East Gippsland Water is committed to maintaining high quality, reliable and efficient water and wastewater services, and minimising service interruptions to customers.

This is achieved using a dedicated internal maintenance team, with maintenance schedules and priorities revised as necessary to optimise infrastructure performance and reliability in a cost-effective way. Contractors continue to assist in many areas of operations and maintenance - bringing the added benefits of new and better technologies.

Significant rain events and milder weather during the reporting period brought a major challenge in relation to our management of treated wastewater (recycled water) – greatly restricting opportunities to use this for irrigation purposes at our sites already saturated by rainfall.

With treated wastewater storages reaching capacity we were left with no choice but to undertake controlled releases from some treatment facilities – Lakes Entrance (in Kalimna), Cann River, Paynesville, Omeo and Bairnsdale – to prevent uncontrolled releases into nearby communities and the environment.

Looking at water, an issue with algal blooms in our water storages has required an increase in maintenance work at our water treatment plants.

Looking at other aspects of maintenance, East Gippsland Water's ongoing proactive programs in 2021/22 included:

## Infiltration

Infiltration investigations continued to be invaluable to help us identify, monitor and repair sections of sewer reticulation systems experiencing increased flows during rain events, with the aim to reduce stormwater infiltration. One area experiencing a significant flow increase with rain is Bairnsdale, where it goes up to as much as five times the normal rate.

Progress made during 2021/22:

- Orbost – infiltration investigations were completed in around 20 per cent of the residential areas using smoke testing, CCTV and dye inspections – bringing the total of residential areas now completed to 70 per cent;
- Dinner Plain – ongoing remedial works continued to minimise groundwater infiltration into the sewer system;
- Paynesville – Electronic monitoring was scaled-up, to allow salt water ingress to be monitored;
- New flow monitoring technology has also been assessed to enable the collection of more real-time data from critical areas.

In Paynesville and Lakes Entrance there was a continued focus on capital works projects during 2021/22, to help address an increase in saltwater infiltration. We continue to monitor many key sections of these sewer reticulation systems, with remote monitoring being used to capture real-time data on when saltwater ingress occurs.



## **Sewer Maintenance**

- 266 scheduled sewer pump maintenance services were carried across East Gippsland Water sewer station sites to ensure optimum ongoing performance and reliability.
- Increasing the capability of SCADA to enhance the monitoring of our sewer stations remotely.
- CCTV inspections continued to be an efficient method for the corporation to monitor sewer main condition. Contractors have been engaged to assist with the prioritisation of subsequent renewals programs.
- Sewer maintenance programs continue as scheduled. This is critical work to ensure reticulated systems function with minimal disruptions.
- 11km of block sewer cutting was completed across the region - 54 defects were detected and rectified.
- Investment was made in new remote technologies to assist with monitoring and avoiding overflows in key high-risk environmental areas.

## **Water Reticulation Maintenance**

- Scheduled maintenance work was completed on a number of water pump stations, and services carried out on water pump stations as per our normal scheduled maintenance.
- All air valves (hundreds) were inspected and serviced to help maximise the performance of water reticulation systems.

## **Technology & Innovation - Asset Inspections**

- Air and underwater drones continue to be a valuable tool in both preventative maintenance and managing safety risks.
- We are using vacuum drones to clean tanks and will possibly expand this to storages in the future. This provides a great benefit in not having to take tanks off-line.
- The increased on-line digital capabilities of monitoring salt and odour gives much better real-time data to enable us to focus on priority issues.
- An increased number of remote data loggers have been deployed where we see a higher potential risk of sewer overflows. This enables operational staff to respond promptly to prevent any potential sewer overflows and impact on the environment.

## **Odour**

- The use of non-hazardous magnesium hydroxide-based odour control technology since 2017 has continued to deliver a significant reduction in the risk of odour and asset degradation. This is still being considered for further trials in problem areas.
- Real-time, on-line monitoring at the Lakes Entrance Wastewater Treatment Plant continues to provide a valuable source of data to assist with identifying sources of odour.
- Further trials of odour control technology have been implemented to ensure continuous improvement in this area.

## **Operational Customer Service Delivery & Performance**

- Our staff always strive to give the best customer service possible. The results of the regular customer surveys conducted by the Essential Services Commission during 2021/22 continued to rank East Gippsland Water as one of the top performing water corporations in Victoria. We take great pride in these results as they reinforce our commitment to provide a level of service that our customers expect.
- COVID-19 has provided many challenges in our communities and to the way businesses deliver their services. East Gippsland Water will continue to be adaptable and remain innovative to deliver the same high level of service, whilst prioritising the ongoing health, safety and well-being of our staff, customers and communities.

# Community Engagement

East Gippsland Water uses engagement principles advocated by the International Association for Public Participation (IAP2), and as promoted by the Victorian Government.

Community engagement is an ongoing commitment to gauge customer perceptions and preferences, and is also conducted on specific issues, proposed projects, and draft strategies and policies.

We are always exploring ways to expand our level of engagement, to ensure that customers are informed and, where appropriate, involved in the shaping and implementation of initiatives, programs and services that have an impact on them.

A variety of communication tools are used as the region's residential and business customers, and key stakeholders, are spread across a vast geographic area spanning some 21,000 square kilometres.

Tools utilised include:

- media releases, advertisements and articles published in local newspapers and broadcast on local TV and radio, often inviting public feedback
- social media – Facebook, Twitter, Instagram, LinkedIn
- SMS
- Email
- Zoom
- the East Gippsland Water website
- the corporation's On Tap newsletter (mailed or emailed to all account holders with their quarterly bill)
- the monthly, full page In the Flow advertorial in the East Gippsland News
- information brochures covering a wide range of topics
- customer reference/advisory committees (groups) where appropriate
- customer service follow-up calls
- face-to-face engagement – including at community markets and neighbourhood houses
- an annual, independently conducted customer satisfaction survey to assess how well corporation services are being delivered and to monitor customer views.

East Gippsland Water recognises its responsibility to communicate key messages to all segments of the community. The emphasis is on using water efficiently, awareness that water is a finite resource, the impact of extreme weather events and the drive for long term security of drinking water supplies.

## Social Media

Building on previous years, East Gippsland Water further increased use of Facebook, Twitter, LinkedIn and Instagram – utilising social media tools on a regular basis to engage with customers and other stakeholders.

Social media is being used to help inform customers about planned and unplanned works, to publicise East Gippsland Water services and initiatives, as well as to highlight general interest items with a water, wastewater or sustainability focus. It is also invaluable to communicate with customers in emergency situations such as bushfires.

The East Gippsland Water website [www.egwater.vic.gov.au](http://www.egwater.vic.gov.au) provides customers with easy to access information about the corporation and services, as well as direct links to other water-related websites and water conservation and education resources.

## SMS

The bushfires in 2019/20 highlighted the value of being able to SMS customers and local communities very quickly with important information about services, service disruptions and water quality.

We have been keen to make this service even better, by getting more customers to register their mobile phone contact details with us and currently have more than 40,000 mobile numbers registered with us.

## Customer Committee

We have a Customer Committee to strengthen our connection, and the quality of engagement, with residential and business customers on important drinking water and wastewater issues.

Its input provides the corporation with an invaluable customer perspective on key areas of business.

The committee comprises seven community members, who are all East Gippsland Water customers. The aim is that they be representative of the broad customer base demographically.

The committee is essentially an advisory group to the Board. It meets quarterly, with additional meetings held as required.

During the reporting period the committee continued to play an instrumental role in developing and assessing the community engagement process associated with our 2023-2028 Price Submission – ultimately deciding Guaranteed Service Levels on behalf of customers.

It also played a significant role in relation to: assessing and authorising grants under the Native Vegetation and Habitat Creation Grants Program; and, monitoring the Guaranteed Service Levels and associated reporting requirements for our 2018-2023 Price Submission.

(See also Guaranteed Service Levels, page 47).

## Engagement on Specific Issues

### Price Submission

During the reporting period we continued with an extensive program of community engagement (initiated in early 2021) to help shape the direction of our 2023-2028 Price Submission (our next five-year business plan).

We achieved this despite the unprecedented challenge of engaging with a community doubly traumatised by the ongoing impacts of the 2019/20 bushfires and COVID-19.

Engagement took the form of:

- incorporating Price Submission-specific questions into our annual customer satisfaction survey – carried out with 400 customers, selected at random
- conducting a special forum (a Deliberative Forum) with 30 customers – drawn from a pool of 171 expressions of interest – to represent our diverse East Gippsland Water community as much as possible. This was undertaken using zoom. The Deliberative Forum participants made key recommendations on how we should conduct our business going forward.

In addition we have:

- held workshops with our independent Customer Committee to develop measures and Guaranteed Service Levels to hold us accountable to our customers
- closed the loop with customers – inviting their final feedback on our draft proposals for the Price Submission before it is submitted to the water industry's economic regulator, the Essential Services Commission, for review in September 2022. It will then be implemented in July 2023.

The key areas customers have identified for us to focus on over the next five years are:

- Getting the basics right and maintaining service levels
- Affordability
- Environmental sustainability
- Climate change and population growth
- Supporting the community.

Based on this, we have developed five key outcomes that we commit to delivering to customers during the 2023-2028 price submission period.

Those outcomes are:

1. Reliable services, done well
2. Fair prices for all
3. Improved environmental outcomes
4. Prepared for population growth and a changing climate
5. Contributing to community.

### Controlled releases of treated wastewater

The ongoing impacts of excessive rainfall during the reporting period made it essential for East Gippsland Water to carry out controlled releases of treated wastewater (recycled water) from various wastewater treatment facilities across the region.

The treatment facilities affected were at Paynesville, Cann River, Metung, Lakes Entrance (Kalimna West), Omeo and Bairnsdale.

To comply with regulatory requirements neighbours, nearby residents, government agencies (notably EPA and DELWP) and relevant community groups were notified in advance. Engagement tools included email, letter and SMS. Additionally media releases, our In the Flow public information page (in the Bairnsdale Advertiser, Lakes Post and Snowy River Mail) and the East Gippsland Water website were used to inform the wider community.

The following key messages were included:

- The water to be released had been treated and in normal circumstances would be put to beneficial reuse for the irrigation of pasture. However, the volume exceeded what could be used for irrigation and was having an impact on how much water we could safely hold back in storage.
- Because on-site storages for treated wastewater had reached capacity, controlled releases were necessary to prevent an uncontrolled overflow to surrounding communities and the environment.
- Signage was being erected in the immediate area to advise that recycled water would be mixing with other water (such as creek water) and this water should be avoided.
- We would be carrying out regular testing of the treated wastewater being released to monitor and minimise any environmental impact.
- In relation to the Paynesville wastewater treatment facility, we outlined the comprehensive program of upgrades being carried out.

Notably, in June 2022 we ran a public open day at our Paynesville wastewater treatment facility. Those attending were taken on a journey the treatment process and heard how East Gippsland Water had been addressing the challenges presented by exceptionally high rainfall over previous months.

They also heard how we are upgrading the wastewater treatment and irrigation infrastructure to contain the impacts of future extreme wet weather events on the site and to meet population growth.

# Community Engagement

## COVID-19

In response to the ongoing impact of COVID-19, during the first half of reporting period in particular, we continued to employ a wide range of engagement tools to reassure customers that water and wastewater services would be maintained with social distancing requirements strictly observed. The main office was closed intermittently to comply with a Government direction and customers advised of alternative ways to contact the organisation, including to pay their bill.

There continued to be a strong and regular focus on promoting assistance available to the many residential and business customers experiencing financial hardship.

## Tours/Presentations/Events

Restrictions in relation to COVID impacted our ability to conduct tours or presentations, or to participate in events during the financial year.

Such activities are an important part of our ongoing commitment to actively engage with local schools, community groups and individual customers.

Despite limitations, we were able to conduct one tour of our Bairnsdale Wastewater Treatment Plant and conduct 23 presentations in schools and kindergartens. Water education resources were also provided to schools on request to assist with classroom teaching.

In addition, we engaged with the community at the East Gippsland Field Days, two markets in Bairnsdale (Howitt Park), a market and bushfire awareness event in Mallacoota and at the Orbost Agricultural Show.

In May 2022 we hosted a visit by Ms Harriet Shing MP (in her capacity as Parliamentary Secretary for Water) for the official opening of our new 36 million litre water storage at Wy Yung and a fact-finding tour of our Woodglen water treatment and storage facility.

We also conducted a fact-finding tour of our Paynesville wastewater treated facility (for more, go to the Controlled releases of treated wastewater section on page 43)

## National Water Week

Held in October each year this provides a focus for sustainable water issues at national, state and regional level.

The theme for 2021 was *Explore your Backyard*.

As in previous years, East Gippsland Water promoted the National Water Week Primary Schools Poster Competition, receiving entries from schools across the region.

Students from Bairnsdale 754, Tambo Upper and Marlo primary schools shone as East Gippsland region winners.

We also teamed up with other water corporations across Victoria – and DELWP - to deliver the Explore your Backyard online learning festival. This fun and educational event, launched by TV's gardening expert Costa the Garden Gnome, featured live webinars, on-demand workshops, tours, videos and resources – designed to get everyone outside and using water efficiently.

## Community Support

East Gippsland Water provides financial, merchandise and in-kind sponsorship to a number of local organisations and community groups for activities with a focus on water use, water efficiency, liveability, healthy lifestyles and environmental sustainability.

The corporation distributes promotional items to the community which are practical and include messages promoting the value and efficient use of water.

## Customer Satisfaction

### Annual customer satisfaction surveys

These annual surveys are a useful tool to measure customer perceptions of East Gippsland Water's operations, including where the corporation is delivering services well and any areas that may require action and improvement.

They complement other forms of community engagement undertaken, including monthly customer follow up calls carried out during the year.

2021 was the eighth year the survey was conducted jointly as a Water Alliance (Memorandum of Understanding) initiative with Gippsland, Westernport and South Gippsland water corporations. It also included Coliban and Central Highlands water corporations for a third year and Goulburn Valley Water for the second time.

The survey was carried out on behalf of all the corporations by Insync Surveys from late September to early November, involving a random sample of 400 customers in each water region. Areas covered included customer perceptions (overall level of satisfaction), customer service, brand awareness, service delivery, environment and community awareness.

The aim is to gain a better understanding of the state of East Gippsland Water's business, as perceived by customers, and benchmark the results with neighbouring water corporations.

East Gippsland Water was ranked joint first for overall customer satisfaction (along with Goulburn Valley Water), scoring 4.2 out of 5 – the same score as the previous year. Eighty-nine per cent of customers were at least 'satisfied' (compared with 88 per cent in 2020) and 36 per cent were 'very satisfied' (up 2 per cent).

Customers were asked to rate their level of agreement with the statement 'I trust East Gippsland Water'. The percentage of those saying something negative was subtracted from those saying something positive. This yielded an overall score of +14, which was up from +11 and high for a water corporation. It ranked us first amongst Gippsland Water Alliance members and second overall within the whole survey group.

The corporation also ranked first in the whole survey group for water quality satisfaction and second for its reputation in the community.

Other notable results from the survey:

- 35 per cent of customers had contacted East Gippsland Water over the previous 12 months. Of those, 94 per cent said they found the corporation easy to deal with, compared with 92 per cent in 2020.
- 4 per cent felt the service provided by East Gippsland Water had improved, down from 7 per cent in 2020, while 94 per cent felt it had remained the same, up from 92 per cent.
- 89 per cent were satisfied with the reliability of wastewater services, down from 97 per cent in 2020.
- 88 per cent of customers were satisfied with the quality of their tap water, the same as the previous year.

A number of additional Price Submission-related questions were asked, specifically in relation to East Gippsland Water. These showed some things more important to the East Gippsland community than keeping bills low:

- Bringing water and/or sewer services to small towns
- Creating and supporting local jobs
- Investing to improve the local environment
- Helping customers in genuine financial distress
- Investing in educating the community about water.

For more on the corporation's performance in relation to community engagement, go to [www.egwater.vic.gov.au](http://www.egwater.vic.gov.au) and view the Community Engagement Strategy & Action Plan progress report that accompanies the 2020/21 Annual Report.

### Essential Services Commission (ESC) surveys

During the reporting period East Gippsland Water continued to be consistently recognised as a high performer in quarterly customer surveys conducted by the ESC, involving all Victorian water corporations.

# Social Sustainability

The corporation employs a triple bottom line approach to its decision making and strategic planning. This recognises that the provision of water and wastewater services has the potential for positive and negative social, economic and environmental impacts.

In relation to social sustainability, East Gippsland Water is committed to:

- the provision of high quality drinking water to all communities
- maintaining its position as a leader in the Victorian water industry for water recycling - aiming for 100 percent environmentally beneficial, affordable and sustainable reuse across eleven wastewater treatment plants
- the State Government's 'Water for Victoria Plan' – addressing the long- term challenges of climate change and population growth on water management and supply. Key areas of focus include environmental sustainability, affordability, liveability and resilience, as well as recognising and managing for aboriginal values
- partnering with other regional agencies and providing systems and training for frontline employees to assist those in the local community experiencing family violence
- a suite of initiatives to support customers experiencing genuine financial difficulty
- making provision in times of water shortage to sustain critical social assets, such as sporting facilities, that are so important in supporting the social fabric of our community
- providing a network of public drinking water fountains throughout the region to support recreational activities and the health and wellbeing of the community
- sharing professional knowledge and expertise with other community-focused organisations in the region, such as the Gippsland and East Gippsland Aboriginal Co-operative, local councils, and the East Gippsland Catchment Management Authority.

## Bills, Concessions and Hardship

Customers continued to be encouraged to use email as a more convenient way to receive their bill. The number receiving their account in this way increased from 6,713 in 2020/21 to 8,264 in 2021/22.

East Gippsland Water promoted a range of relief measures to address the notable increase in financial hardship experienced by residential and business customers who continued to be impacted by the extreme bushfires of 2019/20 and the ongoing coronavirus (COVID-19) pandemic. Assistance included rebates on bills, debt relief and flexible payment plans, with 323 customers on instalment plans at the end of 2021/22.

The corporation granted \$67,864 in hardship incentive payments to assist customers during the reporting period, compared with \$76,156 in 2020/21. A total of 376 customers were awarded hardship grants.

As part of an ongoing drive to increase awareness of support accessible to those in financial hardship, we utilised SMS to actively message customers about assistance available to those having difficulty paying their water bill.

In addition East Gippsland Water provided concession relief to eligible members of the community as a community service.

<i>Value of Community Service Obligation provided</i>	<b>2020/21</b>	<b>2021/22</b>
Concessions to pensioners	\$2,214,081	\$2,256,478
Rebates to not-for-profit organisations under the Water & Sewerage Rebate Scheme	\$199,649	\$191,238
Utility Relief Grant Scheme payments	\$40,614	\$140,687
Water concessions on Life Support machines – e.g. Haemodialysis	\$447	\$443
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	\$0	\$0
<b>Total</b>	<b>\$2,454,791</b>	<b>\$2,588,846</b>

In addition, the corporation provided bill rebates to eligible outdoor, community run, not-for-profit recreation groups, which totalled \$6,386 – slightly down on the \$6,553 provided in 2020/21.



## Water Leaks, Exceptional Circumstances

East Gippsland Water policy allows for dispensation on high water usage accounts – for example in instances where customers experience an unexpected and undetectable water leak.

Each case is considered on merit and a total of \$39,852 was adjusted on 102 customer accounts during the reporting period - an increase on the \$33,165 adjusted on 71 accounts in 2020/21. This was largely a result of water pipe leakages/breaks on private properties caused by ground movement associated with wet conditions following drought.

In relation to leakages/breaks, to be eligible customers must have engaged a licensed plumber to confirm the leak, the circumstances surrounding it and the repair undertaken.

## Community Rebate Program

The focus of the Victorian Government's Community Water Rebate Program is on helping vulnerable and hardship customers that cannot afford water efficient products and services, and are struggling to pay bills. It aims to reduce costs for customers and help them avoid high bills in the future.

The program also provides water saving audits aimed at reducing water lost through leaks and old appliances.

During 2021/22 a total of \$29,271 was provided to assist 62 customers.

## Energy and Water Ombudsman Victoria

Customers dissatisfied with any aspect of interaction or service performance from a utility within Victoria may seek assistance from the Energy and Water Ombudsman Victoria (EWOV). This is an independent body funded by member utilities.

During the reporting period East Gippsland Water received four complaints that required investigation by EWOV for resolution. All the complaints were resolved satisfactorily.

## Guaranteed Service Levels

To ensure customers receive high standards of service, East Gippsland Water's independent Customer Committee selected six 'Guaranteed Service Levels (GSLs) – or targets - for the organisation; and appropriate compensation, or other remedy, where these are not met.

These form an integral part of East Gippsland Water's business plan (price submission) for 2018-2023 and relate to:

- providing appropriate notice and detail of a planned interruption to a customer's water supply
- ensuring hardship procedures are fully adhered to when a customer is having difficulty with bill payments and legal action or a restriction on their water supply is being considered
- East Gippsland Water causing a sewage spill within a customer's house
- environmental sustainability –
  - providing a six-monthly update on the organisation's progress towards a 21 percent reduction in greenhouse gas emissions by 2025, and
  - committing \$90,000 a year in the form of grants to support local school and community groups with native vegetation and habitat creation projects.

During the 2021/22 reporting period a total of \$1,000 was paid out in relation to instances where GSL targets were not met. This was paid to one home-owner occupier for a sewage spill.

A total of \$37,356 was paid in grants to six native vegetation and habitat creation projects for the 2021/22 period. Some of the projects stand to benefit from additional years of funding.

## Social Procurement Framework

East Gippsland Water aims to promote corporate responsibility and increase awareness of social considerations in the procurement lifecycle. We recognise that every procurement activity undertaken is an opportunity to deliver social and sustainable outcomes that help build a fair, inclusive and sustainable region.

The focus of our Social Procurement Strategy has been the development of a three-stage process centred around the themes Create, Build and Grow - to embed an understanding of Social Procurement across our organisation.

*Create* - A shared intention across all stakeholders within East Gippsland Water; this was reinforced through the creation and adoption of the Social Procurement Strategy.

*Build* - We have been implementing processes and systems to formalise social procurement activities.

*Grow* - This is now about increasing the uptake of Social Procurement in terms of capacity, capabilities and market penetration.

# Social Sustainability

## Introduction of a new procurement platform

Procurement is a complex area and internally it was recognised that we must assist our staff in satisfying any policy requirements by ensuring that we have provided appropriate training and resources. It is an area that can be confusing to staff that do not deal with procurement on a daily basis and we recognised early that it needs to be a self-guided and easy process.

A key aim has been ensuring it is easy for staff to identify social benefit suppliers. During 2021/22 an analysis was completed of procurement platforms - one of the specification requirements being that buyers could quickly identify social benefit suppliers and ascertain whether they are a local company (with the East Gippsland regional area).

This saw the introduction of Vendor Panel, which connects our buyers with verified social enterprise and supplier diversity databases and allows them to find and source from social, disability and Indigenous-owned businesses.

## Internal and external training in Social Procurement

Vital to the success of the Vendor Panel rollout are the Champions - selected from within the business, in consultation with managers – who have been trained so they can be early adopters of the Vendor Panel system. They were nominated based on their abilities to communicate and work within their teams.

Building on this, Procurement Roadshows will be conducted in the first half of 2022/23 at all our depots, in conjunction with the relevant Champions. This will involve one-on-one sessions with staff members, focusing on Vendor Panel and sourcing within East Gippsland Water guidelines incorporating Social Procurement as a key facet.

## Financial reporting

The focus during the reporting period was to leverage our spending to make an impact and increase our commitment to social suppliers. We increased our engagement of social benefit suppliers compared to previous years. In particular, we focused on:

- Opportunities for Victorian Aboriginal people; and
- Opportunities for Victorians with disabilities.

This meant prioritising goods and services from relevant local businesses.

## Working in Partnership with the Gunaikurnai

East Gippsland Water continued to be actively involved in a significant partnership agreement established with the Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC) and 12 other environmental agencies and organisations across the region.

This agreement, proposed through the Gippsland Environmental Agencies (GEA) Alliance, includes DELWP, other Victorian government departments, water corporations, catchment management authorities and other non-profit organisations. It forms the basis for collaborating together on land and water initiatives that involve the Gunaikurnai community – promoting shared objectives and opportunities to meet the partners' respective goals.

East Gippsland Water actively participates in the GEA GLaWAC working group and we will continue to support the implementation of initiatives through this group.

We are working in partnership with GLaWAC and VicForests to create a new State Forest Nursery in East Gippsland – with up to five million seedlings a year set to be grown at the facility. These seedlings will assist in forest recovery following major bushfires.

The nursery will be established on land leased from us in Bairnsdale and use reclaimed wastewater from our Bairnsdale Wastewater Treatment Plant. It will directly employ up to 27 full-time, part-time and seasonal staff when fully operational, while also bringing direct employment and economic benefits to the region during its construction phase.

(See also pages 15-16, 27, 28, 38).

## Health and wellbeing

The corporation continued to be actively involved in the East Gippsland Healthy Eating and Active Living (HEAL) initiative, which is being facilitated by the East Gippsland Primary Care Partnership.

This is assisting with implementation of a Well Placed for Wellbeing plan – in particular where it encourages the community to be active and eat/drink well. During 2021/22 East Gippsland Water participated in the development of the Eat to Play online campaign, aimed at the region's 15-17 year-olds engaged in sport, which is expected to be launched by the end of 2022.

The corporation was also involved in the development of a new municipal health and wellbeing plan for 2021-2025 - the project being led by East Gippsland Shire Council.

In addition, during the reporting period East Gippsland Water actively encouraged the drinking of water as part of a healthy lifestyle by installing additional permanent water refill stations around the region (more information in the Choose Tap section).

## Choose Tap

East Gippsland Water is one of a number of Victorian water corporations that have signed up to the Choose Tap coalition, which encourages the community to drink tap water in preference to bottled water and soft drinks, as part of a healthy lifestyle.

Choose Tap-branded water refill stations are available to use at a number of key outdoor locations around East Gippsland including Bairnsdale, Newlands Arm, Nicholson, Paynesville, Lakes Entrance, Swan Reach, Cann River, Mallacoota, Nowa Nowa and Orbost.

During 2021/22 additional refill stations were installed in Eastwood, Bairnsdale and Sarsfield.

Provided as part of a region-wide, healthy lifestyle drive involving East Gippsland Water, East Gippsland Shire Council and community groups, each Choose Tap refill station is equipped with a wheelchair accessible bubble tap, a drink bottle filling point and a dog bowl. They are free to use.

East Gippsland Water has a current commitment to install drinking water fountains around East Gippsland at the rate of three a year, through to June 2023.

### Water trailer and portable drinking fountains

East Gippsland Water's mobile drinking water trailer and portable drinking fountains create a highly visible and positive image for the corporation at community events.

Carrying the slogan Be Smart Choose Tap, they are available free of charge to community and not-for-profit organisations in the region.

Unfortunately, due to the limitations imposed by COVID-19 there was no provision of the water trailer or fountains at events in 2021/22.

### Showerheads and trigger nozzles

East Gippsland Water continued to provide the opportunity for residential customers to replace inefficient showerheads with three-star rated, water-efficient models, free of charge.

To assist with water efficient gardening efforts, the corporation also offered water-efficient trigger nozzles free to customers.

# Summary of Financial Results

<i>Financial Result</i>	<i>2017/18 (\$000)</i>	<i>2018/19 (\$000)</i>	<i>2019/20 (\$000)</i>	<i>2020/21 (\$000)</i>	<i>2021/22 (\$000)</i>
Core business revenue	33,177	33,427	33,238	33,140	32,624
Other revenue	2,483	2,693	5,598	5,277	3,126
<b>Total revenue</b>	<b>35,660</b>	<b>36,120</b>	<b>38,836</b>	<b>38,417</b>	<b>35,750</b>
Operating expenditure	18,500	17,641	20,603	24,396	22,287
Depreciation & Amortisation	11,723	11,750	12,090	11,848	13,490
Finance costs	835	560	352	411	398
Other expenditure	1,255	1,889	3,356	1,840	1,756
<b>Total expenditure</b>	<b>32,419</b>	<b>31,840</b>	<b>36,401</b>	<b>38,495</b>	<b>37,931</b>
<b>Net result before tax</b>	<b>3,241</b>	<b>4,280</b>	<b>2,435</b>	<b>(-78)</b>	<b>(-2,181)</b>
Current assets	15,123	15,653	14,120	14,193	16,035
Non-current assets	448,368	448,583	455,768	549,642	549,112
<b>Total assets</b>	<b>463,491</b>	<b>464,236</b>	<b>469,888</b>	<b>563,835</b>	<b>565,147</b>
Current liabilities	11,409	9,954	11,719	11,497	10,810
Non-current liabilities	89,224	85,029	86,706	107,899	106,312
<b>Total liabilities</b>	<b>100,633</b>	<b>94,983</b>	<b>98,425</b>	<b>119,396</b>	<b>117,122</b>
Net cash flows from operations	13,991	14,587	10,678	7,632	9,129
Payments for property, plant and equipment (including infrastructure)	8,911	9,688	17,678	12,754	10,240

# Summary of Financial Performance

<i>Performance indicator</i>	<i>2017/18</i>	<i>2018/19</i>	<i>2019/20</i>	<i>2020/21</i>	<i>2021/22</i>
Internal Financing Ratio	164.58%	143.23%	60.15%	59.59%	59.04%
Gearing Ratio	2.48%	1.51%	2.23%	2.66%	2.46%
Interest Cover (Cash) times	20.43	34.23	37.73	20.77	22.40
Return on Assets	0.85%	0.99%	0.58%	0.06%	-0.18%
Return on Equity	0.63%	2.83%	0.77%	0.12%	-0.16%

# Customer Bills

<i>Customer Type</i>	<i>2017/18</i>	<i>2018/19</i>	<i>2019/20</i>	<i>2020/21</i>	<i>2021/22</i>
Average Residential – 146kL	\$1,167	\$1,184	\$1,192	\$1,202	\$1,200
Average Residential – 200kL	\$1,285	\$1,301	\$1,310	\$1,323	\$1,321
Average Non-Residential	\$3,253	\$3,231	\$3,253	\$3,284	\$3,283
Tenant – 146kL	\$290	\$314	\$318	\$325	\$329

# Financial Overview

East Gippsland Water recorded a loss before tax of \$2.181 million for 2021/22. This was greater than the budgeted loss of \$52,000 expected and was predominately driven by:

- the reduced income received from metered water charges due to exceptionally high rainfall over the year, as well as a drop in tourist numbers to East Gippsland during Covid-19 lockdowns, and the impact of bushfire recovery in the region
- greater than budgeted depreciation because of higher than expected asset revaluation outcomes.

Capital works expenditure totalled \$9.724 million for the year, with a number of major projects completed. These included the Bairnsdale to Eagle Point main water supply pipeline upgrade and the refurbishment of the storage tank at our Metung water storage facility.

East Gippsland Water increased total debt from \$15 million to \$16 million for the reporting period, to support the

increasing capital expenditure program. A total of \$4.747 million was recorded in cash at the bank at the end of the financial year, which is set aside for \$15 million of planned capital works projects in 2022/23.

In summary, key factors contributing to the year's financial performance included:

- water revenue below budget due to reduced water consumption
- a reduction in wastewater service fees following completion of a three-year Equivalent tenement (EQT) review which returned a lower total EQT. Fees are calculated on an individual basis according to water usage, business type and function, with an industry discharge factor applied
- above budget depreciation due to a higher than expected result following valuation of the Corporation's asset base.

# Other Information

## Consultancy Expenditure

### Details of consultancies (valued at \$10,000 or greater)

In 2021/22, there were 23 consultancies where the total fees payable to each consultant was \$10,000 or greater. The total expenditure incurred during 2021/22 in relation to these consultancies was \$5 million (excl. GST).

Details of individual consultancies are outlined on East Gippsland Water's website, at [www.egwater.vic.gov.au](http://www.egwater.vic.gov.au).

### Details of consultancies (valued at less than \$10,000)

In 2021/22, there were 20 consultancies engaged during the year, where the total fees payable to each consultant was less than \$10,000. The total expenditure incurred during 2021/22 in relation to these consultancies was \$78,890 (excl. GST).

## Disclosure of Major Contracts

East Gippsland Water did not enter into any major contracts during 2021/22. A 'major contract' is a contract entered into during the reporting period valued at \$10 million or more.

## Capital Projects

East Gippsland Water manages a number of capital projects. The Total Estimated Investment (TEI) of none of the capital projects managed by East Gippsland Water, that were completed during the financial year, exceeded the disclosure threshold of \$10 million.

For information on recent capital projects managed by East Gippsland Water and the broader Victorian public sector, please refer to the most recent Budget Paper No. 4 State Capital Program (BP4) available on the Department of Treasury and Finance's website at this link: [www.budget.vic.gov.au/budget-papers](http://www.budget.vic.gov.au/budget-papers).

## Freedom of Information

The *Freedom of Information Act 1982* allows public access to documents held by government entities, which includes right of access to documents held by East Gippsland Water.

The documents comprise both those created by East Gippsland Water, or supplied to East Gippsland Water by an external organisation or individual and may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes.

Information about the type of material produced by East Gippsland Water is available on the Freedom of Information page on its website.

The Act allows East Gippsland Water to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include: some internal working documents; law enforcement documents; documents covered by legal professional privilege, such as legal advice; personal information about other people; and information provided to East Gippsland Water in confidence.

From 1 September 2017, the Act has been amended to reduce the Freedom of Information (Fol) processing time for requests received from 45 to 30 days. In some cases, this time may be extended.

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

### Making a request

Fol requests can be lodged online at [www.foi.vic.gov.au](http://www.foi.vic.gov.au). An application fee of \$30.60 applies. Access charges may also be payable if the document pool is large, and the search for material, time consuming.

Access to documents can also be obtained through a written request to East Gippsland Water's Fol Officer, as detailed in s17 of the *Freedom of Information Act 1982*, clearly identifying what types of material/documents are being sought. These requests should be addressed to:

*Freedom of Information Officer,  
East Gippsland Water,  
PO Box 52,  
Bairnsdale, Victoria, 3875.*

The telephone number is 1800 671 841 and enquiries can also be e-mailed to [foi@egwater.vic.gov.au](mailto:foi@egwater.vic.gov.au).

### Fol statistics/timelines

During the reporting period East Gippsland Water received no Fol requests.



## Further information

Further information regarding the operation and scope of FoI can be obtained from the Act; regulations made under the Act; and at [ovic.vic.gov.au](http://ovic.vic.gov.au).

## Additional information available on request

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

- Details of publications produced by East Gippsland Water about itself and how these can be obtained.
- Details of any major external reviews carried out on East Gippsland Water.
- Details of major research and development activities undertaken by East Gippsland Water
- Details of major promotional, public relations and marketing activities undertaken by East Gippsland Water to develop community awareness of the corporation and its services (see also the Environmental Sustainability and Community Engagement sections of this annual report and the website [www.egwater.vic.gov.au](http://www.egwater.vic.gov.au)).
- A list of major committees sponsored by East Gippsland Water, the purposes of each committee and the extent to which the purposes have been achieved (see also pages 8-10 of this annual report).
- Details of all consultancies and contractors including:
  - consultants/contractors engaged
  - services provided, and
  - expenditure commitment for each engagement(see also the website [www.egwater.vic.gov.au](http://www.egwater.vic.gov.au))
- Details of changes in prices, fees, charges, rates and levies charged by East Gippsland Water.

## Additional information included in this annual report -

Details in respect of the following items have been included in East Gippsland Water's annual report, on the pages indicated below:

- A statement that declarations of pecuniary interests have been duly completed by all relevant officers (page 10).
- Details of assessments and measures undertaken to improve the occupational health and safety of employees (the People and Culture section – pages 14, 19-21).
- A general statement on industrial relations within East Gippsland Water and details of time lost through industrial accidents and disputes (the People and Culture section – pages 12-21).

## Information that is not applicable to East Gippsland Water -

The following information is not relevant to East Gippsland Water for the reasons set out below:

- Details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary (no shares have ever been issued in East Gippsland Water)
- Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit (no board directors or senior executives took overseas work-related trips).

## Compliance with the *Public Interest Disclosures Act 2012*

The *Public Interest Disclosures Act 2012 (PID Act)* enables people to make a disclosure about corrupt or improper conduct by a public officer or a public body.

East Gippsland Water is a public body for the purposes of the *PID Act*.

### What is a public interest disclosure?

A public interest disclosure is a complaint of corrupt or improper conduct by a public officer or a public body.

'Improper or corrupt conduct' involves substantial mismanagement of public resources, risk to public health or safety or the environment, or corruption.

'Detrimental action' is action taken against a person in reprisal for making a public interest disclosure.

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

You can make a public interest disclosure about East Gippsland Water or its Board members, officers or employees by contacting IBAC (details below).

East Gippsland Water is not able to receive public interest disclosures.

East Gippsland Water has established procedures for the protection of persons from detrimental action in reprisal for making a public interest disclosure about East Gippsland Water, its Board members, officers or employees. You can access East Gippsland Water's procedures on its website at [www.egwater.vic.gov.au/customer-info/public-interest-disclosures](http://www.egwater.vic.gov.au/customer-info/public-interest-disclosures)

# Other Information

## Independent Broad-Based Anti-Corruption Commission (IBAC) Victoria

Address: Level 1, North Tower,  
459 Collins Street,  
Melbourne Victoria 3000.

Mail: IBAC, GPO Box 24234,  
Melbourne Victoria 3001

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

Phone: 1300 735 135

Email: See the website above for the secure email disclosure process, which also provides for anonymous disclosures.

## Government Advertising Expenditure

East Gippsland Water's expenditure in the 2021/22 reporting period on government campaign advertising was nil.

## Information and Communication Technology (ICT) expenditure

For the 2021/22 reporting period, East Gippsland Water had a total ICT expenditure of \$2,550,000 with the details shown below:

(\$ thousand)			
<b>Business As Usual (BAU) ICT expenditure</b>	<b>Non-Business As Usual (non-BAU) ICT expenditure</b>	<b>Non-BAU ICT expenditure</b>	<b>Non-BAU ICT expenditure</b>
(Total)	(Total = Operational + Capital Expenditure)	· Operational expenditure (OPEX)	· Capital expenditure (CAPEX)
<b>2,042</b>	<b>508</b>	<b>20</b>	<b>488</b>

These totals include costs incurred in the delivery of SCADA services.

### Note:

"ICT expenditure" refers to East Gippsland Water's costs in providing business-enabling ICT services. It comprises Business As Usual (BAU) ICT expenditure and Non-Business As Usual (Non-BAU) ICT expenditure.

"Non-BAU ICT expenditure" relates to extending or enhancing East Gippsland Water's current ICT capabilities.

"BAU ICT expenditure" is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

## Local Jobs First

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

East Gippsland Water is required to apply the Local Job First policy in all projects valued at \$1 million or more for projects in regional Victoria. MPSG applies to all construction projects valued at \$20 million or more. The MPSG guidelines and VIIP guidelines will continue to apply to MPSG applicable and VIIP applicable projects respectively where contracts have been entered prior to 15 August 2018.

## Projects commenced – Local Jobs First Standard

During 2021/22 East Gippsland Water commenced one Local Jobs First Standard project totalling \$1.98 million in regional Victoria. No projects were commenced that occurred statewide. The MSPG did not apply to any of these projects:

1. A project totalling \$1.96 million (ex GST), was awarded to a small to medium sized, local based, principal contractor.

The outcomes expected from the implementation of the Local Jobs First policy to this project, where information was provided, are as follow:

- An average of 98.55 per cent local content commitment was made;
- A total of 3.25 jobs (annualised employee equivalent (AEE)) were committed, including the creation of 0 jobs and retention of 3.25 jobs (AEE);
- A total of 0 positions for apprentices, trainees and cadets were committed.

## Projects Completed – Local Jobs First Standard

During 2021/22 East Gippsland Water completed no Local Jobs First Standard projects in regional Victoria. The MSPG did not apply to any of these projects.

## Reporting requirements – all projects

For projects expected to exceed \$1 million, short-listed tenderers were required to submit a VIPP Plan, which was assessed by the Industry Capability Network (ICN) Victoria. Each tender had the minimum formal weighting of ten per cent applied for local content in the tender evaluation of the VIPP Plan.

## Reporting requirements – grants (Local Jobs First)

For grants provided during 2021/22, no interaction reference numbers were required.

## Compliance with the Building Act

East Gippsland Water complies with the building and maintenance provisions of the *Building Act 1993*, the Building Regulations 2018 and the National Construction Code.

The corporation's portfolio of buildings includes offices, combined office/depot sites, depots, pump stations, water and wastewater treatment plants at various locations around East Gippsland. The corporation is responsible for maintaining these facilities in a safe and serviceable condition in accordance with the Act and for providing the annual essential safety measures report for these assets.

Either an Occupancy Permit or Certificate of Final Inspection, endorsed by a Registered Building Surveyor Practitioner, is obtained for new buildings, or upgrades to existing buildings as required.

No major building works project (greater than \$50,000) was completed during the reporting period.

There was one new building permit issued, for which one occupancy permit certificate was obtained during the 2021/22 period.

No emergency orders or building orders were issued in relation to East Gippsland Water buildings and no buildings needed modification to conform with building standards.

No existing buildings were required to be brought into conformity with building standards during the reporting period.

## Competitive Neutrality Policy

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned.

Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

East Gippsland Water continues to comply with the requirements of the Competitive Neutrality policy.

## Subsequent Events

No significant events occurred between the end of the 2021/22 financial year and this Annual Report going to print that may significantly affect East Gippsland Water's operations in subsequent reporting periods.

## Letter of Expectations disclosure

In compliance with the Minister for Water's Letter of Expectation, information on the following priority areas is provided in this annual report or on East Gippsland Water's website [www.egwater.vic.gov.au](http://www.egwater.vic.gov.au).

Priority area	In annual report	On website (annual report page)
Climate change (climate adaptation)	Pages 23, 27, 34-37, 58	-
Customer and community outcomes	Pages 42-45, 47, 58	Copy of Community Engagement Strategy and Action Plan 2021/22
Water for Aboriginal cultural, spiritual and economic values	Pages 15-16, 27, 28, 38, 46, 48	-
Resilient and liveable cities and towns	Pages 28-29, 46-49, 50	-
Recognising recreational values	Pages 29, 44, 46, 49	-
Leadership and culture	Pages 15-21	Copy of Diversity and Inclusion Strategy 2019-2023
Financial sustainability	Pages 56	-

# 2021/22 Performance Report

## 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	<b>Cash Interest Cover</b> Net operating cash flows before net interest and tax/net interest payments	20.77	25.67	22.09	23.6%	1a	16.2%	1b
F2	<b>Gearing Ratio</b> Total debt (including finance leases)/Total Assets * 100	2.66%	2.83%	3.83%	6.4%	2a	-26.1%	2b
F3	<b>Internal Financing Ratio</b> Net operating cash flow less dividends/net capital expenditure * 100	59.59%	86.20%	73.18%	44.7%	3a	17.9%	3b
F4	<b>Current Ratio</b> Current assets/current liabilities (excluding long term employee provisions and revenue in advance)	1.02	2.01	1.27	97.1%	4a	58.3%	4b
F5	<b>Return on Assets</b> Earnings before net interest and tax/average assets * 100	0.06%	-0.32%	0.08%	-633.3%	5a	-500.0%	5b
F6	<b>Return on Equity</b> Net profit after tax/average total equity * 100	0.12%	-0.26%	-0.02%	-316.7%	6a	-1,200.0%	6b
F7	<b>EBITDA Margin</b> Earnings Before Interest, Tax, Depreciation and Amortisation/total revenue * 100	31.78%	32.94%	34.23%	3.7%		-3.8%	

1a The Corporation increased debt by \$1 million in 2021/22, which was in line with budget, however the timing of the borrowings was delayed as the capital works program experienced delivery delays. This reduced the interest expense for the period when compared to budget. Debt levels are expected to increase over the 2022/23 Corporate Plan period and the upcoming Price Submission.

1b The Corporation increased debt by \$1 million in 2021/22, which takes into account the delivery of \$10.59 million in capital works. Net operating cash flow was impacted by reduced metered charges income (\$1.4 million) due to the extremely wet year. Interest expense was below budget due to delays in expected borrowing requirements over the financial year.

2a The Corporation increased debt by \$1 million in 2021/22, which was in line with budget. Capital works expenditure was \$10.59 million, \$2.5 million less than budget. The Corporation was required to perform a managerial revaluation of its land assets, generating another uplift in land asset values.

2b The uplift in asset values stemming from the 2020/21 revaluation of infrastructure, land and buildings was higher than expected and there was a need to perform a managerial revaluation of our land assets in 2021/22. Our borrowings were \$3 million lower than the Corporate Plan budget.

3a Net operating cashflow result was higher in 2021/22, as major desludging works expenditure in 2020/21 impacted the result for 2020/21. Capital works expenditure was also lower in 2021/22, resulting in the uplift in result for 2021/22.

3b Net operating cash flow was lower than budget due to reduced metered charges income associated with the wet weather conditions experienced in 2021/22. However, capital works expenditure was ~\$3 million lower than budget, resulting in the better outcome than expected. Capital expenditure was impacted by the wet weather and continuing impacts of the coronavirus (COVID-19) pandemic, with efforts being made in 2022/23 to recover the shortfall in expenditure.

4a The Corporation in 2021/22 increased cash holdings by 20% and reduced short debt by \$2.5 million, resulting in a higher current ratio result. As the Corporation increases its debt levels over the coming years, short term debt levels will increase and the cash balance will decrease as funds are utilised to deliver major capital works projects.

4b The Corporation held \$4 million in cash more than what was included in the 2021/22 Corporate Plan. This was due to delays in capital works expenditure of \$3 million for the financial year and a delay in delivery of the decommissioning of the Kalimna Tank.

5a The Corporation delivered a lower profit on the back of a major decrease in metered charges \$1.6 million when compared to budget. The uplift in asset values resulting from the 2020/21 infrastructure, land and buildings has increased the asset base by \$90 million, and was further adjusted with a managerial revaluation of land assets required in 2021/22. This has resulted in a return on asset result less than the 2020/21 result.

5b The Corporation delivered a lower profit on the back of a major decrease in metered charges \$1.6 million when compared to budget, which has been the major driver of this result for 2021/22.

6a The Corporation delivered a lower profit on the back of a major decrease in metered charges \$1.6 million when compared to budget. The change in value of equity across the year was impacted by the reduction in our NTER tax rate from 26% to 25%, resulting in a reduction in return on equity compared to 2020/21.

6b A change in tax rate from 26% to 25% meant a large amendment to the value of the Deferred Tax Liabilities was required, flowing through the income tax expense line. The Corporation delivered a lower profit on the back of a major decrease in metered charges \$1.6 million when compared to budget.

## 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	<b>Unplanned water supply interruptions</b> No. of customers receiving more than 5 unplanned interruptions in the year/total number of water (domestic and non-domestic) customers * 100	0.00	0.00	0.00	0.0		0.0	
WS2	<b>Interruption Time</b> Average duration of unplanned water supply interruptions (minutes)	74.43	88.76	75.00	19.3%	1a	18.3%	2a
WS3	<b>Restoration of unplanned water supply</b> Unplanned water supply interruptions restored within 5 hours/total unplanned water supply interruptions * 100	98.66%	100.00%	98.00%	1.4%		2.0%	
SS1	<b>Containment of sewer spills</b> Sewer spills from reticulation and branch sewers contained within 5 hours/total sewer spills from reticulation and branch sewers * 100	100.0%	100%	100%	0.0%		0.0%	
SS2	<b>Sewer spills interruptions</b> No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	100.0%	100%	100%	0.0%		0.0%	

1a In July 2021 the Corporation had a significant and challenging water main break that affected many customers, this lead to a high average customer minutes off supply. The Corporation also had several instances where a third party contractor caused damage to our water mains that also required unplanned shutdowns outside of our control. However the rest of the operating year had seen a steady reduction in the average minutes off supply. The Corporation also continues to invest in valve maintenance programs, water main renewals and new valve installations to improve asset reliability and minimizing any interruptions to customers.

2a This result was impacted directly from one challenging water main break in July 2021 and several instances where a third party contractor has damaged our water mains. Work is continuing with educating contractors on the need for identification of water mains prior to excavation works.

# Performance Report

## 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. of complaints per 1000 customers	1.93	2.06	2.80	6.7%	1a	-26.4%	1b
CR4	Billing complaints No. of complaints per 1000 customers	0.32	0.20	0.28	37.5%	2a	-28.6%	2b

1a The Corporation continues to follow the broader definition for water quality complaints, in line with the request from the Essential Services Commission. This resulted in 52 water quality complaints being registered over the categories, which was an increase from 48 from the previous year. In one instance a water main burst in the Orbost/Marlo area resulted in four (4) water quality complaints (taste and odour) in January 2022. The Corporation is committed to reviewing and responding to these complaints.

1b Of the 52 water quality complaints registered in 2021/22, 21 were for taste and odour, 25 for water colour and six (6) for other types of quality. Customer complaints are actively monitored and where possible they are investigated to ensure they do not re-occur in the future.

2a Five (5) billing complaints were received in total, compared to eight (8) in the previous year. Two (2) customer complaints were in regard to the vacant land tariffs and one (1) for the developed tariff applied to customer accounts. One (1) complaint related to a cash transaction where the customer believed change was not provided back to themselves at front reception. The final complaint related to a customer not receiving their invoices. East Gippsland Water continues to review processes and where possible eliminate customer complaints in the first instance, through customer contact with the corporation's Customer, Community and Communications Team in an attempt to explain, or via our website and/or information leaflet.

2b Five (5) complaints were received, compared to a target of seven (7). These complaints are monitored and where there is a common theme, East Gippsland Water will educate customers in the billing newsletter insert or on the website about the Corporation's services.

## 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	100.0%	99.7%	100%	-0.3%		-0.3%	
E2	Total net CO2 emissions Total net tonnes CO2 equivalent	7,636	7,825	7,900	2.5%		-0.9%	



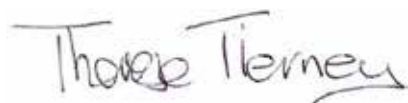
# East Gippsland Region Water Corporation

## Certification of Performance Report for 2021/22

We certify that the accompanying Performance Report of East 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 responsible Minister 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 Tierney  
Chairperson  
East Gippsland Region Water Corporation



Steve MacKenzie  
Managing Director & Accountable Officer  
East Gippsland Region Water Corporation



Mathew Scott  
Chief Finance & Accounting Officer  
East Gippsland Region Water Corporation

Dated this 20th day of September 2022

# Independent Auditor's Report

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

**Opinion** I have audited the accompanying performance report of the East Gippsland Region Water Corporation (the corporation) for the year ended 30 June 2022, which comprises the:

- financial performance indicators
- water and sewerage service performance indicators
- customer responsiveness performance
- environmental performance indicators
- certification of performance report.

In my opinion, the performance report of the East 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 *Financial Management Act 1994*.

**Basis for Opinion** I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the performance report* section of my report.

My independence is established by the *Constitution Act 1975*. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the performance report in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Board's responsibilities for the performance report** The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.

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

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

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

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

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

---

MELBOURNE  
3 October 2022



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

# Financial Report

for the year ended 30 June 2022

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# Comprehensive Operating Statement

## for the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
<b>Revenue and income from transactions</b>			
Revenue from contracts with customers	2.1	35,202	36,392
Interest income	2.3	41	17
Other income	2.4	288	2,008
<b>Total revenue and income from transactions</b>		<b>35,531</b>	<b>38,417</b>
<b>Expenses from transactions</b>			
Interest expense	6.1.2	398	411
Depreciation	4.1	13,311	11,681
Amortisation	4.2	179	167
Employee benefits	3.1.1	11,392	10,288
Environmental contribution	8.2	1,654	1,654
Direct operational expenses	3.2	2,438	2,531
Repairs and maintenance	3.3	2,511	6,559
Other expenses	3.4	5,946	4,893
Net loss on disposal of non-financial assets	4.1.5	102	123
Government grants and contributions - returned	2.2	-	63
<b>Total expenses from transactions</b>		<b>37,931</b>	<b>38,370</b>
<b>Net result from transactions (net operating balance)</b>		<b>(2,400)</b>	<b>47</b>
<b>Other economic flows included in net result</b>			
Net (gain)/loss on financial instruments	9.2	(219)	125
<b>Total other economic flow included in net result</b>		<b>(219)</b>	<b>125</b>
<b>Net result before income tax</b>		<b>(2,181)</b>	<b>(78)</b>
Income tax benefit	8.1.1	(1,038)	(580)
<b>Net result</b>		<b>(1,143)</b>	<b>502</b>
<b>Other economic flows - other comprehensive income</b>			
<i>Items that will not be reclassified to net result</i>			
Changes in physical asset revaluation surplus		2,069	91,841
Deferred income tax relating to components of other comprehensive income		2,660	(20,219)
<b>Total other economic flows - other comprehensive income</b>		<b>4,729</b>	<b>71,622</b>
<b>Comprehensive result</b>		<b>3,586</b>	<b>72,124</b>

The accompanying notes form part of these financial statements.

**Balance Sheet**

as at 30 June 2022

<b>Assets</b>	<b>Notes</b>	<b>2022</b>	<b>2021</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Current assets</b>			
Cash and deposits	6.2	4,747	4,046
Receivables	5.1	2,752	2,465
Contract assets	5.2	5,600	5,531
Inventories		948	877
Prepayments		572	487
Current tax assets	8.1.1	1,361	786
Other financial assets	5.5	55	-
<b>Total current assets</b>		<b>16,035</b>	<b>14,192</b>
<b>Non-current assets</b>			
Receivables	5.1	48	70
Infrastructure assets, property, plant and equipment	4.1.1	547,857	548,580
Intangible assets	4.2	1,158	987
Other financial assets	5.5	49	5
<b>Total non-current assets</b>		<b>549,112</b>	<b>549,642</b>
<b>Total assets</b>		<b>565,147</b>	<b>563,834</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3	5,386	4,442
Interest bearing liabilities	6.1	500	3,000
Employee benefits provision	3.1.2	3,022	2,682
Contract liabilities	5.4	1,902	1,363
Other financial liabilities	5.5, 7.1.1, 7.3.2	-	9
<b>Total current liabilities</b>		<b>10,810</b>	<b>11,496</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	6.1	15,500	12,000
Employee benefits provision	3.1.2	199	239
Other financial liabilities	5.5, 7.1.1, 7.3.2	-	111
Net deferred tax liabilities	8.1.2	90,613	95,549
<b>Total non-current liabilities</b>		<b>106,312</b>	<b>107,899</b>
<b>Total liabilities</b>		<b>117,122</b>	<b>119,395</b>
<b>Net assets</b>		<b>448,025</b>	<b>444,439</b>
<b>Equity</b>			
Contributed capital		97,267	97,267
Physical asset revaluation reserve	9.1	258,542	253,813
Accumulated funds		92,216	93,359
<b>Total equity</b>		<b>448,025</b>	<b>444,439</b>

The accompanying notes form part of these financial statements.



# Cash Flow Statement

## for the year ended 30 June 2022

		2022	2021
		\$'000	\$'000
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Service and usage charges/Revenue from contracts with customers		32,485	34,889
Interest received		41	17
Other receipts		1,405	3,272
Goods and Services Tax received from the ATO		2,001	2,540
Developer contribution fees		205	254
<b>Total receipts</b>		<b>36,137</b>	<b>40,972</b>
<b>Payments</b>			
Interest paid		(411)	(403)
Payments to Government			
- Other		-	(63)
Payments to employees		(10,979)	(10,383)
Income taxes paid		(1,812)	(3,926)
Environmental contribution		(1,654)	(1,654)
Goods and Services Tax paid to the ATO		(75)	(50)
Payments to suppliers		(12,077)	(16,861)
<b>Total payments</b>		<b>(27,008)</b>	<b>(33,340)</b>
<b>Net cash flows from/(used in) operating activities</b>	6.2.1	<b>9,129</b>	<b>7,632</b>
<b>Cash Flows from Investing Activities</b>			
Payments for new infrastructure, property, plant and equipment	4.1	(10,240)	(12,754)
Payments for intangible assets	4.2	(350)	(55)
Trust money received		1,000	-
Proceeds from sale of infrastructure, property, plant and equipment		162	158
<b>Net cash flows from/(used in) investing activities</b>		<b>(9,428)</b>	<b>(12,651)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings		4,000	5,500
Repayment of borrowings		(3,000)	(1,000)
Proceeds from contributions by State in its capacity as owner		-	1,300
Third party loan	5.5	-	(5)
<b>Net cash flows from/(used in) financing activities</b>		<b>1,000</b>	<b>5,795</b>
<b>Net increase/(decrease) in cash and deposits</b>		<b>701</b>	<b>776</b>
<b>Cash and deposits at the beginning of the financial year</b>		<b>4,046</b>	<b>3,270</b>
<b>Cash and deposits at the end of the financial year</b>	6.2	<b>4,747</b>	<b>4,046</b>

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity

for the year ended 30 June 2022

	Contributed Capital \$'000	Physical asset Revaluation reserve \$'000	Accumulated Funds \$'000	Total \$'000
<b>Balance as at 1 July 2020</b>	95,967	182,191	92,857	371,015
Net result for the year	-	-	502	502
Other comprehensive income	-	71,622	-	71,622
<b>Transactions with the state in its capacity as owner:</b>				
Contribution by owners	1,300	-	-	1,300
<b>Balance as at 30 June 2021</b>	<b>97,267</b>	<b>253,813</b>	<b>93,359</b>	<b>444,439</b>
Net result for the year	-	-	(1,143)	(1,143)
Other comprehensive income	-	4,729	-	4,729
<b>Balance as at 30 June 2022</b>	<b>97,267</b>	<b>258,542</b>	<b>92,216</b>	<b>448,025</b>

The accompanying notes form part of these financial statements.

# Notes to the Financial Report

## for the year ended 30 June 2022

### NOTE 1 - BASIS OF PREPARATION

#### Introduction

East Gippsland Region Water Corporation (the Corporation) serves an area of 21,000 square kilometres in the east of Victoria, with around 47,000 people reside in this region. Water services are provided to approximately 27,400 account holders (assessments) with wastewater services also provided to approximately 23,260 account holders.

#### Significant events

The Corporation has no significant events in this financial year.

#### 1.1 Basis of Accounting

A description of the nature of its operations and the Corporation's principal activities is included in the Report of Operations, which does not form part of these financial statements.

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 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.

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

#### Accounting estimates

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

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

Significant judgement and estimation area	Note number
Accrued water usage charges	5.2
Estimated fair value of derivative financial instrument	5.5 and 7.3
The fair value of land, buildings, infrastructure, plant and equipment	7.3
Estimation of useful life	4.1.4
Impairment of assets	4.1.4
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 Revenue from Contracts with Customers (AASB 15) or AASB 1058 Income of not-for-profit entities (AASB 1058)	2
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

#### Controlled entities

These financial statements cover the Corporation as an individual reporting entity and include all the controlled activities of the Corporation.

Where control of an entity is obtained during the financial period, its results are included in the comprehensive operating statement from the date on which control is demonstrated. Where control ceases during a financial period, the entity's results are included for that part of the period in which control existed. Where entities adopt dissimilar accounting policies and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

#### COVID-19

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

The consequential impacts on the 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 the Corporation's customers;
- support for employees to working from home;
- uplifting our IT network capability to support remote working;
- supporting customers experiencing financial difficulties through arrangements such as our hardship program, more time to pay arrangements and payment plans; and
- providing waivers to our trade waste customers and commercial tenants who are experiencing financial hardship.

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

- Accounts receivable has been adjusted with an increased provision of doubtful debt. The provision has been adjusted to reflect the potential increased unemployment rate and declined gross domestic product.

Further COVID-19 related disclosures have been added to this financial report to reflect management's judgements and assessments. These can be found in notes 5.1.2.

For the year ended 30 June 2022, the Corporation recognised a net loss of \$1.143 million. The Corporation's net current assets as at 30 June 2022 were \$5.225 million. The Corporation has \$4.747 million of resources comprising cash and cash equivalents, other highly liquid assets and unused credit lines available at the date of authorisation of these financial statements.

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

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

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

#### **Compliance information**

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

## NOTE 2 - FUNDING DELIVERY OF OUR SERVICES

### Introduction

The Corporation is responsible for harvesting, storage, treatment and distribution of drinking water, and wastewater collection, treatment and reuse for urban customers throughout East Gippsland. Our activities cover an area from Bairnsdale eastwards through to the Victoria-New South Wales border and to the high country of the Victorian Alps. To enable the Corporation to fulfil its objectives and provide services mentioned above, it receives income from customers for services used. This income is in the form of tariffs approved by the Essential Services Commission. The Corporation also receives income from a number of miscellaneous activities provided and through developer contributions to the asset base.

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.

2.1 Revenue from contracts with customers	Notes	2022 \$'000	2021 \$'000
Revenue from service, usage and trade waste charges	2.1.1	32,624	33,140
Developer contributions	2.1.2	1,267	1,800
Other revenue	2.1.3	1,311	1,452
<b>Total revenue from contracts with customers</b>		<b>35,202</b>	<b>36,392</b>

2.1.1 Revenue from service and usage and trade waste charges	2022 \$'000	2021 \$'000
Service charges - water	6,169	5,961
Service charges - sewerage	16,658	16,808
Usage charges - water	9,498	10,089
Disposal charges - trade waste	299	282
<b>Total revenue from service usage and trade waste charges</b>	<b>32,624</b>	<b>33,140</b>

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

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Service charges (trade waste and recycled water, water and sewerage)	Service charges are recognised as revenue when the services have been provided or service charge has been made. Service charges are billed in advance and recognised evenly throughout the financial year to reflect continuous service being provided to customers. Service charges are based on fixed fee for access to water, recycled water and sewerage disposal. The charges are payable within 28 days.	Revenue is recognised over time as service is provided.
Usage charges, Disposal charges - sewerage	Water usage and sewer disposal charges are recognised as revenue when water is consumed by customers, and sewage waste is disposed by customers. Meter reading is undertaken progressively during the year and are billed quarterly in arrears. An estimation of usage and disposal charges is made at the end of each accounting period for connection where meters were not read at balance date. This is calculated by determining the level of billable service provided multiplied by the cost of each service. The charges are payable within 28 days. At balance date, any portion of service charges that is billed in advance and the performance obligation is not satisfied, is recognised as contract liabilities (refer Note 5.4). The charges for fully satisfied performance obligations that are unbilled at year end that are estimated and contract assets are recognised (refer Note 5.2).	Revenue is recognised over time as service is provided.
Trade waste disposal charges	Revenue related to trade waste disposal is based on the volume of waste disposed by customers.	Revenue is recognised at a point in time.

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



<b>2.1.2 Developer contributions</b>	<b>2022</b>	<b>2021</b>
	\$'000	\$'000
Developer contributed assets	1,267	1,799
New customers contributions	-	1
<b>Total developer contributions</b>	<b><u>1,267</u></b>	<b><u>1,800</u></b>

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"> <li>· when the Statement of Compliance is issued to the customer, or</li> <li>· when the customer is connected to the Corporation's infrastructure network for the provision of water and sewerage services when no Statement of Compliance is required to be issued.</li> </ul> <p>Revenue is recognised at the fair value of the gifted assets by assessing the value of the works using schedule of rates.</p>	Revenue is recognised at a point in time.
New customer contributions	<p>New customer contributions represent non-refundable upfront charges applicable when customers request to build or develop a property and connect to the Corporation's water supply and sewerage infrastructure network. The charges contribute towards to the cost of augmenting the Corporation's water supply distribution systems and sewerage disposal systems.</p> <p>Depending on the type of new customer contribution application, this can result in the performance obligation being satisfied at a point in time when the Corporation satisfies its performance obligation. This will vary depending on the type of application submitted by the customer. As a result, a performance obligation can be satisfied when:</p> <ul style="list-style-type: none"> <li>· the Statement of Compliance is issued to the customer; or</li> <li>· the customer is connected to the Corporation's infrastructure network for the provision of water and sewerage services when no Statement of Compliance is required to be issued; or</li> <li>· the customer receives consent from the Corporation to proceed with their application.</li> </ul> <p>The rates applied to calculate the new customer contributions are regulated by the Essential Services Commission.</p>	Revenue is recognised at a point in time.

**2.1.3 Other revenue**

	2022 \$'000	2021 \$'000
Planning fees	743	765
Farm operations income	115	134
Miscellaneous	450	2,456
Legal fees recovered	3	10
<b>Total other revenue</b>	<b>1,311</b>	<b>3,365</b>

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Fees and charges	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 28 days.	Revenue is deferred and recognised over the period over which goods and services are provided to the customer.
Works and services provided to other third parties	Revenue is recognised when the Corporation has completed its contractual obligations. Revenue represents charges for services to third parties. The charges are payable within 28 days.	Revenue (e.g. commissions or fees) is recognised on a 'net' basis, and over time, when the Corporation is acting as an agent on behalf of third parties who provide the service to the customer.

**2.1.4 Timing of recognition of revenue from customers**

The corporation derives revenue from the transfer of goods and services over time and at a point in time for the following charges.

	Service charges - water	Usage charges - water	Service charges - sewerage	Disposal charges - sewerage	Developer contributions	New customer contributions	Other revenue	Total revenue with customers
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2021</b>								
At a point in time	-	-	-	-	1,799	1	3,365	5,165
Over time	5,961	10,089	16,808	282	-	-	-	33,140
<b>Total</b>	<b>5,961</b>	<b>10,089</b>	<b>16,808</b>	<b>282</b>	<b>1,799</b>	<b>1</b>	<b>3,365</b>	<b>38,305</b>
<b>2022</b>								
At a point in time	-	-	-	-	1,267	-	1,311	2,578
Over time	6,169	9,498	16,658	299	-	-	-	32,624
<b>Total</b>	<b>6,169</b>	<b>9,498</b>	<b>16,658</b>	<b>299</b>	<b>1,267</b>	<b>-</b>	<b>1,311</b>	<b>35,202</b>

<b>2.2 Government grants and contributions</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Expenditure recognised as project abandoned</b>		
Waste to Energy Project - returned	-	(63)
<b>Total government grants and contributions</b>	<b>-</b>	<b>(63)</b>

The Corporation has determined that all grant income is recognised as income of not-for-profit entities in accordance with AASB 1058, except for grants that are enforceable and with sufficiently specific performance obligations and accounted for as revenue from contracts with customers in accordance with AASB 15.

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

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

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

A government grant is not recognised until there is reasonable assurance that the Corporation will comply with the conditions attaching to it, and that the grant will be received.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

<b>2.3 Interest income</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest on bank deposits	13	12
Other miscellaneous interest income	28	5
<b>Total interest income</b>	<b>41</b>	<b>17</b>

Interest income includes interest received on bank term deposits and other investments and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method, which allocates the interest over the relevant period.

<b>2.4 Other income</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Rental income	91	80
ZEW settlement income	9	14
Insurance claim (bushfire related)	-	1,914
Insurance claim	188	-
<b>Total other income</b>	<b>288</b>	<b>2,008</b>

<b>Type of service</b>	<b>Nature and timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition policies</b>
Rental income	Rental income from leasing of investment properties which are operating leases are recognised on a straight-line basis over the lease term.	Revenue is recognised over time as service is provided.
ZEW settlement income	Relates to the Corporation's investment in Zero Emissions Water Limited (ZEW). The Corporation recognised compensation settlements received during the reporting period due to delays in reaching the commercial operational date. Upon expiration or exercise of the cash flow derivative, the Corporation will receive income depending on the position of the cash flow derivative. The fair value of the cash flow derivative is adjusted in OCI upon settlement with the difference being recognised as income or expense.	Revenue is recognised over time as service is provided.
Insurance claim (bushfire related)	Insurance claim for the replacement of infrastructure assets impaired as a result of the bushfire emergency that occurred during December 2019 and January 2020.	Revenue is recognised at a point in time when the Corporation has received the funds.
Insurance claim	Insurance claim for the replacement of infrastructure assets impaired as a result of storm event.	Revenue is recognised at a point in time when the Corporation has received the funds.

### NOTE 3 - THE COST OF DELIVERING OUR SERVICES

#### Introduction

This section provides an account of the expenses incurred by the Corporation in delivering services and outputs.

		<b>2022</b>	<b>2021</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>3.1 Expenses incurred in delivery of services</b>			
Employee benefit expenses	3.1.1	11,392	10,288
Direct operating expenses	3.2	2,438	2,531
Repairs and maintenance	3.3	2,511	6,559
Administrative and other operating expenses	3.4	5,946	5,018
<b>Total expenses incurred in delivery of services</b>		<b><u>22,287</u></b>	<b><u>24,396</u></b>

#### 3.1.1 Employee benefits in the comprehensive operating statement

		<b>2022</b>	<b>2021</b>
		<b>\$'000</b>	<b>\$'000</b>
Salaries and wages, annual leave and long service leave		11,272	10,099
Termination benefits		76	152
Defined benefit superannuation expense		44	37
<b>Total employee benefit costs</b>		<b><u>11,392</u></b>	<b><u>10,288</u></b>

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.

		<b>2022</b>	<b>2021</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Current provisions:</b>			
<b>Annual leave</b>			
Unconditional and expected to settle within 12 months		679	614
Unconditional and expected to settle after 12 months		236	233
<b>Long service leave</b>			
Unconditional and expected to settle within 12 months		259	229
Unconditional and expected to settle after 12 months		1,429	1,252
<b>Rostered day off and Time off in Lieu</b>			
Unconditional and expected to settle within 12 months		96	85
<b>Provisions for on-costs</b>			
Unconditional and expected to settle within 12 months		116	97
Unconditional and expected to settle after 12 months		207	172
<b>Total current provisions for employee benefits</b>		<b><u>3,022</u></b>	<b><u>2,682</u></b>

	2022 \$'000	2021 \$'000
<b>Non-current provisions:</b>		
Long service leave - conditional	177	214
On-costs	22	25
<b>Total non-current provisions for employee benefits</b>	<u>199</u>	<u>239</u>
<b>Total provisions for employee benefits</b>	<u>3,221</u>	<u>2,921</u>
<b>Reconciliation of movement in on-cost provision</b>		<b>2022</b>
		\$'000
<b>Opening Balance</b>		294
Additional provisions recognised		151
Amounts utilised during period		(100)
<b>Closing Balance</b>		<u>345</u>
Current		323
Non-current		22
<b>Total</b>		<u>345</u>

### Wages and salaries, annual leave and sick leave

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

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

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

### On-costs

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

### Long service leave

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

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

The components of this current LSL liability are measured at:

- undiscounted value – if the Corporation expects to wholly settle within 12 months; or
- present value – if 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 flows 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 any unfunded liability payments) to the superannuation plans for the financial year ended 30 June 2021 and 30 June 2022 are detailed below:

Scheme	Type of Scheme	2022	2021	2022	2021
		Rate (%)	Rate (%)	\$'000	\$'000
Vision Super	Defined benefits	10.0	9.5	44	37
Vision Super	Accumulation	10.0	9.5	969	840
				2022	2021
				\$'000	\$'000
	Contributions outstanding to Vision Super			39	30
	Expected contributions to be paid to Vision Super (Defined benefit year ending 2023)			73	39

#### 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 2020 full actuarial investigation

A full actuarial investigation was held in 2020 as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) was 104.6%. Because the VBI was above 100%, the full 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.

Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year.

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

	2022 (Triennial) \$m	2021 (Triennial) \$m
Net investment returns	5.6% pa	5.2% pa
Salary information	2.5% pa	2.5% pa
Price inflation (CPI)	2.2% pa	2.0% pa
VBI surplus/(deficit)	100.3	121
Total service liability surplus/(deficit)	200.3	244
A discounted accrued benefits surplus	227.1	213

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 2022 interim actuarial investigation

Vision Super has advised that the estimated VBI at 30 June 2022 was 102.2% (2021: 109.7%).

#### 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 100%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Corporation are required to make an employer contribution to cover the shortfall.

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

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

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

<b>3.2 Direct operational expenses</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Electricity	1,100	1,243
Materials	704	794
Chemicals	634	494
<b>Total direct operational expenses</b>	<b><u>2,438</u></b>	<b><u>2,531</u></b>

<b>Expense</b>	<b>Description</b>	<b>Recognition policies</b>
Electricity	Cost associated with running infrastructure and buildings.	Accruals basis. Recognised in the Comprehensive operating statement.
Materials	Cost associated with repairs and maintenance.	Accruals basis. Recognised in the Comprehensive operating statement.
Chemicals	Cost associated with chemicals required supporting water and wastewater treatment.	Accruals basis. Recognised in the Comprehensive operating statement.

<b>3.3 Repairs and maintenance expenses</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Contractors	2,500	2,314
Contractors - desludging	11	4,187
Contractors - bushfire related	-	58
<b>Total repairs and maintenance expenses</b>	<b><u>2,511</u></b>	<b><u>6,559</u></b>

<b>Expense</b>	<b>Description</b>	<b>Recognition policies</b>
Planned maintenance, repair costs and minor renewal costs	Where the repair relates to the replacement of a component of an asset.	Routine maintenance that does not enhance the performance of the asset is expensed as incurred.

<b>3.4 Administrative and other operating expenses</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Consultants	1,865	1,228
Licences	771	720
IT software	685	652
Telecommunication	253	262
Bank and debt collection fee	112	119
Motor vehicle - fuel	229	158
Insurance	212	153
Audit fees	157	141
Postage	132	117
Subscriptions and memberships	111	89
Ground maintenance	241	175
Accommodation and meals	44	18
Bad and doubtful debt	47	129
Initial recognition - expense from derivative financial instrument	-	120
ZEW settlement expenses	-	5
Other operating expenses	1,087	932
<b>Total administrative and other operating expenses</b>	<b>5,946</b>	<b>5,018</b>

<b>Expense</b>	<b>Description</b>	<b>Recognition policies</b>
Consultants	Specialist advice to support business operations.	Accruals basis. Recognised in the Comprehensive operating statement.
Licences	Costs relating to licences required by the Corporation to conduct business operations.	Accruals basis. Recognised in the Comprehensive operating statement.
IT software	Costs relating to IT software.	Accruals basis. Recognised in the Comprehensive operating statement.
Telecommunication	Costs incurred relating to telephone calls or internet connections supporting business functions.	Accruals basis. Recognised in the Comprehensive operating statement.
Bank and debt collection fee	Costs relating to bank fees and debt collection procedures.	Accruals basis. Recognised in the Comprehensive operating statement.
Motor vehicle - fuel	Costs relating to fuel for motor vehicles supporting business operations.	Accruals basis. Recognised in the Comprehensive operating statement.
Insurance	Cost relating to guarantee of compensation for specified loss or damage in return for payment of a specified premium.	Accruals basis. Recognised in the Comprehensive operating statement.
Audit fees	Costs incurred relating to internal and external audits.	Accruals basis. Recognised in the Comprehensive operating statement.
Postage	Cost relating to sendings invoices and notifications to customers.	Accruals basis. Recognised in the Comprehensive operating statement.
Subscriptions and memberships	Costs associated with professional and industry memberships.	Accruals basis. Recognised in the Comprehensive operating statement.
Ground maintenance	Costs incurred to maintain the Corporation's facilities landscapes and gardens.	Accruals basis. Recognised in the Comprehensive operating statement.
Other operating expenses	All operating expenses, maintenance contracts, licence fees and other costs associated with operating the information technology environment of the Corporation.	Accruals basis. Recognised in the Comprehensive operating statement.

Expense	Description	Recognition policies
Expense from derivative financial instruments	The initial recognition expense represents the fair value of the expected future settlements at the initial recognition, currently in a asset position. Subsequent fair value measurement of the derivative financial instrument is recognised as any other economic flow included in the net result.	Accruals basis. Recognised in the Comprehensive operating statement.
ZEW settlement expense	Relates to the Corporation's investment in Zero Emissions Water Limited (ZEW). Upon expiration or exercise of the cash flow derivative, the Corporation will recognise an expense depending on the position of the cash flow derivative. The fair value of the cash flow derivative is adjusted in OCI upon settlement with the difference being recognised as an expense.	Accruals basis. Recognised in the Comprehensive operating statement.

### Expense from derivative financial instruments

Expense from derivative financial instruments relates to the Corporation's investment in Zero Emissions Water Limited (ZEW). Refer Note 5.5 for further details on the arrangement between the Corporation and ZEW.

The Corporation pays or receives the difference between the floating electricity price and the fixed price set under the agreement for the units of energy supplied into the National Electricity Market by the solar farm. The future settlements of Contract for Difference (CfD) are classified as derivative financial instruments.

The Corporation has initially recognised the CfD derivative financial instrument and is measured at fair value based on the best available information. The initial recognition expense represents the fair value of the expected future settlements at the initial recognition, currently in a liability position.

The initial recognition of the CfD derivative is treated as a "transaction" for the purposes of annual financial statements on the basis that it is an interaction between two entities by mutual agreement in respect to which no cash flows take place on effective date.

Refer to Note 7.1 for more information about the judgements and assumptions used in measuring fair value determination of derivative financial instruments.

**NOTE 4 - KEY ASSETS AVAILABLE TO SUPPORT DELIVERY OF OUR SERVICES**
**Introduction**

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

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

	Land	Buildings	Plant and equipment	Office equipment	Water infrastructure	Waste Water infrastructure	Motor Vehicles	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2021</b>									
Opening net book amount	15,140	2,381	614	472	204,469	215,109	1,503	14,896	454,584
Additions	-	-	225	339	-	-	192	13,362	14,118
Disposals	-	-	(2)	-	(163)	(51)	(65)	-	(281)
Transfer between asset class	-	49	-	-	19,847	3,847	-	(23,743)	-
Revaluation	1,052	144	-	-	58,822	31,822	-	-	91,840
Impairment of assets	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(105)	(172)	(229)	(6,254)	(4,576)	(345)	-	(11,681)
<b>Closing net book amount</b>	<b>16,192</b>	<b>2,469</b>	<b>665</b>	<b>582</b>	<b>276,721</b>	<b>246,151</b>	<b>1,285</b>	<b>4,515</b>	<b>548,580</b>
<b>At 30 June 2021</b>									
Cost or fair value	16,192	2,468	3,987	3,138	276,820	246,231	2,505	4,515	555,856
Accumulated depreciation	-	1	(3,322)	(2,556)	(99)	(80)	(1,220)	-	(7,276)
<b>Carrying Amount</b>	<b>16,192</b>	<b>2,469</b>	<b>665</b>	<b>582</b>	<b>276,721</b>	<b>246,151</b>	<b>1,285</b>	<b>4,515</b>	<b>548,580</b>
<b>Year ended 30 June 2022</b>									
Opening net book amount	16,192	2,469	665	582	276,721	246,151	1,285	4,515	548,580
Additions	-	-	105	208	-	-	390	10,080	10,783
Disposals	-	-	(1)	(1)	(99)	(102)	(61)	-	(264)
Transfer between asset class	-	36	-	-	(19,549)	25,318	-	(5,805)	-
Revaluation	2,069	-	-	-	-	-	-	-	2,069
Impairment of assets	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(111)	(177)	(253)	(5,946)	(6,447)	(377)	-	(13,311)
<b>Closing net book amount</b>	<b>18,261</b>	<b>2,394</b>	<b>592</b>	<b>536</b>	<b>251,127</b>	<b>264,920</b>	<b>1,237</b>	<b>8,790</b>	<b>547,857</b>
<b>At 30 June 2022</b>									
Cost or fair value	18,261	2,504	4,091	3,317	257,168	271,442	2,647	8,790	568,220
Accumulated depreciation	-	(110)	(3,499)	(2,781)	(6,041)	(6,522)	(1,410)	-	(20,363)
<b>Carrying Amount</b>	<b>18,261</b>	<b>2,394</b>	<b>592</b>	<b>536</b>	<b>251,127</b>	<b>264,920</b>	<b>1,237</b>	<b>8,790</b>	<b>547,857</b>

The Right of use assets have not been included in the table above.

#### 4.1.2 Initial recognition and subsequent measurement

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

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

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

Items with a cost or value in excess of \$1,500 and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

##### Motor Vehicles

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

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

Non-financial physical assets are revalued at fair value every five years in accordance with the Government purpose classifications defined in Financial Reporting Direction 103I Non-Financial Physical Assets (FRD 103I). The Valuer-General Victoria (VGV) is the Government's independent valuation agency and is used by the Corporation to conduct these scheduled revaluations. Certain infrastructure assets are revalued using specialised advisors under the direction of the VGV.

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

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

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

#### 4.1.3 Accounting for revaluation movements

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

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

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

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

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

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



#### 4.1.4 Depreciation and impairment

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
Buildings	5 to 70
Water infrastructure	2 to 350
Sewerage and drainage infrastructure	2 to 355
Plant and equipment	1 to 70
Motor vehicles	5 to 20
Office equipment	1 to 20

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.

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

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

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.

#### 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 \$'000	2021 \$'000
Net gain/(loss on disposal)		
Infrastructure, property, plant and equipment	102	123
	<u>102</u>	<u>123</u>

**4.2 Intangible assets**

	<b>Software costs</b>	<b>Water entitlement and licences</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Year ended 30 June 2021</b>			
Opening net book amount	882	217	1,099
Additions	55	-	55
Amortisation	(167)	-	(167)
<b>Closing net book amount</b>	<b>770</b>	<b>217</b>	<b>987</b>
<b>Total as at 30 June 2021 represented by:</b>			
Cost or fair value	4,546	217	4,763
Accumulated amortisation	(3,776)	-	(3,776)
<b>Net book value as at 30 June 2021</b>	<b>770</b>	<b>217</b>	<b>987</b>
<b>Year ended 30 June 2022</b>			
Opening net book amount	770	217	987
Additions	350	-	350
Amortisation	(179)	-	(179)
<b>Closing net book amount</b>	<b>941</b>	<b>217</b>	<b>1,158</b>
<b>Total as at 30 June 2022 represented by:</b>			
Cost or fair value	4,896	217	5,113
Accumulated amortisation	(3,955)	-	(3,955)
<b>Net book value as at 30 June 2022</b>	<b>941</b>	<b>217</b>	<b>1,158</b>

## 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. Service concession assets are initially measured at current replacement cost in accordance with the cost approach to fair value in AASB 13 Fair Value Measurement.

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

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

	Software costs	Water Share Entitlements*
Useful life	Finite	Indefinite
Amortisation method used	10 years – straight line	Not amortised or revalued
Internally generated/acquired	Acquired	Acquired
Impairment test/recoverable amount testing	Amortisation method reviewed at each financial year-end; Reviewed annually for indicators of impairment	Annually 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.

### Software as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Corporation with the right to access the cloud provider's application software over the contract period. As such the Corporation does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

Please refer to Note 9.8 for the change in accounting policy relating to SaaS arrangements.

The following outlines the accounting treatment (see Note 3.4) of costs incurred in relation to SaaS arrangements:

Recognise as an other expense (Note 3.4) over the term of the service contract	<ul style="list-style-type: none"> <li>• Fee for use of application software</li> <li>• Customisation costs</li> </ul>
Recognise as an other expense (Note 3.4) as the service is received	<ul style="list-style-type: none"> <li>• Configuration costs</li> <li>• Data conversion and migration costs</li> <li>• Testing costs</li> <li>• Training costs</li> </ul>

**The Corporation made the following key judgements that may have the most significant effect on the amounts recognised in the financial statements.**

#### **Determination whether configuration and customisation services are distinct from the SaaS access**

Implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received.

Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised (i.e. upfront). Non-distinct configuration and customisation costs are expensed over the SaaS contract term.

Non-distinct customisation activities significantly enhance or modify a SaaS cloud-based application. Judgement has been applied in determining whether the degree of customisation and modification of the SaaS cloud-based application is significant or not.

During the financial year, the Corporation recognised \$0 (2021: \$0) as prepayments in respect of configuration and customisation activities undertaken in implementing SaaS arrangements which are considered not to be distinct from the access to the SaaS application software over the contract term.

#### **Capitalisation of configuration and customisation costs in SaaS arrangements**

In implementing SaaS arrangements, the Corporation has developed software code that either enhances, modifies or creates additional capability to the existing owned software. This software is used to connect with the SaaS arrangement cloud-based application.

Judgement has been applied in determining whether the changes to the owned software meets the definition of and recognition criteria for an intangible asset in accordance with AASB 138 Intangible Assets. During the financial year, the Corporation recognised \$0 (2021: \$0) as intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements.

#### **Permanent water entitlements**

Permanent water entitlements purchased after 30 June 2014 are recognised as an intangible asset on the Balance Sheet at cost (in accordance with AASB 138 Intangible Assets and FRD 109A Intangible Assets), and will not be subject to amortisation, as the permanent water entitlements have an indefinite life. Permanent water entitlements purchased after 30 June 2014 will be tested annually for impairment. Bulk permanent water entitlements prior to 30 June 2014 are not recorded on the Balance Sheet as an intangible asset, as they cannot be reliably measured.

#### **Large scale Generation Certificate (LGC)**

Large-scale Generation Certificates are recognised as an intangible asset on the Balance Sheet at cost (in accordance with AASB 138 Intangible Assets and FRD 109A Intangible Assets), and will not be subject to amortisation, as the Large-scale Generation Certificates have an indefinite life. At 30 June 2022, the Corporation does not hold any LGC.

#### **Impairment of intangible assets**

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

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

**NOTE 5 - OTHER ASSETS AND LIABILITIES**

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

**5.1 Receivables**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
<u>Contractual</u>		
Service and usage charges	1,855	2,139
Allowance for expected credit losses	(316)	(316)
Other receivables	573	187
<u>Statutory</u>		
GST Input tax credit receivables	390	452
Other receivables	250	3
<b>Total current receivables</b>	<b><u>2,752</u></b>	<b><u>2,465</u></b>
<b>Non-current</b>		
<u>Contractual</u>		
Private schemes	48	70
<b>Total non-current receivables</b>	<b><u>48</u></b>	<b><u>70</u></b>
<b>Total receivables</b>	<b><u>2,800</u></b>	<b><u>2,535</u></b>

Receivable	Initial measurement	Subsequent measurement
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.	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.	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.	Amortised cost less any expected credit loss.

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

### 5.1.1 Impairment of contractual receivables

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

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

		<b>2022</b>	<b>2021</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Opening balance 1 July</b>		316	221
Expected credit losses written off	9.2	(15)	76
Net provision movements including expected credit losses recovered		15	19
<b>Balance as at 30 June</b>		<b>316</b>	<b>316</b>

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

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

No interest is charged for the first 28 days from the invoice date. Thereafter, interest is charged at 2.9 per cent on the outstanding balance. The average credit period for sales of goods / services and for other receivables is 30 days. There are no material financial assets that are individually determined to be impaired.

### 5.1.2 Reconciliation of the expected credit loss allowance

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

Due to the COVID-19 pandemic impacts, it is expected that an increase in unemployment rates and decline in gross domestic product will exceed the relevant thresholds. Therefore, when estimating the expected credit loss we have incorporated assumptions of 2 per cent unemployment rates and approximately 2 per cent decline in gross domestic product, as well as multiple possible recovery scenarios. We have also considered impacts from specific management actions, our observable customer behaviours so far and how the pandemic may impact our industry in particular.

As a result, we have increased the allowance for doubtful debts by \$15,000 to reflect risks and uncertainties brought about by the COVID-19 pandemic. Should the macroeconomic assumptions change in the future, it could have a material impact on our allowance for doubtful debts in the subsequent years.

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



## 5.2 Contract assets

	2022	2021
	\$'000	\$'000
Service and usage charges	5,600	5,531
<b>Total contract assets</b>	<b>5,600</b>	<b>5,531</b>
	<b>Service and usage charges</b>	
		<b>\$'000</b>
<b>Opening balance as at 1 July 2021</b>		<b>5,531</b>
Less: Amounts billed during the year		(5,531)
Add: Amount accrued at year end (to be billed)		5,600
<b>Carrying balance as at 30 June 2022</b>		<b>5,600</b>

Contract asset	Description	Recognition
Contract assets relating to service and usage charges - Accrued revenue	Accrued revenue is recognised for water and sewage 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.

### Significant changes in contract assets

Contract assets have increased as the Corporation has provided more services ahead of the agreed payment schedules for water and wastewater services. The Corporation also recognised a loss allowance for contract assets.

	2022	2021
	\$'000	\$'000
<b>5.3 Payables</b>		
<b>Current</b>		
<u>Contractual</u>		
Trade creditors	2,794	3,000
Sundry creditors	408	396
Accrued expenses	529	539
Contractor deposits and retention	616	465
Funds held in trust	1,000	-
<u>Statutory</u>		
Superannuation payable	39	42
<b>Total current payables</b>	<b>5,386</b>	<b>4,442</b>
<b>Total payables</b>	<b>5,386</b>	<b>4,442</b>

Payables for supplies and services have an average credit period for 30 days. No interest is charged on the 'other payables' for the first 30 days on average from the date of the invoice. Thereafter, interest is charged at 2 per cent per year on the outstanding balance.

The terms and conditions of amounts payable to the government and agencies vary according to the particular agreements and as they are not legislative payables, statutory payables are not classified as financial instruments.

#### 5.3.1 Ageing analysis of contractual payables

	Carrying Amount	Nominal Amount	Maturity days				
			Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	5+ years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2022</b>							
Trade and sundry creditors	3,297	3,297	2,793	6	1,207	186	82
Accrued and other payable	1,084	1,084	581	154	19	219	112
<b>Total</b>	<b>4,381</b>	<b>4,381</b>	<b>3,374</b>	<b>160</b>	<b>1,226</b>	<b>405</b>	<b>194</b>
<b>2021</b>							
Trade and sundry creditors	3,396	3,396	3,000	9	119	186	82
Accrued and other payable	1,004	1,004	585	111	42	236	30
<b>Total</b>	<b>4,400</b>	<b>4,400</b>	<b>3,585</b>	<b>120</b>	<b>161</b>	<b>422</b>	<b>112</b>

#### 5.4 Contract liabilities

	Service usage charges - customer paid in advance	Developer contributions - unearned income	Contract liability	Total
	\$'000	\$'000	\$'000	\$'000
<b>Carrying amount as at 1 July 2020</b>	<b>643</b>	<b>184</b>	<b>606</b>	<b>1,433</b>
Add: developers contribution received for performance obligations yet to be completed during the year	-	103	-	103
Add: payments received in advance for provision of goods and services	330	1	-	331
Less: revenue recognised in the reporting period for the completion of performance obligations	(228)	(276)	-	(504)
<b>Closing balance at 30 June 2021</b>	<b>745</b>	<b>12</b>	<b>606</b>	<b>1,363</b>
Add: developers contribution received for performance obligations yet to be completed during the year	-	388	-	388
Add: payments received in advance for provision of goods and services	417	-	-	417
Less: revenue recognised in the reporting period for the completion of performance obligations	(210)	(56)	-	(266)
<b>Total contract liabilities at 30 June 2022</b>	<b>952</b>	<b>344</b>	<b>606</b>	<b>1,902</b>
Represented by				
Current contract liabilities	952	344	606	1,902

Contract asset	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.	Recognised as revenue, once it has performed the performance obligations associated with the payments.
Contract liabilities relating to developer contributions - Unearned Income	Payments received for developer contributed assets, new customer contributions and application fees in the reporting period, where the performance obligations are outstanding at balance date.	Recognised as revenue, once it has performed the performance obligations associated with the payments.
Contract liabilities relating to other income	Payments received for other goods and services (e.g. rental), where the performance obligations are outstanding at balance date.	Recognised as revenue, once it has performed the performance obligations associated with the payments.

#### Significant changes in contract liabilities

The decrease in 2022 contract liability was due to the revaluation and reclassification of ZEW derivatives from liabilities to assets.

5.5 Other financial assets and liabilities	2022 \$'000	2021 \$'000
<b>Other financial assets</b>		
Investment in Zero Emissions Water (ZEW) Ltd	5	5
Derivative financial instrument	99	-
<b>Total other financial assets</b>	<b>104</b>	<b>5</b>
<b>Other financial liabilities</b>		
Derivative financial instrument	-	120
<b>Total other financial liabilities</b>	<b>-</b>	<b>120</b>

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

### 5.5.1 ZEW transactions and balances

The Corporation is one of 12 water corporation Members of Zero Emissions Water (ZEW) Limited, a public company limited by guarantee. ZEW's substantial objective is to acquire electricity, contracts for difference and other derivative products in relation to electricity, and/or green products from an energy and emissions reduction facility(ies) in Victoria and in turn supply these products to its Members. This vehicle provides the opportunity for water corporation members to collaboratively promote energy and emissions reduction initiatives in Victoria and to reduce emissions.

On 30 October 2018, a Members' Agreement was entered into between the Corporations and ZEW in order to regulate their rights and obligations as members of ZEW and as participants in the project. The Members' Agreement establishes the operating activities of ZEW and the decision making responsibilities of the ZEW Directors.

Under the Members' Agreement, the Corporation as a member is limited to \$10 in the event of a winding up. As required by Australian accounting standards, the Corporation has assessed the nature of its relationship with ZEW, and has concluded that it does not have control, joint control or significant influence over ZEW. The Corporation will account for its investment in ZEW as a financial instrument within the scope of AASB 9 Financial Instruments. ZEW is a related party of the Corporation.

The Members' Agreement specifies that ZEW may call on the Corporation to make a loan available to ZEW amounting to \$22,166. The loan, if requested by ZEW, would meet the definition of a financial asset as it gives rise to a contractual right for us to receive cash from ZEW at the end of the loan term. At 30 June 2022, ZEW had requested no loan payment. As this loan is concessional, it has been treated as an investment in ZEW and measured at amortised cost.

On 30 October 2018, ZEW entered into an 11-year Power Purchasing Agreement (PPA) with a solar farm energy generator. In relation to the PPA, ZEW will act as a central intermediary between the energy generator and the water Corporations. The PPA contains a contract for difference (CFD) payment mechanism in respect of electricity generated by the facility and the sale and supply of large-scale generation certificates (LGCs) from the facility.

The solar farm energy generator experienced a construction delay due to the redesign of electrical infrastructure and a connection delay relating to generator restrictions and revised connection procedures advised by the Australian Electricity Market Operator (AEMO).

On 22 January 2021, the conditions precedent in the PPA was completed and the CfD derivative was recognised as a financial liability measured at its fair value. Subsequent changes in the derivative's fair value have been recognised in profit and loss. Refer to Note 7.3.2 for more information about the judgements and assumptions used in measuring fair value determination of derivative financial instruments.

The Corporation now has an obligation to purchase its percentage of energy allocation under the Members' Agreement, via the CfD derivative. The financial impact of the Members' Agreement with ZEW has resulted in increased revenue and expenses, and the recognition of a derivative financial instruments and LGCs as intangible assets.

## NOTE 6 - HOW WE FINANCED OUR OPERATIONS

### Introduction

This section provides information on the sources of finance utilised by the Corporation during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the Corporation.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note 7.1 provides additional, specific financial instrument disclosures.

<b>6.1 Interest bearing liabilities</b>	<b>Notes</b>	<b>2022</b>	<b>2021</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Current interest bearing liabilities</b>			
Loans from Treasury Corporation of Victoria (TCV)	6.1.1	500	3,000
<b>Non-current interest bearing liabilities</b>			
Loans from Treasury Corporation of Victoria (TCV)	6.1.1	15,500	12,000
<b>Total interest bearing liabilities</b>		<b><u>16,000</u></b>	<b><u>15,000</u></b>

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, pursuant to section 8 of the Borrowings and Investment Powers Act 1987.

### 6.1.1 Maturity analysis of interest bearing liabilities

	Carrying amount	Fair Value Amount	Maturity Dates				
			Less than 1 month	1-3 months	3 months-1 year	1-5 years	5+ years
<b>2022</b>							
Loans from TCV	16,000	14,886	-	-	500	8,000	7,500
<b>Total</b>	<b><u>16,000</u></b>	<b><u>14,886</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>500</u></b>	<b><u>8,000</u></b>	<b><u>7,500</u></b>
<b>2021</b>							
Loans from TCV	15,000	15,209	-	-	3,000	7,000	5,000
<b>Total</b>	<b><u>15,000</u></b>	<b><u>15,209</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>3,000</u></b>	<b><u>7,000</u></b>	<b><u>5,000</u></b>

<b>6.1.2 Interest expense</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest on loans from Treasury Corporation of Victoria (TCV)	302	300
Financial accommodation levy	96	111
<b>Total interest expense</b>	<b><u>398</u></b>	<b><u>411</u></b>

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

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

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

## 6.2 Cash flow information and balances

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

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet, as indicated in the reconciliation below.

	2022 \$'000	2021 \$'000
Cash at bank	4,747	4,046
<b>Balance as per cash flow statement</b>	<b>4,747</b>	<b>4,046</b>

### 6.2.1 Reconciliation of net result to cash flow from operating activities

	2022 \$'000	2021 \$'000
Net result for the period	(1,143)	502
<b>Non-cash movements</b>		
Depreciation and amortisation of non-current assets	13,490	11,848
(Gain)/loss on sale or disposal of non-current assets	102	123
Increase/(decrease) in loss allowance	-	95
Developer contributed assets	(1,078)	(1,376)
<b>Movement in assets and liabilities</b>		
(Increase)/decrease in receivables	(334)	1,562
(Increase)/decrease in inventories	(71)	7
(Increase)/decrease in prepayment	(85)	-
(Increase)/decrease in current tax assets	(575)	(786)
Increase/(decrease) in employee benefits	300	(136)
Increase/(decrease) in payables	944	(2,073)
Increase/(decrease) in deferred revenue - developer deposits	539	(70)
Increase/(decrease) in net deferred tax liabilities	(2,741)	(2,185)
Increase/(decrease) in derivative financial instruments	(219)	120
<b>Net cash provided by operating activities</b>	<b>9,129</b>	<b>7,631</b>

### 6.2.2 Financing facilities

There are no unsecured bank overdraft or loan facilities either used or unused at 30 June 2022 (2021:nil).

## 6.3 Commitments for expenditure

Commitments for future expenditure include 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	Between 1 and 5 years	Over 5 years	Total
<b>Nominal Accounts 2022</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Capital project commitments	3,223	-	-	3,223
Environmental contribution levy commitments	1,654	7,268	3,744	12,666
<b>Total commitments (inclusive of GST)</b>	<b>4,877</b>	<b>7,268</b>	<b>3,744</b>	<b>15,889</b>
Less GST recoverable	(293)	-	-	(293)
<b>Total commitments (exclusive of GST)</b>	<b>4,584</b>	<b>7,268</b>	<b>3,744</b>	<b>15,596</b>
	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Nominal Accounts 2021</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Capital project commitments	1,474	-	-	1,474
Environmental contribution levy commitments	1,653	3,306	-	4,959
<b>Total commitments (inclusive of GST)</b>	<b>3,127</b>	<b>-</b>	<b>-</b>	<b>3,127</b>
Less GST recoverable	(134)	-	-	(134)
<b>Total commitments (exclusive of GST)</b>	<b>2,993</b>	<b>-</b>	<b>-</b>	<b>2,993</b>

## NOTE 7 - RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

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.

### 7.1 Financial instruments specific disclosures

#### Introduction

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

These financial instruments include:

Financial assets	Financial liabilities
Cash and deposits Receivables: Contractual and statutory Other receivables Term deposits Derivative financial asset	Payables: Contractual and statutory Other payables Interest bearing liabilities: Secured TCV borrowings Derivative financial liability

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
<b>Financial assets at amortised cost</b>		
Financial assets include: • Loans and receivables • cash and deposits; • receivables; • term deposits; and • certain debt securities • investment in ZEW	These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.	Amortised cost only using the effective interest rate method less impairment if both of the following criteria are met: • the asset is held within a business model whose objective is to collect the contractual cash flows, and • the contractual terms give rise to cash flows that are solely payments of principal and interest
<b>Financial assets at fair value through net results</b>		
Derivative instruments Listed equity securities, managed investment schemes, investments in ZEW, and five-year government bonds	Fair value through net result. Fair value through net result.	Fair value through net result. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the consolidated comprehensive operating statement as an 'other economic flow' included in the net result.
<b>Financial liabilities at amortised cost</b>		
Financial liabilities include: • payables (excluding statutory payables); • Service concession assets; and • borrowings (including lease liabilities)	Fair value, plus or minus any directly attributable transaction costs subsequent to initial recognition.	Amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the profit and loss, over the period of the interest-bearing liability using the effective interest rate method.



**Offsetting financial instruments**

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

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

**Derecognition of financial assets and liabilities**

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

- 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
- the Corporation has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset; or
  - has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

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

**Impairment of financial assets**

At the end of each reporting period, the Corporation assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Climate-related matters may be relevant in the calculation of expected credit losses if, for example, they impact the range of potential future economic scenarios or assessment of significant increases in credit risk. All financial instrument assets, except those measured at fair value through profit 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 and its investment in debt instruments. Although not a financial asset, contract assets recognised applying AASB 15 (refer to Note 5.2) are also subject to impairment, however it is immaterial. Equity instruments are not subject to impairment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

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

**Derivative financial instruments**

Derivative financial instruments are classified as held for trading financial assets and liabilities. They are initially recognised at fair value on the date on which all contractual obligations under Conditions Precedent are met and on subsequent measurement. The initial expense recognised represents the fair value of the expected future settlements at initial recognition (refer note 3.4).

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in fair value of derivatives after initial recognition are recognised in the consolidated comprehensive operating statement as an 'other economic flow' included in the net result.

**7.1.1 Financial instruments: Categorisation**

		Cash and deposits	Financial assets / liabilities designated at fair value through profit/loss (FVTPL)	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
2022	Notes	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Contractual financial assets</b>						
Cash and deposits	6.4	4,747	-	-	-	4,747
<b>Receivables</b>						
Service and usage charges	5.1	-	-	1,855	-	1,855
Allowance for expected credit losses	5.1	-	-	(316)	-	(316)
Other receivables	5.1	-	-	1,213	-	1,213
<b>Derivative financial assets</b>						
Investment in Zero Emissions Water (ZEW) Ltd	7.3.2	-	-	5	-	5
Financial assets designated at fair value through profit or loss	5.5	-	99	-	-	99
<b>Total contractual financial assets</b>		<b>4,747</b>	<b>99</b>	<b>2,757</b>	<b>-</b>	<b>7,603</b>
<b>Contractual financial liabilities</b>						
<b>Payables</b>						
Trade creditors	5.3	-	-	-	2,794	2,794
Sundry creditors	5.3	-	-	-	408	408
Accrued expenses	5.3	-	-	-	529	529
Contractor deposits and retention	5.3	-	-	-	616	616
Funds held in trust	5.3	-	-	-	1,000	1,000
<b>Borrowings</b>						
Loans from Treasury Corporation of Victoria (TCV)	6.1	-	-	-	16,000	16,000
<b>Total contractual financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>22,347</b>	<b>22,347</b>

		Cash and deposits	Financial assets / liabilities designated at fair value through profit/loss (FVTPL)	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
2021	Notes	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Contractual financial assets</b>						
Cash and deposits	6.4	4,046	-	-	-	4,046
<b>Receivables</b>						
Service and usage charges	5.1	-	-	2,139	-	2,139
Allowance for expected credit losses	5.1	-	-	(316)	-	(316)
Other receivables	5.1	-	-	642	-	642
<b>Derivative financial assets</b>						
Investment in Zero Emissions Water (ZEW) Ltd	5.5	-	-	5	-	5
<b>Total contractual financial assets</b>		<b>4,046</b>	<b>-</b>	<b>2,470</b>	<b>-</b>	<b>6,516</b>
<b>Contractual financial liabilities</b>						
<b>Payables</b>						
Trade creditors	5.3	-	-	-	3,000	3,000
Sundry creditors	5.3	-	-	-	396	396
Accrued expenses	5.3	-	-	-	539	539
Contractor deposits and retention	5.3	-	-	-	465	465
<b>Borrowings</b>						
Loans from Treasury Corporation of Victoria (TCV)	6.1	-	-	-	15,000	15,000
<b>Derivative financial liabilities</b>						
Financial liabilities designated at fair value through profit or loss	5.5	-	120	-	-	120
<b>Total contractual financial liabilities</b>		<b>-</b>	<b>120</b>	<b>-</b>	<b>19,400</b>	<b>19,520</b>

### 7.1.2 Financial risk management objectives and policies

The Corporation's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk. 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.

Risk management is carried out by a central treasury Corporation (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Corporation's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### Credit risk

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

The Corporation's exposure to credit risk is influenced by the individual characteristics of each customer. The receivable balance consists of a large number of residential and business customers which are spread across a diverse range of industries. Receivable balances are monitored on an on-going basis to ensure that exposure to credit losses is not significant. The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables (refer to section 5.1).

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

Except as otherwise detailed in section 5.6, 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 5.1.2).

The Corporation's other credit risk arises from in-the-money receipts due from the Contracts for Difference derivative under the ZEW PPA. The Corporation determines its maximum exposure to credit risk relating to the derivative financial instrument at reporting date as the sum of the nominal values of all forecasted net cash receipts where the floating price due by the proponent exceeds the fixed price payable by the Corporation over the remaining PPA term.

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

#### Climate related risk

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

The corporation is primarily exposed to climate change risk through drought and bushfires, that have the potential to adversely affect water resources and availability. This has a significant impact of the Corporation's future planning to ensure resilience and sustainability to support its core service delivery for our community and customers.

#### 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.

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;
- holding investments and other contractual financial assets that are readily tradeable in the financial markets;
- careful maturity planning of its financial obligations based on forecasts of future cash flows; and
- a high credit rating for the State of Victoria (Moody's Investor Services and Standard & Poor's triple-A, which assists in accessing debt market at a lower interest rate).

The Corporation's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from liquidation of available-for-sale financial investments. The carrying amount in the table of contractual financial liabilities recorded in the financial statements represents the Corporation's maximum exposure to liquidity risk.

The table below illustrates the maturity analysis of the derivative financial 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
<b>30 June 2022</b>							
Derivative liability	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>30 June 2021</b>							
Derivative liability	120	120	-	-	10	110	-
<b>Total</b>	<b>120</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>110</b>	<b>-</b>

#### 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:

##### a. Interest rate risk

The Corporation's exposure to market interest rates relates primarily to the Corporation's long-term interest-bearing liabilities and funds invested on the money market. The interest rate on the Corporation's long-term interest-bearing liabilities is fixed and therefore the Corporation is not exposed to any material interest rate risk.

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.

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

	Weighted average interest rate %	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non- interest bearing \$'000
<b>2022</b>					
<b>Financial assets</b>					
Cash and deposits	1.00%	4,747	-	4,747	-
Contractual and statutory		1,855	-	-	1,855
Private Schemes		48	-	-	48
Other Receivables		897	-	-	897
Investment in Zero Emissions Water (ZEW) Ltd		5	-	-	5
Derivatives financial instrument		99	-	-	99
<b>Total financial assets</b>		<b>7,651</b>	<b>-</b>	<b>4,747</b>	<b>2,904</b>
<b>Financial liabilities</b>					
Payables		5,386	-	-	5,386
Contract liabilities		1,902	-	-	1,902
Derivatives financial instrument		-	-	-	-
Loans from Treasury Corporation of Victoria (TCV)	2.72%	16,000	16,000	-	-
<b>Total financial liabilities</b>		<b>23,288</b>	<b>16,000</b>	<b>-</b>	<b>7,288</b>

	Weighted average interest rate %	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non- interest bearing \$'000
<b>2021</b>					
<b>Financial assets</b>					
Cash and deposits	0.25%	4,046	-	4,046	-
Contractual and statutory		2,139	-	-	2,139
Private Schemes		70	-	-	70
Other Receivables		326	-	-	326
Investment in Zero Emissions Water (ZEW) Ltd		5	-	-	5
<b>Total financial assets</b>		<b>6,586</b>	<b>-</b>	<b>4,046</b>	<b>2,540</b>
<b>Financial liabilities</b>					
Payables		4,442	-	-	4,442
Contract liabilities		1,363	-	-	1,363
Derivatives financial instrument		120	-	-	120
Loans from Treasury Corporation of Victoria (TCV)	2.71%	15,000	15,000	-	-
<b>Total financial liabilities</b>		<b>20,925</b>	<b>15,000</b>	<b>-</b>	<b>5,925</b>

### 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 Corporation's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five-year period, with all variables other than the primary risk variable held constant. The Corporation cannot be expected to predict movements in market rates and prices. Sensitivity analyses shown are for illustrative purposes only. A movement of 50 basis points up and down (50 basis points up and down) in market interest rates (AUD) is 'reasonably possible'.

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

	Carrying amount \$'000	Profit or Loss		Equity	
		-100 basis points \$'000	+100 basis points \$'000	-100 basis points \$'000	+100 basis points \$'000
<b>2022</b>					
Cash and deposits	4,747	(47)	47	-	-
Interest bearing liabilities	16,000	(160)	160	-	-
<b>Total</b>	<b>20,747</b>	<b>(207)</b>	<b>207</b>	<b>-</b>	<b>-</b>
	Carrying amount \$'000	-50 basis points \$'000	+50 basis points \$'000	-50 basis points \$'000	+50 basis points \$'000
<b>2021</b>					
Cash and deposits	4,046	(20)	20	-	-
Interest bearing liabilities	15,000	(75)	75	-	-
<b>Total</b>	<b>19,046</b>	<b>(95)</b>	<b>95</b>	<b>-</b>	<b>-</b>

As at 30 June 2022, if interest rates changed by +/- 100 basis points from the year end rates with all other variables held constant, post-tax profit would have been \$0.207 million lower / higher (2020/21: 0.095 million at +/- 50 basis points) as a result of lower / higher interest expense from variable interest rate borrowings.

#### b. 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.

#### c. Price risk

The Corporation uses the Contract for Difference derivative financial instrument to manage energy related commodities purchased in the normal course of business, and therefore entered into this PPA to minimise a portion of the price risk to the Corporation.

## 7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

### 7.2.1 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.

### 7.2.2 Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or
- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
  - the amount of the obligations cannot be measured with sufficient reliability.

The Corporation has no contingent assets or liabilities to disclose in this reporting period (2021: \$0 contingent assets).

## 7.3 Fair value determination

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

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

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through operating result or OCI;
- land, buildings, infrastructure, plant and equipment;
- investment properties; and
- 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 Corporation, in conjunction with VGV and Herron Todd White Valuers, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

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 non-financial physical assets (refer to Note 7.3.1) and derivatives (refer to Note 7.3.2).



## 7.3.1 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
<b>2022</b>				
Land at fair value				
Specialised land	13,324	-	-	13,324
Non-specialised land	4,937	-	4,937	-
<b>Total of land at fair value</b>	<b>18,261</b>	<b>-</b>	<b>4,937</b>	<b>13,324</b>
Buildings at fair value				
Specialised buildings	2,394	-	-	2,394
<b>Total of buildings at fair value</b>	<b>2,394</b>	<b>-</b>	<b>-</b>	<b>2,394</b>
Plant and equipment at fair value				
Motor vehicles	1,237	-	-	1,237
Plant and equipment	592	-	-	592
Office equipment	536	-	-	536
<b>Total of plant and equipment at fair value</b>	<b>2,365</b>	<b>-</b>	<b>-</b>	<b>2,365</b>
Water infrastructure at fair value				
Water infrastructure	251,127	-	-	251,127
<b>Total of water infrastructure</b>	<b>251,127</b>	<b>-</b>	<b>-</b>	<b>251,127</b>
Wastewater infrastructure at fair value				
Wastewater infrastructure	264,920	-	-	264,920
<b>Total of wastewater infrastructure</b>	<b>264,920</b>	<b>-</b>	<b>-</b>	<b>264,920</b>
<b>Total</b>	<b>539,067</b>	<b>-</b>	<b>4,937</b>	<b>534,130</b>
	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
<b>2021</b>				
Land at fair value				
Specialised land	11,793	-	-	11,793
Non-specialised land	4,399	-	4,399	-
<b>Total of land at fair value</b>	<b>16,192</b>	<b>-</b>	<b>4,399</b>	<b>11,793</b>
Buildings at fair value				
Specialised buildings	2,469	-	-	2,469
<b>Total of buildings at fair value</b>	<b>2,469</b>	<b>-</b>	<b>-</b>	<b>2,469</b>
Plant and equipment at fair value				
Motor vehicles	1,285	-	-	1,285
Plant and equipment	665	-	-	665
Office equipment	582	-	-	582
<b>Total of plant and equipment at fair value</b>	<b>2,532</b>	<b>-</b>	<b>-</b>	<b>2,532</b>
Water infrastructure at fair value				
Water infrastructure	276,721	-	-	276,721
<b>Total of water infrastructure</b>	<b>276,721</b>	<b>-</b>	<b>-</b>	<b>276,721</b>
Wastewater infrastructure at fair value				
Wastewater infrastructure	246,151	-	-	246,151
<b>Total of wastewater infrastructure</b>	<b>246,151</b>	<b>-</b>	<b>-</b>	<b>246,151</b>
<b>Total</b>	<b>544,065</b>	<b>-</b>	<b>4,399</b>	<b>539,665</b>

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

Although it is intended that asset valuations will be based on a five year cycle, FRD 103 Non financial physical assets requires entities to perform annual fair value assessments for each class of non financial physical assets to determine whether additional revaluations need to be undertaken between revaluation cycles. Management perform interim valuations when the triggers of FRD103 are met.

#### **Non-specialised land and non-specialised buildings**

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

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

The Corporation conducted an assessment at 30 June 2022 with a material movement of 12.78% identified for the land asset class since the 2021 valuation resulting in a managerial revaluation being conducted.

To the extent that non-specialised land and non-specialised buildings do not contain significant, unobservable adjustments, these assets are classified as Level 2 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 independent valuation firm Opteon. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2021.

The Corporation conducted an assessment at 30 June 2022 with a material movement of 12.78% identified for the land asset class since the 2021 valuation resulting in a managerial revaluation being conducted.

#### **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.

## Infrastructure assets

Infrastructure assets are valued using the current replacement cost method less all forms of obsolescence and depreciation. This cost represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the current replacement cost calculation. However, for some heritage and iconic assets, the cost may be the reproduction cost rather than the replacement cost if those assets' service potential could only be replaced by reproducing them with the same materials.

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

An independent valuation of the Corporation's water and sewer infrastructure was carried out by Herron Todd White on behalf of the Valuer General Victoria. These assets are classified as level 3 fair value as the lowest level input, the absence of an active market, has a significant impact on the fair value which is unobservable.

The Corporation conducted a managerial assessment on water and sewer infrastructure at 30 June 2022 with no material movement identified since the 2021 valuation.

### Description of significant unobservable inputs to Level 3 valuations

2021 and 2022		Valuation technique	Significant unobservable inputs
<b>Specialised and non-specialised land</b>			
Land		Market approach	Community Service Obligation (CSO) adjustment (0% to 30%)
<b>Specialised buildings</b>			
Buildings (46 in total)	\$54,436.68 per asset 45 - 50 years	Current replacement cost	Average cost per asset Useful life of Buildings
<b>Infrastructure - Sewer Collection</b>			
Sewer Reticulation Mains (740,090 meter)	\$246 per metre 65 - 90 years	Current replacement cost	Cost per metre Useful life of the Infrastructure
Sewer pump stations (126 in total)	\$145,489 per unit 20 - 80 years	Current replacement cost	Cost per unit Useful life of the Infrastructure
<b>Infrastructure - Sewer Treatment</b>			
Wastewater treatment plant (11 in total)	\$3,449,798 per unit 20 - 120 years	Current replacement cost	Cost per unit Useful life of the Infrastructure
Reuse farm facilities (13 in total)	\$2,395,850 per unit 20 - 350 years	Current replacement cost	Cost per unit Useful life of the Infrastructure
<b>Infrastructure - Water Distribution</b>			
Reticulation Mains (988,970 meter)	\$160 per metre 65 - 90 years	Current replacement cost	Cost per metre Useful life of the Infrastructure
Water storage facility (tank / storage) (78 in total)	\$966,291 per unit 20 - 350 years	Current replacement cost	Cost per unit Useful life of the Infrastructure
Water pump stations (37 in total)	\$200,921 per unit 20 - 90 years	Current replacement cost	Cost per unit Useful life of the Infrastructure
<b>Infrastructure - Water Treatment</b>			
Water treatment plants (8 in total)	\$1,992,728 per unit 20 - 80 years	Current replacement cost	Cost per unit Useful life of the Infrastructure
<b>Motor vehicles</b>			
Motor vehicles (69 Units)	\$38,364 per unit 6 - 8 years	Depreciated replacement cost	Cost per unit Useful life of the Vehicles
<b>Plant and equipment</b>			
Plant and equipment (951 Units)	\$4,303 per unit 2 - 7 years	Depreciated replacement cost	Cost per unit Useful life of the Plant & Equipment
<b>Office equipment</b>			
Office equipment (1007 Units)	\$3,294 per unit 2 - 20 years	Depreciated replacement cost	Cost per unit Useful life of the Office Equipment
(1007 Units)	2 - 20 years		Useful life of the Office

**7.3.2 Fair value determination – Financial instruments**

2022	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
<b>Derivative financial assets at fair value</b>				
Derivative instrument - Zero Emissions Water	99	-	-	99
<b>Total Derivative financial assets at fair value</b>	<b>99</b>	<b>-</b>	<b>-</b>	<b>99</b>
<b>Derivative financial liabilities at fair value</b>				
Derivative instrument - Zero Emissions Water	-	-	-	-
<b>Total Derivative financial liabilities at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

2021	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
<b>Derivative financial liabilities at fair value</b>				
Derivative instrument - Zero Emissions Water	120	-	-	120
<b>Total Derivative financial liabilities at fair value</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>120</b>

**Derivative financial liabilities**

The fair value of derivative instruments is based on the discounted cash flow technique. The selection of variables requires significant judgement and assumptions in estimating the fair value of derivatives. In the absence of an active market, the fair value of the Corporation's CfD derivative is valued using unobservable inputs such as future wholesale electricity prices provided by DELWP's independent advisor and comparable risk free rates of zero coupon government bonds obtained from the Reserve Bank of Australia. The assumptions underpinning the estimate of future wholesale electricity prices included factors influencing supply and demand fluctuations, and the economic impact of coronavirus (COVID-19). In addition, assumptions are applied to forecast the renewable energy generation volumes over the life of the derivative instrument.

To the extent that the significant inputs are unobservable, the Corporation categorises these derivatives as Level 3 within the fair value hierarchy.

A reconciliation from the opening balances to the closing balances for fair value measurements is set out within the following table categorised within Level 3 of the fair value hierarchy for financial instruments, disclosing separately changes during the period.

	Derivative financial instrument \$'000
<b>2022</b>	
<b>Opening balance</b>	(120)
Initial recognition of derivative financial instruments	
Gains/(losses) recognised in profit or loss	219
Net cash settlements paid/(received)	-
<b>Closing balance</b>	<b>99</b>
<b>2021</b>	
<b>Opening balance</b>	-
Initial recognition of derivative financial instruments	(120)
Gains/(losses) recognised in profit or loss	-
Net cash settlements paid/(received)	-
<b>Closing balance</b>	<b>(120)</b>

**Description of significant unobservable inputs to Level 3 valuations**

	Valuation technique	Significant unobservable inputs	2022 range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
		Wholesale electricity price forecasts	\$34.05/MWh to \$130.95/MWh (\$82.50/MWh)	An increase/ (decrease) in the wholesale electricity price forecasts of 10% would result in an increase/ (decrease) fair value by \$0.048 million.
<b>Derivative financial instruments</b>	Income approach (discounted cash flow)	Discount rate – risk free rates of zero coupon government bonds	0.0185% to 1.7853% (0.6838%)	An increase/ (decrease) in the discount rate of 1% would result in an increase/ (decrease) fair value by \$0.001 million.
		Credit value adjustment – Australian Corporate Bond Spreads and Yields FNFSBBB10M	136.34	An increase/ (decrease) in the credit value adjustment of 1% would result in an increase/ (decrease) fair value by \$0.001 million.

**NOTE 8 - STATUTORY OBLIGATIONS****Introduction**

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

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

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

**Change in tax rate**

The standard corporate income tax rate applicable to entities meeting the definition of base rate entities changed from 26% to 25%, effective from 1 July 2021.

The income tax expense for the financial year differs from the amount calculated on the net result. The differences are reconciled as follows:

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Income statement</b>		
Current income tax expense	1,237	1,460
<b>Deferred income tax expense</b>		
Temporary differences	(1,777)	1,561
Adjustment - tax rate change	(498)	(3,601)
<b>Income tax reported in the Income Statement</b>	<b><u>(1,038)</u></b>	<b><u>(580)</u></b>
Income tax payable	1,237	1,460
NTER instalments paid	(2,598)	(2,246)
<b>Income tax receivable at 30 June</b>	<b><u>(1,361)</u></b>	<b><u>(786)</u></b>
<b>Tax reconciliation</b>		
Net result before income tax expense	(2,181)	(78)
Tax at the Australian tax rate of 25% (2021: 26%)	(545)	(20)
Impact of change in tax rate	(502)	(561)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	2	2
Infringement	2	-
(Over)/under provision in previous year	5	-
<b>Income tax on loss before tax</b>	<b><u>(1,038)</u></b>	<b><u>(579)</u></b>

**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.

<b><u>Deferred tax assets</u></b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Amounts recognised in Comprehensive Operating Statement</b>		
Employee benefits - long service leave	524	492
Employee benefits - annual leave	256	245
Revenue in advance	-	23
Book differences in building	90	91
Doubtful debts	79	82
Audit fee accrued	7	11
Superannuation accrued	10	11
Tree planting	-	3
ZEW financial derivative	-	31
Employee benefits - banked leave	24	-
<b>Total deferred tax assets</b>	<b>990</b>	<b>989</b>
<b>Movements</b>		
Opening balance at 1 July	989	1,062
Credited/(debited) to the Comprehensive Operating Statement	1	(73)
<b>Ending balance at 30 June</b>	<b>990</b>	<b>989</b>
<b><u>Deferred tax liabilities</u></b>		
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Amounts recognised in Comprehensive Operating Statement</b>		
Cumulative depreciation and amortisation	5,385	7,360
Prepayment	12	-
ZEW financial derivative	25	-
<b>Amounts recognised directly in equity</b>		
Revaluation of infrastructure property, plant and equipment	86,181	89,178
<b>Total deferred tax liabilities</b>	<b>91,603</b>	<b>96,538</b>
<b>Movements</b>		
Opening balance at 1 July	96,538	78,430
Debited to the net result	(2,275)	(2,111)
Debited to the other comprehensive income	(2,660)	20,219
<b>Ending balance at 30 June</b>	<b>91,603</b>	<b>96,538</b>
<b>Net deferred tax Liabilities reconciled to Balance Sheet</b>	<b>90,613</b>	<b>95,549</b>



## 8.2 Environmental contributions

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

The purpose of the environmental contribution is set out in the Act, and the funding may be used for the purpose of funding 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 contributions expense

	2022 \$'000	2021 \$'000
Environmental contribution levy	<u>1,654</u>	<u>1,654</u>

**NOTE 9 - OTHER DISCLOSURES****Introduction**

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

**9.1 Asset revaluation surplus**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Physical asset revaluation surplus		
Balance at beginning of financial year	253,813	182,191
Movement due to change in tax rate	3,177	71,622
Revaluation increments/(decrements)	1,552	-
<b>Balance at end of financial year</b>	<b><u>258,542</u></b>	<b><u>253,813</u></b>

**9.2 Other economic flows included in net results**

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include the gains or losses from:

- The revaluation gain or loss on the fair value of derivative financial instrument.

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net (gain)/loss on financial instruments</b>		
Net (gain)/loss arising from derivatives for ZEW transactions - prior year	22	-
Net (gain)/loss arising from derivatives for ZEW transactions	(241)	125
<b>Net (gain)/loss on financial instruments</b>	<b><u>(219)</u></b>	<b><u>125</u></b>
<b>Total other (gains)/losses from other economic flows</b>	<b><u>(219)</u></b>	<b><u>125</u></b>

**(Gain)/Loss on the fair value of derivative financial instrument represents the movement in the fair value** of the financial instrument compared to initial recognition. This net gain/loss reflects a positive/negative fair value movement in the Corporation's electricity derivative in the PPA as a result of higher/lower floating electricity prices. Any gain/loss is recognised as an other economic flow included in net result.

**9.3 Events occurring after the balance date**

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

## 9.4 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 the Corporation are as follows:

Name	Title	Period of appointment
The Hon. Lisa Neville MP	Minister for Water	1 July 2021 to 27 June 2022
The Hon. Harriet Shing MP	Minister for Water	27 June 2022 to 30 June 2022
The Hon. Richard Wynne MP	Acting Minister for Water	1 July 2021 to 22 August 2021
Therese Tierney	Chairperson	1 July 2021 to 30 June 2022
Angela Hutson	Deputy Chairperson	1 July 2021 to 30 June 2022
Michelle McLean	Director	1 July 2021 to 30 June 2022
Ian Gibson	Director	1 July 2021 to 30 June 2022
Stephen Bird	Director	1 July 2021 to 30 September 2021
Susan Taylor	Director	1 July 2021 to 30 September 2021
Timothy Weight	Director	1 July 2021 to 30 September 2021
Kate Young	Director	1 October 2021 to 30 June 2022
Andrew Webster	Director	1 October 2021 to 30 June 2022
Steven Wright	Director	1 October 2021 to 30 June 2022
Tricia Hiley	Director	1 October 2021 to 30 June 2022
Steve McKenzie	Managing Director	1 July 2021 to 30 June 2022

### Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of the Corporation during the reporting period was in the range: \$290K - \$300K (\$290K - \$300K in 2020/21).

	2022	2021
\$0 - \$9,999	3	-
\$10,000 - \$19,999	4	-
\$20,000 - \$29,999	3	6
\$50,000 - \$59,999	1	1
\$290,000 - \$299,999	1	1
<b>Total remuneration</b>	<b>12</b>	<b>8</b>

## 9.5 Remuneration of executives

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

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

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

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

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

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

	2022	2021
	\$'000	\$'000
<b>Remuneration of executive officers</b>		
Short-term employee benefits	803	909
Post-employment benefits	134	88
Other long-term benefits	216	13
<b>Total remuneration</b>	<u>1,153</u>	<u>1,010</u>
<b>Total number of executives</b>	<u>8</u>	<u>5</u>
<b>Total annualised employee equivalents</b>	<u>4.5</u>	<u>5</u>

## 9.6 Related parties

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

Related parties of the Corporation include:

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

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

### Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Key management personnel includes the Portfolio Minister and all Directors listed under responsible persons in note 9.4 who have the authority and responsibility for planning, directing and controlling the activities of the Corporation directly or indirectly, during the financial year.

### Remuneration of Key Management Personnel

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported in the State's annual financial report.

	2022	2021
	\$'000	\$'000
<b>Compensation of Key Management Personnel</b>		
Short-term employee benefits	474	457
Post-employment benefits	47	43
<b>Total remuneration</b>	<u>521</u>	<u>500</u>

## Significant transactions with government-related entities

The Corporation received funding and made payments of \$6.411 million (2021: \$2.618 million) and \$7.246 million (2021: \$3.383 million) respectively to government related entities.

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

		2022	2021
		\$'000	\$'000
<b><u>Government-related entity receipts</u></b>			
<b>Entity name</b>	<b>Brief description of main activity</b>		
Department of Environment, Land, Water and Planning	Grants, secondments	-	65
Department of Environment, Land, Water and Planning	Treasurer's advance	-	664
State Revenue Office	Concessional rebates	245	149
Department of Health and Human Services	Claims - Pensioner and Health Care Card	2,034	2,404
Treasury Corporation of Victoria (note 6.1 and 6.2)	Borrowings	4,000	-
Gunaikurnai Land & Waters Aboriginal Corporation	Secondment	67	-
<b><u>Government-related entity receivables</u></b>			
<b>Entity name</b>	<b>Brief description of main activity</b>		
Department of Environment, Land, Water and Planning	Treasurer's advance, secondments	-	-
Department of Health and Human Services	Claims - Pensioner and Health Care Card	250	3
State Revenue Office	Concessional rebates	-	-
Greater Western Water	Employee benefit transfer	183	-
Gunaikurnai Land & Waters Aboriginal Corporation	Secondment	18	-
<b><u>Government-related entity payments</u></b>			
<b>Entity name</b>	<b>Brief description of main activity</b>		
State Revenue Office	Payroll tax	142	123
Department of Environment, Land, Water and Planning	Environmental Contribution	1,654	1,654
Department of Environment, Land, Water and Planning	Monitoring, imagery, licences, valuation fee	36	58
Department of Health and Human Services	Drinking Water levy	12	39
Department of Treasury and Finance	Financial Accommodation Levy	106	104
Department of Treasury and Finance	NTER	1,812	-
East Gippsland Catchment Management Authority	GEA membership	2	19
East Gippsland Catchment Management Authority	Employee benefit transfer	21	-
East Gippsland Catchment Management Authority	Secondment	63	-
Vic Roads	Watermain contribution, Registrations	37	37
Environment Protection Authority	Licence fees and levies	-	28
Zero Emissions Water (ZEW)	Management fees, loan	3	10
Essential Services Commission	Water & Sewerage Recovery Fee 2020/21	53	24
Treasury Corporation of Victoria (note 6.1 and 6.2)	Investment and Borrowings	3,305	1,287
<b><u>Government-related entity payables</u></b>			
<b>Entity name</b>	<b>Brief description of main activity</b>		
State Revenue Office	Payroll Tax	3	10
Department of Treasury and Finance	Financial Accommodation Levy	22	32
Treasury Corporation of Victoria (note 6.1 and 6.2)	Investment and Borrowings	16,009	15,012
Department of Environment, Land, Water and Planning	Monitoring, imagery, licences	12	-
East Gippsland Catchment Management Authority	GEA membership	-	2

## Transactions with key management personnel and other related parties

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

Outside of normal citizen type transactions with the Corporation, there were no related party transactions that involved key management personnel and their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

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

**Zero Emission Water (ZEW) Power Purchase Agreement**

ZEW is a related party of the Corporation. Below is a summary of transactions and holdings with ZEW.

	Note	2022 \$'000	2021 \$'000
Receipts		8	14
Payments		22	5
Loan to/from ZEW	5.5	5	5

**9.7 Remuneration of auditors**

	2022 \$'000	2021 \$'000
<b>Victorian Auditor General's Office</b>		
Audit or review of the financial statements	42	41
<b>Total remuneration of auditors</b>	<u>42</u>	<u>41</u>

**9.8 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.

**Impact of change in accounting policy**

For the current year, \$0 of costs that would previously have been capitalised (under AASB 138 Intangible assets) were expensed. Cash outflows of \$0 were included in payments to suppliers and employees in the Statement of Cash Flows that previously would have been included as payments to acquire intangible assets.

**9.9 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 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current	Amends AASB 101 to require a liability to be classified as current when companies do not have a substantive right to defer settlement at the end of the reporting period.	1 January 2023	The assessment has indicated that there is no significant impact on the Corporation
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	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 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 Provisions, Contingent Liabilities and Contingent Assets - to specify the costs that an entity includes when assessing whether a contract will be loss-making. AASB 141 Investment Property-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	The assessment has indicated that there is no significant impact on the Corporation



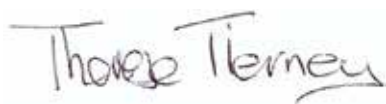
# Accountable Officers and Chief Finance and Accounting Officer's Declaration for 2021/22

The attached financial statements for East Gippsland Region Water Corporation have been prepared in accordance with Standing Direction 5.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2022 and 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 20 September 2022.



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Therese Tierney  
Chairperson  
East Gippsland Region Water Corporation



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Steve McKenzie  
Managing Director  
East Gippsland Region Water Corporation



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Mathew Scott  
Chief Finance & Accounting Officer  
East Gippsland Region Water Corporation

# Independent Auditor's Report

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

<b>Opinion</b>	<p>I have audited the financial report of the East Gippsland Region Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2022</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• declaration in the financial statements.</li> </ul> <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 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>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the financial report</b>	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

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

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

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

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

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

---

MELBOURNE  
3 October 2022



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

# Disclosure Index

The Annual Report of the East Gippsland Region Water Corporation is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the corporation's compliance with statutory disclosure requirements.

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# Glossary

ASR	Aquifer Storage and Recovery
BE	Bulk Entitlement
CGSWS	Central and Gippsland Sustainable Water Strategy
DAP	District Action Plan
DEPI	Department of Environment and Primary Industries
DELWP	Department of Environment, Land, Water and Planning
DH	Department of Health
DHHS	Department of Health and Human Services
DTF	Department of Treasury and Finance
EGCMA	East Gippsland Catchment Management Authority
EPA	Environment Protection Authority
EWOV	Energy and Water Ombudsman Victoria
FoI	Freedom of Information
FTE	Full Time Equivalent
GL	Gigalitre - one billion litres
GLaWAC	Gunaikurnai Land and Waters Aboriginal Corporation
GSL	Guaranteed Service Level
H&S	Health & Safety
kL	Kilolitre - one thousand litres
L	Litre
LGC	Large Generation Certificate
ML	Megalitre - one million litres
MPSG	Major Project Skills Guarantee
NATA	National Association of Testing Authorities
PEER	Public Entity Executive Remuneration
OVIC	Office of the Victorian Information Commissioner
SCADA	Supervisory Control and Data Acquisition
t CO <sub>2</sub> –e	tonnes of CO <sub>2</sub> equivalent
VGRMF	Victorian Government Risk Management Framework
VIPP	Victorian Industry Participation Policy
VPDSF	Victorian Protective Data Security System
WSAA	Water Services Association of Australia







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