

WANNON WATER

Annual Report

19/20



Acknowledgement



Image: Lake Condah is traditionally known as Tae Rak and is the heart of Gunditjmara country.

Wannon Water and the Victorian Government proudly acknowledge Victoria's Aboriginal communities and their rich culture and pays their respects to their Elders past and present.

We recognise the intrinsic connection of Traditional Owners to Country and acknowledge their contribution to the management of land, water and resources.

We acknowledge Aboriginal people as Australia's first peoples and as the Traditional Owners and custodians of the land and water on which we rely.

We recognise and value the ongoing contribution of Aboriginal people and communities to Victorian life and how this enriches us. We embrace the spirit of reconciliation, working towards the equality of outcomes and ensuring an equal voice.

Pareeyt Poondee-teeyt

– Water is Life Dhauwurd Wurrung language group

Pa poonteeyt paman paman

– And life is sacred Keerray Wurrung language group

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On our cover: Cudjee Primary School student Grace Knoll-Miller won the year 5/6 state prize in the 2019 National Water Week poster competition with her colourful poster illustrating the theme "It's Time to Change the World".

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Section 1: Overview

2019/20 Snapshot

23,500
square km
region

31
million litres of
drinking water
provided to
customers
each day

100,400
regional
population

1,980
kilometres
of water
mains

\$5.8
billion in
gross regional
product

950
kilometres
of sewer
mains

27
million litres of
sewage & trade
waste treated
each day





1,773
megalitres of
water recycled
for re-use
each year

\$32
million worth
of capital
works

34
towns
served

200
FTE
employees

167
litres average
residential
consumption
per person
per day

43,603
water
customers

37,321
sewerage
customers



Responsible body declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present Wannon Water's Annual Report for the year ending 30 June 2020.



Jacinta Ermacora
Chair
Wannon Water
18 September 2020

Manner of establishment

Wannon Water (Wannon Region Water Corporation) is a regional urban water corporation wholly owned by the Victorian State Government and constituted under the *Water Act 1989* as a statutory corporation in July 2005.

Responsible Minister

The responsible Minister from 1 July 2019 to 30 June 2020 was the Hon. Lisa Neville MP, Minister for Water.

A message from the Chair and Managing Director

As a Board, our key concern is ensuring the organisation has the resilience to live up to our new purpose – to deliver water and sewerage services and improve the lives of people in south-west Victoria.

It was therefore gratifying to witness the strength Wannon Water demonstrated in rising to the ongoing challenges of the coronavirus (COVID-19) pandemic from March 2020. Like many organisations across the globe, this crisis caused a significant shift in the way our business operates as we work to safeguard the health and wellbeing of our employees and the community while ensuring the reliable delivery of water and sewer services across our region.

Our operation and maintenance teams adapted to new ways of working around the clock to keep customers supplied with water and treat their sewage and trade waste. The majority of our office-based teams transitioned to a different environment, using digital technology to keep in touch and continue their roles and responsibilities by working from home or another site. We thank our employees for their ability to dramatically change the way they work and for their commitment to safety for themselves and our community.

The ongoing impact for some of our customers is likely to be significant and we expect this to continue for some time. We're here to listen to people who find themselves in a situation they didn't expect to be in and support them wherever possible. We have bolstered our payment support program to include customers impacted by COVID-19.

At the heart of our thinking is Wannon Water's strategic direction – beyond water for strong communities – which is integral to the way we approach our daily work.

We have embedded customer engagement as a regular activity throughout the year, seeking feedback on the quality of our services, our costs and our planned projects to understand what's important to them and



Board Chair Jacinta Ermacora and Managing Director Andrew Jeffers.
Note: This photograph was taken before social distancing measures were in place.

what they regard as value for money. This helps to shape the priorities in our annual Corporate Plan, with strategic planning, and the development of our five-yearly Price Submission.

The results of this work are reflected in our annual customer survey which showed that overall satisfaction with Wannon Water increased significantly in 2020, with 55 percent of respondents saying they were very satisfied compared to 47 percent last year.

Four in five customers were open to hearing more from Wannon Water, especially about how we are safeguarding water resources for the future and how we maintain water quality. Concerns about water security were also evident in our annual engagement cycle, primarily due to the visible impact of drought in many other parts of Australia.

In the next 12 months we will act on this feedback. Our ambition is that our customers have water that is not just safe and secure, but is also aesthetically acceptable, particularly in some of the towns where drinking water is sourced from deep groundwater supplies. We will also continue to educate our community about the risks of climate change, water efficiency and the need to Target Your Water Use, particularly through our popular school education program.

Our strategic direction is also reflected in the important, long-term relationships that we have established with government and regulators, and our ongoing partnerships with industry bodies (e.g. the Water Industry Operators' Association, VicWater and Catchment Management Authorities) and regional organisations (e.g. local councils, health and welfare agencies and tertiary providers).

As one of south-west Victoria's largest regional organisations, we believe that leading by example is the right thing to do in positioning our region as a great place to live, work and invest.

We have been involved in the development of the Great South Coast Economic Futures Report, identifying seven high value pathways that have the highest prospect for enhanced economic investment and job creation in our region. The pathways build on south-west Victoria's natural strengths of agriculture, energy, fisheries and aquaculture, minerals, higher education, research and development, and tourism. The next stage is to create implementation plans in each area and promote our secure water resources to private sector investors.

Wannon Water has a strong track record as an environmentally sustainable business and we are committed to enhancing our environmental performance through climate change mitigation and adaption.

A highlight this year was the official opening of our Portland wind turbine by the Member for Western Victoria, the Honorable Gayle Tierney, representing the Minister for Water Lisa Neville. The project is an excellent example of how innovative thinking can deliver multiple benefits for our customers, the environment, and the

communities we serve. Portland has now become the first Australian city to achieve net-zero-plus emissions from locally generated renewable power at its water and sewage treatment facilities. The turbine will not only help the environment, but provide future savings for customers with the \$4.2 million capital cost paid back within 10 years through reduced power bills.

The successful commissioning of the turbine was a major step forward in our pledge to achieve net-zero carbon emissions by 2050, with an interim target of reducing emissions by 40 per cent by 2025. The next project is the construction of a floating solar energy system on Brierly Basin in north Warrnambool. The 500-kilowatt system will be the largest floating solar array in Australia with 1,200 panels and the first of its type for the national water sector.

The planning and approvals process for our biggest-ever project, the \$40 million upgrade of the Warrnambool Sewage Treatment Plant, continues. This self-funded project will increase the plant's capacity to manage demand for sewage and wastewater treatment now and until 2040, and foster growth in the region. It is the first step as part of a long-term strategy and will enable future improvements at the site, such as enhanced nutrient removal, potential tertiary treatment, and/or the production of recycled water for commercial reuse when the market timing is right.

We achieved a net profit before tax of \$6.75 million, with revenue totalling \$82 million and expenses \$75.3 million. Nearly \$32 million of capital works was completed to enhance the delivery of our services and to cater for the region's growth.

The Minister for Water Lisa Neville announced the appointment of Dr Susan Brumby and Dr Adrian Panow to the Board, effective from 1 October 2019. They have replaced Rob Wallis, who retired after 12 years on the Board, and Georgina Gubbins, who served eight years. We would like to acknowledge the contribution that Rob and Georgina have made and we thank them for their dedication and commitment to Wannon Water.

We acknowledge the dedication and achievements of our employees in such a challenging year. Feedback from our customers is that our staff are highly professional, easy to deal with, responsive and efficient.

Looking ahead to 2020/21, we are confident our people and our partners will continue to deliver well for our customers and communities.



Jacinta Ermacora
Chair



Andrew Jeffers
Managing Director

Wannon Water's vital role

Each day across the south-west of Victoria we deliver clear, fresh drinking water to our customers. We also take away sewage and trade waste, which we treat and return safely to the environment.

As a key regional organisation, Wannon Water also strives to be an influential community partner, contributing to the wellbeing and prosperity of the region as a whole. Wannon Water - beyond water for strong communities.

NATURE AND RANGE OF SERVICES PROVIDED

Wannon Water is an entity that delivers government objectives and priorities, primarily within the context of the *Water Act 1989*, as well as the policy directions set out in *Water for Victoria*.

We are Victoria's second largest regional urban water corporation by area, covering 23,500 square kilometres and a total population of 100,400. Our region, the Great South Coast, extends from the Otway Ranges to the South Australian border.

We provide services to 34 towns, including residential, commercial, industrial and rural customers. Our primary functions (within our service districts) are to:

- Provide, manage, operate and protect water supply systems, including the collection, storage, treatment, transfer and distribution of water
- Provide, manage and operate systems for the conveyance, treatment and disposal of sewage and, if we so decide, of trade waste
- Identify community needs relating to water supply and sewerage services, and to plan for the future needs of the community relating to water supply and sewerage services
- Develop and implement programs for the conservation and efficient use of water, and for the recycling and reuse of treated wastewater
- Investigate, promote and conduct research into any matters which relate to our functions
- Educate the community about our functions.

“ Just wanted to say a massive thank you for your swift, quality response today. Our backyard got flooded with sewage from a blocked main due to works from our back neighbour. Your guys were there within an hour, rectified the issue and then even cleaned up the mess. We could not be happier with the service. Please pass on our thanks to the two guys who assisted us. Great stuff!! Cheers – Luke.

Water sources

Wannon Water supplies water from a diverse range of water sources, including surface water catchments, deep geothermal and shallow groundwater aquifers.

System	Source	Towns Supplied
Otway	Gellibrand River catchment and groundwater (this system is supplemented by the Warrnambool Roof Water Harvesting Scheme)	Warrnambool, Simpson, Cobden, Camperdown, Glenormiston, Lismore, Derrinallum, Terang, Mortlake, Purnim, Allansford and Koroit
Grampians	Streams in the southern Grampians catchment (this system is supplemented by water piped from Rocklands Reservoir as required)	Hamilton, Cavendish, Dunkeld and Tarrington
Balmoral	Rocklands Reservoir	Balmoral
Glenthompson	A local catchment and groundwater	Glenthompson
Dilwyn	Dilwyn Aquifer	Dartmoor, Heywood, Peterborough, Port Campbell, Port Fairy, Portland and Timboon
Tullich	Tullich borefield	Casterton, Coleraine, Sandford and Merino
Other	Local aquifers	Penshurst, Caramut, Macarthur and Darlington

Customers

Our customer base is composed of 85 per cent residential customers, 11 per cent business customers and 4 per cent rural customers connected to the water supply.

Customer segment	Number of customers connected	Total water consumption (megalitres)	Percentage of total consumption	5-year average consumption (megalitres)	Average consumption per customer 2019/20 (kilolitres)
Residential	37,176	5,248	46%	5,283	141
Business	4,641	4,841	42%	4,859	1,043
Rural	1,786	1,381	12%	1,498	773
Total	43,603	11,470	100%	11,640	263*

*NOTE – The average consumption per customer figure covers all customer segments including seven major industries who each use more than 100 megalitres per year.

Growth

We provide water services to a total of 43,603 residential, commercial, industrial and rural customers across 34 customer zones. The total growth in the number of water customers was 0.7 per cent in 2019/20, with 301 new customers connected to a reticulated water service.

We provide sewerage services to a total of 37,321 residential, commercial and industrial customers across 16 sewerage systems. The total growth in the number of sewerage customers was 0.8 per cent in 2019/20, with 283 new customers connected to a reticulated sewerage service.

Section 2: Our purpose and strategic direction



To deliver water and sewerage services and improve the lives of people in south-west Victoria



OUR FOCUS IS ON:

Value for customers

Stronger communities

Performance culture

Business excellence

2025 OUTCOMES:



Our customers consider us great value



Our community partnerships help this region flourish



Our people are engaged, high performing and love working at Wannon Water



Our business is resilient and our practices effective

Corporate intent



Wannon Water provides secure, safe and affordable water and sewerage services that are highly valued by our customers.

Because we have established this solid foundation for our business, we are able to think beyond these traditional services with the aim of strategically partnering with other organisations to help build stronger communities in south-west Victoria.

Our strategic direction

Beyond water for strong communities

It is fundamentally important to Wannon Water now and for future generations:

- To deliver water and sewerage services
- To create value for our customers and communities
- To keep people at the centre of everything we do
- For our region to explore and fulfil its potential.

Our purpose

To deliver water and sewerage services and improve the lives of people in south-west Victoria.

Our areas of focus and priorities:

Value for our customers

- Deliver greater value and experiences for customers.
- Progress great tasting water for stronger communities projects.
- Support integrated water management in our region.

Stronger communities

- Enhance the region's natural environment and preserve cultural values.
- Act on climate change.
- Foster regional prosperity and wellbeing through our products, services and actions.
- Be intentional and strategic in our leadership, advocacy, partnership and capacity building.

Performance culture

- Be an employer of choice in Victoria.
- Advance gender diversity and Aboriginal inclusion outcomes.
- Build resilience and capabilities to enhance our current and future workforce.

Business excellence

- Maintain financial viability and optimise asset performance.
- Protect, optimise and leverage our information assets.
- Invest in digital innovation.
- Collaborate and share our experiences, knowledge and expertise.

Performance against objectives

Value for customers

✓ Met ● Partially met

KEY PROJECT/INITIATIVE	COMMENT	STATUS
Roll out <i>myWannonWater</i> and online chat	<i>myWannonWater</i> successfully implemented with more than 1,100 customers registered to June. Phone system upgraded in the first quarter and online chat being implemented.	✓
Develop a Customer Experience Strategy	Strategy endorsed by the Executive Committee in June.	✓
Progress <i>Great Tasting Water for Stronger Communities</i> projects	Three-part engagement approach developed for the primary project in Portland, Port Fairy and Heywood. Stage one engagement (authorising environment) complete. Stage two (regional stakeholders) nearing completion, with the implementation impacted by Coronavirus (COVID-19) pandemic restrictions*. Stage three engagement (public) subject to review of stage two results and endorsement to proceed by the executive and Board.	✓
Support a thriving Integrated Water Management (IWM) practitioner network and broker partnerships between different bodies working on IWM	Final stages of three IWM projects successfully delivered - Hamilton IWM Plan, Great South Coast Urban Water Atlas, and options report for adaptive wastewater solutions in Peshurst and Cudgee. State Government funding of \$350,000 secured for Albert Park roof water harvesting project. Regional IWM forum held by video conference. Practitioner network agreed on vision and established an urban drainage community of practice. Working group established to foster opportunities for collaboration with Corangamite CMA.	✓
Deliver our Community Education Plan	Planned delivery of pre-booked community education sessions impacted by coronavirus restrictions*, however some sessions delivered through online platforms. Planning underway to create accessible online resources.	✓
Review the Rural Water Surcharge	Changes to the Rural Water Surcharge system allowed customers to apply for a limit increase implemented and communicated to rural customers in June 2020.	✓

Stronger communities

KEY PROJECT/INITIATIVE	COMMENT	STATUS
Carbon Neutrality Action Plan implementation	Portland wind turbine commissioned and Brierly Basin floating solar project planning well advanced	✓
Participate in the Great South Coast Economic Futures research project	Final report released to project stakeholders in January 2020. Establishing governance structures around implementing the recommendations impacted by the coronavirus restrictions*.	✓
Building capacity to map culturally significant sites on waterways within the Budj Bim landscape	Initial conversations held between Wannon Water and Gunditj Mirring Traditional Owner Aboriginal Corporation with each organisation keen to pursue. The project has now been delivered through an alternative pathway, with Melbourne University supporting Gunditj Mirring to lidar (laser map) the terrain.	✓
<i>Ripple Effect</i> Community Grants Program	All projects across the three rounds, (community, schools and international aid) fully acquitted. Some projects required variations to their original funding agreements as a result of coronavirus restrictions*.	✓
Research piece to measure the impact of training 47 partnership brokers in our region	Working with Synergy 2030 to undertake this research. Survey work began earlier in the year, however partnership brokers' community of practice meetings put on hold as organisations reprioritised their work following coronavirus restrictions*.	✓
Lead the South West Chapter of the Thriving Communities Partnership	Wannon Water is one of the co-chairs and leaders of a working group that meets monthly to develop the chapter's governance, communication, strategy and quick wins.	✓
Warrnambool Sewage Treatment Plant Upgrade Project	Detailed design is 98% complete and tender documentation prepared. Planning application submitted, with some minor issues close to being resolved. EPA works approval submitted and the community engagement process is ongoing. New manual effluent screens, mechanical lifting gantry and automatic effluent screen installed and working well.	●

Performance culture

KEY PROJECT/INITIATIVE	COMMENT	STATUS
Deliver the Network Of Wannon Water Women (NOW!) program	NOW meets monthly. Goals associated with each of its objectives set and met or exceeded. Published regular newsletter and partnered with Brauer College, Warrnambool City Council and Women's Health & Wellbeing Barwon South West to run International Women's Day event for students in Warrnambool.	✓
Deliver cultural awareness programs	Structured and regular cultural awareness program consisted of Budj Bim and Tower Hill tours. Inclusion & Diversity Committee now reviewing new e-learn opportunities.	✓
Implement job shadowing program	Planning work began but online opportunities will now be explored due to coronavirus restrictions*. The high potential and succession planning framework will help with this objective in coming months.	●
Implementation of renewed organisational values	New values approved by the Board. Materials developed allowing senior management team members to support the roll-out across the organisation.	✓
Embedding Trakstar performance development tool	Statistics from Trakstar analysed and used for the first time to shape manager discussions prior to mid-year performance reviews. New functionality has been added to the system including high potential and engagement modules. Data outputs and employee feedback are now informing learning and development programs.	✓
Expand learning and development opportunities	Learning and development framework developed and adopted. Opportunities created for e-learning to allow for coronavirus restrictions*.	✓
Finalise and implement future workforce planning strategy	Strategy approved by the executive committee and activities started. Several initiatives have progressed much quicker than initially proposed due to coronavirus restrictions*.	✓

Business excellence

KEY PROJECT/INITIATIVE	COMMENT	STATUS
Implement Digital Strategy	With most office-based employees now working from home, the Office365 project has become one of the higher priority initiatives. Microsoft Teams has been deployed to a pilot group for testing and familiarisation, and an integration with Content Manager is being finalised. The design of a hybrid Microsoft Exchange platform has also been fast-tracked to provide calendar integration between MS Teams and MS Outlook. Feedback from the recent New Ways of Working survey is being analysed to determine whether other priorities need to be adjusted.	✓
Implement Cyber Resilience Strategy	Significant progress made and strategy updated to provide direction for initiatives in 2020/21.	✓
Embed the Project Management Framework across the organisation	Framework is now live and being used throughout Wannon Water.	✓
Identify possibilities to generate further unregulated revenue	Revenue from power purchase agreement has been received and the sale of environmental offsets is expected to commence soon. Opportunity to undertake council dam inspections is on hold, while negotiations to operate Framlingham systems and contract to Parks Victoria are progressing. Other opportunities exist, however the investigation of these are on hold.	✓
Implement our Asset Management Strategy	Due to focus of resources on the response to coronavirus*, a number of actions are behind target. These targets are recoverable.	●
Realise the benefits of the works management system	Maximo has been live for more than six months and benefits are readily apparent, including significant improvements in scheduling. Some planned maintenance programs have been reviewed and rationalised, yielding efficiencies. ESC reporting, including Guaranteed Service Level results, have been developed, quality assured and are being delivered.	✓
Consider long-term objectives and outcomes, out to 2030	The executive and Board have developed a list of outcomes for a 10-year horizon which is documented in Corporate Plan 2020-25.	✓

* These projects and initiatives were impacted or amended due to social distancing restrictions implemented in response to the coronavirus (COVID-19) pandemic.

Providing value for customers

Understanding customer needs

Community engagement is essential to understanding our customer and community needs, enhancing the value of the services we provide, and strengthening the communities in which we operate. We view community engagement as a genuine process of working with people to build capacity, strengthen relationships and inform decisions.

One of our promises to customers is that we will be responsive and willing to adapt as their needs change. In addition to project level engagements, one of the core ways we deliver on this promise is to conduct the annual Wannon Water Engagement Cycle (WVEC). The WVEC ensures customers, stakeholders and community members can provide valuable input and advice to help inform Wannon Water's decision-making, quality improvement and annual Corporate Plan.

In 2019/20, the WVEC included 2,124 instances of two-way engagement with our customers and used multiple tools including:

- Seeking customer feedback via phone, online and at community events
- Face-to-face engagement with customers and communities in focus groups at locations throughout our service region.

Customer insights derived from the 2019/20 WVEC were:

- Customers indicated concern and anxiety around issues relating to water security, water supplies, water conservation and efficiency
- Customers are increasingly discussing a link between water and the impacts of climate change
- While widely supported, Wannon Water's current community activities relating to regional leadership, vulnerability and system change are more visible to regional leaders and stakeholders than the general customer base
- Residential customers are more likely to perceive Wannon Water is active in our community through participation in local events, promotion and marketing activities

- Customers have a rising expectation on Wannon Water to participate in, connect with, and support communities as part of our day-to-day business
- Wannon Water employees are viewed as being easy to deal with, professional and 'human'
- Customer perceptions of value for money are often linked with how much they can control their bill through usage
- Wannon Water has a strong reputation in the region, and customers generally hold the organisation in high regard.

Delivering for our customers

Based on feedback from our 2018/19 WVEC, we delivered the following initiatives this year:

- Implemented the *myWannonWater* online portal (registering 1,160 customers), introduced SMS bill reminders and installed an online booking system for new connections
- Reviewed the Rural Water Surcharge and developed an application process for a review of existing surcharge limits
- Implemented a land development process optimisation project to support growth and development in the region
- Reviewed and enhanced our support for customers experiencing difficulty in paying their bills, including a debt recovery review, and specific support in response to the COVID-19 pandemic
- Coordinated a human centred design workshop for our employees and partner organisations in our region
- Developed a Customer Experience Strategy ready for implementation in 2020/21
- Delivered our Community Education Plan, including providing education and information to 3,122 people in the region about the water cycle. This included 555 children in early learning settings, 2,107 primary school students, 287 secondary students, 34 university students and 139 mature age adults.



Customer bills

We have a great track record in delivering efficiencies for the benefit of our customers without any reduction in customer service levels. Our prices reflect our strategic direction of going beyond water for strong communities and our commitment to delivering long-term value for customers.

In 2019/20, owner-occupiers in the Wannon Water region paid an average bill of \$1,108. This figure was based on our region's average annual residential consumption of 147 kilolitres. The annual bill for a residential customer with a consumption of 200 kilolitres was \$1,219.

Social sustainability

Wannon Water has provided the following community service obligation rebates and grants to eligible customers:

Community Service Obligations	2019/20 (\$)	2018/19 (\$)	2017/18 (\$)	2016/17 (\$)	2015/16 (\$)
Concession card rebates	3,397,662	3,354,142	3,335,651	3,207,310	3,115,967
Not-for-profit organisation rebates	226,805	314,577	272,774	254,145	259,618
Utility relief grant scheme	84,794	94,976	60,760	78,093	88,384
Water usage life machine rebates	1,442	1,859	2,280	1,024	1,185
Water for Community rebate*	179,951	194,354	N/A	N/A	N/A
Total	3,890,654	3,959,908	3,671,465	3,540,572	3,465,154

* NOTE – Offered for the first time in 2018/19

Assisting customers experiencing difficulty in paying bills

We offer flexible instalment payment plans to customers who prefer to pay by regular instalments. As at 28 June 2020, instalment plans were in place for 2,927 customers.

Other tailored assistance to customers in financial hardship included:

- Encouraging customers receiving Centrelink payments to use the Centrepay facility
- Assisting customers to complete government-funded rebate and grant scheme applications
- Providing information on how to reduce household water consumption
- Referring customers to a free, independent financial counselling service
- Waiving interest on overdue charges, providing relief for unexpected high water use, providing bonus credits and waiving long-term debt for customers in genuine financial hardship
- Providing home water audits by a licensed plumber and some assistance for repairs to leaks in conjunction with the DELWP Community Rebate Program. One rebate was provided in 2019/20.

Customer assistance	Number of customers 2019/20	Total value 2019/20 (\$)	Number of customers 2018/19	Total value 2018/19 (\$)	Number of customers 2017/18	Total value 2017/18 (\$)	Number of customers 2016/17	Total value 2016/17 (\$)
High water usage allowances	353	186,842	346	203,471	327	126,139	266	131,840
Hardship rebates	180	52,868	184	54,234	146	33,501	208	42,523
Total	533	239,710	530	257,705	473	159,640	474	174,363

Water consumption

The following water use figures are climate corrected where we apply a form of baseline calculation using climate and weather data to determine how dry a year was compared to a long-term trend. The output of this is a correction factor which is then multiplied by the consumption for that year. This means when looking at the data below, water use can be more accurately compared as a behavioral trend rather than a climate-driven trend.

Residential water use

Residential use, once climate corrected, was 167 litres/person/day in 2019/20, which is marginally higher than last year's usage of 165 litres/person/day. The trend since 2017 suggests we are seeing an increase in residential water use.

Residential Water Use (litres/person/day)



Rural water use

A notable reduction in rural water use trend has been observed over the last decade. The usage for the 2019/20 year was 2,066 L/connection/day.

Rural Water Use (litres/connection/day)



Non-residential water use

Non-residential water use per connection (when climate corrected) dropped slightly to 2,807 litres/connection/day.

Non-residential Water Use (litres/connection/day)



WATER CONSUMPTION BY TOWN/CITY (MEGALITRES) 2019/20

System	Residential customers		Non-residential customers		Rural customers		Total consumption		5-year average annual consumption (ML)	Per capita daily residential drinking water consumption (L)
	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)		
Allansford	322	51.3	39	58.0	9	27.4	370	136.7	136.9	192
Balmoral	106	14.3	29	8.0	17	8.9	152	31.1	31.8	163
Balmoral Pipeline*	-	-	-	-	3	2.7	3	2.7	8.4	-
Camperdown	1,645	230.8	215	145.9	-	-	1,860	376.7	380.3	169
Camperdown Rural	-	-	-	-	406	411.1	406	411.1	464.5	-
Caramut	56	8.1	12	3.8	7	3.8	75	15.6	17.5	174
Caramut Pipeline*	-	-	-	-	12	2.9	12	2.9	2.9	-
Casterton	821	103.9	146	53.8	24	9.9	991	167.5	169.4	153
Cavendish	75	8.2	19	1.5	4	0.9	98	10.6	11.5	132
Cobden Rural	-	-	-	-	18	17.2	18	17.2	24.0	-
Cobden Urban	723	104.0	105	555.4	87	79.9	915	739.4	747.4	174
Coleraie	518	52.6	83	20.4	15	6.3	616	79.4	83.0	123
Coleraie Pipeline*	-	-	-	-	4	0.6	4	0.6	1.4	-
Darlington*	19	1.6	3	0.2	-	-	22	1.8	2.9	103
Dartmoor	128	14.9	18	3.1	-	-	146	18.0	17.6	140
Dunkeld	316	57.3	48	22.4	28	13.9	392	93.6	91.9	219
Glenthompson	99	9.9	24	2.0	8	1.0	131	12.8	12.5	120
Hamilton	4,781	710.1	641	241.2	42	22.0	5,464	973.3	974.2	179
Hamilton Pipeline*	-	-	-	-	37	17.8	37	17.8	18.7	-
Heywood	657	90.4	107	22.3	1	0.4	765	113.1	121.3	166
Konongwootong Pipeline*	-	-	-	-	66	56.6	66	56.6	39.7	-
Koroit	769	110.6	56	248.2	3	2.7	828	361.5	314.1	174
Lismore & Derrinallum	352	39.3	76	23.8	79	41.2	507	104.3	107.2	135
Macarthur	136	13.1	34	4.4	2	0.2	172	17.7	17.7	116
Merino	128	15.2	19	4.1	36	10.9	183	30.2	33.8	144
Mortlake	585	86.2	91	45.6	5	12.8	681	144.6	145.4	178
Noorat & Glenormiston	161	25.2	19	14.3	78	44.5	258	84.0	98.0	189
North Otway Pipeline*	-	-	1	1,201.3	452	406.6	453	1,607.9	1,474.6	-
Penshurst	270	36.0	49	14.7	1	-	320	50.7	54.4	161
Peterborough	340	22.2	15	11.2	10	9.2	365	42.6	42.5	79
Port Campbell	262	26.3	40	40.1	-	-	302	66.4	75.5	121
Port Fairy	2,175	271.7	228	286.2	2	0.1	2,405	558.0	559.7	151
Portland	5,170	712.5	691	604.8	6	1.0	5,867	1,318.3	1,355.4	166
Purnim	-	-	-	-	99	22.6	99	22.6	23.7	-
Sandford	59	7.3	4	0.5	29	13.3	92	21.1	20.0	150
Simpson	79	9.6	18	17.5	10	14.0	107	41.0	51.3	146
Tarrington	143	23.2	5	2.2	16	4.0	164	29.5	31.9	196
Terang	947	134.4	143	42.0	1	7.4	1,091	183.8	193.2	171
Timboon	424	53.5	81	32.6	110	57.8	615	143.8	162.9	152
Tullich Pipeline*	-	-	-	-	7	1.5	7	1.5	1.8	-
Warrnambool	14,910	2,204.7	1,582	1,109.0	22	22.7	16,514	3,336.5	3,497.3	178
Willaura Pipeline*	-	-	-	-	30	25.1	30	25.1	21.8	-
Totals	37,176	5,248	4,641	4,841	1,786	1,381	43,603	11,470	11,640	170

* Non-drinking water districts

TOTAL DRINKING AND NON-DRINKING WATER CONSUMPTION 2019/20

City/Town	Residential customers		Non-residential customers		Rural customers		Total consumption		5-year average annual consumption (ML)
	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)	
Drinking water	37,157	5,247	4,637	3,639	1,175	867	42,969	9,753	10,068
Non-Drinking Water	19	2	4	1,202	611	514	634	1,717	1,572
Totals	37,176	5,248	4,641	4,841	1,786	1,381	43,603	11,470	11,640

WATER CONSUMPTION BY SYSTEM (MEGALITRES)

System	2019/20 volume (ML)		2018/19 volume (ML)		2017/18 volume (ML)		2016/17 volume (ML)		2015/16 volume (ML)	
	Change	Change	Change	Change	Change	Change	Change	Change	Change	
East Dilwyn	253	-13%	292	3%	284	11%	256	-20%	320	13%
Grampians	1,197	-4%	1,251	3%	1,211	9%	1,116	-10%	1,238	7%
Other	145	3%	141	16%	122	6%	115	-24%	152	13%
Otway	7,567	-4%	7,889	-2%	8,056	14%	7,038	-9%	7,739	5%
Tullich	300	-9%	328	10%	299	9%	275	-20%	345	16%
West Dilwyn	2,007	-4%	2,084	1%	2,060	6%	1,937	-11%	2,182	2%
Totals	11,470	-4%	11,986	0%	12,032	12%	10,737	-10%	11,976	5%

NON-REVENUE WATER

	2019/20 (ML)	2018/19 (ML)
Leakage	1,393	1,458
Fire fighting	8	8
Other (including flushing)	56	28
Total	1,457	1,494

CORPORATE WATER CONSUMPTION

Apart from office-based water use, consumption at other Wannon Water sites is difficult to determine and compare, as consumption includes operational usage (at treatment plants, etc.) as well as employee water usage.

Office location	Total full-time equivalent employees ¹	Office space (m ²)	Water consumption (kL)	kL/FTE	Water consumption by office space (L/m ²)
25 Gateway Rd, Warrnambool ²	120	3,530	126	1.1	36
15 Townsend St, Portland ³	5	278.4	229	45.8	823
66 Gray St, Hamilton ⁴	6	614.7	104	17.3	169
Total	131	4,423.1	459	3.5	104

¹In response to the COVID-19 pandemic, the majority of office-based employees relocated from the office to home in April 2020.

²Rain water is used for flushing toilets and watering gardens at the Gateway Road office in Warrnambool.

³Higher water use at Portland was due to a facelift of the front entrance garden which required a constant regular watering to assist in establishing the garden.

⁴A water leak was identified in a urinal in a part of the office that is no longer used. Water was shut off to this area, which has effectively decommissioned this until such time that it may be required again when it will be replaced.

MAJOR CUSTOMER WATER USE

Large non-residential customer water use is reported under section 122ZJ of the *Water Act 1989*.

CUSTOMERS BY VOLUME RANGE

Volume – per year	No. customers 2019/20	No. customers 2018/19	No. customers 2017/18	No. customers 2016/17	No. customers 2015/16
100ML to 200ML	2	3	1	2	2
200ML to 300ML	2	0	2	2	1
300ML to 400ML	1	2	1	1	1
400ML to 500ML	0	0	1	0	2
500ML to 750 ML	1	1	1	1	0
750ML to 1,000ML	0	0	0	1	1
Greater than 1,000ML	1	1	1	0	0
Total no. of customers	7	7	7	7	7

MAJOR CUSTOMER PARTICIPATION IN WATER CONSERVATION PROGRAMS

Wannon Water encourages all non-residential customers to implement sustainable water use practices.

Name of customer	Location of customer	Information as to customer participation in water conservation program
Saputo Fonterra Australia Pty Ltd Fonterra Australia Pty Ltd Alcoa Portland Aluminium Pty Ltd Midfield Meat International Pty Ltd Bega Cheese Limited Sun Pharmaceutical Industries (Australia) Pty Ltd	Allansford Cobden Warrnambool Portland Warrnambool Koroit Port Fairy	Wannon Water does not keep records of customer participation or otherwise in water conservation programs.

“

I would like to give some positive feedback to your company, in particular the lady I last talked to regarding my account. I was struggling before the Christmas period financially and she helped organise a payment plan which took a lot of stress off me. Her compassion was immensely appreciated and for that reason I am back on track and able to pay this bill a month before it's due. It's a great feeling, I'd just like to say thank you - S

Sewerage services

NUMBER OF CUSTOMERS CONNECTED TO SEWERAGE SERVICES (BY TOWN/CITY)

City/town	No. of customers 2019/20
Allansford	285
Camperdown	1,714
Casterton	822
Cobden Urban	757
Coleraine	555
Dunkeld	277
Hamilton	4,879
Heywood	704
Koroit	788
Mortlake	599
Noorat & Glenormiston	2
Peterborough	308
Port Campbell	266
Port Fairy	2,202
Portland	5,588
Simpson	81
Terang	995
Timboon	434
Warrnambool	16,065
Total	37,321

SEWAGE TREATMENT PLANT DISCHARGE VOLUMES

City/town	2019/20 ML	2018/19 ML	Change
Camperdown domestic	449	407	10%
Camperdown industrial	36	34	7%
Casterton	77	106	-27%
Cobden	136	177	-23%
Coleraine	39	40	-3%
Dunkeld	12	15	-20%
Hamilton	570	763	-25%
Heywood	255	345	-26%
Mortlake	149*	43	247%
Peterborough	4	9	-58%
Port Campbell	54	59	-8%
Portland	1,647	1,516	9%
Port Fairy domestic	628	628	0%
Port Fairy industrial	176	145	22%
Simpson	17	11	55%
Terang	143	197	-28%
Timboon	67	65	2%
Warrnambool	5,499	5,695	-3%
Total	9,958	10,255	-3%

*Mortlake STP discharged to environment an additional 53 ML in a wet weather discharge due to high inflows over the year.

Partnering for stronger communities

Wannon Water's community strategy outlines three key programs that foster our involvement in and support for our communities.

- The *Ripple Effect* program includes all partnership activities we undertake with others in the community.
- The *Water for Community* program describes the range of internal initiatives relating to water, sewerage and corporate services that are designed to specifically support our wider community.
- The Community Leadership Program supports our employees to participate in community engagement and our shared value partnerships.

The Ripple Effect

The Ripple Effect is the umbrella program for our initiatives that work directly with our community partners. It includes an annual grants program, provision of merchandise to various community groups, and seed funding to support wider community initiatives.

More than 7,800 merchandise units valued at \$44,030 were supplied to 50 community groups across the region. They included water bottles, sports prize packs, shopping bags, back sacks, trigger nozzles and team sports bottle sets. A highlight was providing 1,600 reusable water bottles to students at 34 schools across our region. With bubbler taps out of action after the first round of COVID-19 closures, the students were required to bring their own reusable bottles when they returned to school in May and June.

A further \$44,000 in grants was distributed to communities across the region. Of these, \$35,000 was provided to 13 community projects, six school projects received a total of \$5,000 and one community group in the region was supported with a \$4,000 grant to support their work in international aid.

Each year, we provide grants to our region's Catchment Management Authorities (CMA) to support their work. In 2019/20, the Glenelg Hopkins CMA received

\$20,000 for restoration work on the Grange Burn in Hamilton and the Corangamite CMA received \$20,000 for co-investment prioritisation in the Gellibrand River catchment.

We were a proud contributor to the Great South Coast Economic Futures project, supported the local Deakin University campus and a local young person through a scholarship, and were a business sponsor for the online business-to-business platform Great South Coast Localised.

Throughout the year, we had a leadership role in the first regional chapter of the Thriving Communities Partnership (TCP), working with nine other government, business and not-for-profit organisations. With the purpose of "sharing knowledge, connecting lives, creating change", TCP South West Victoria collaborates with purpose and compassion for an aligned, strategic and coordinated approach, so that everyone in our community is valued and has the opportunity to thrive. This chapter was co-created by around 70 individuals from 40 different businesses, government and not-for-profit organisations who have an interest in south-west Victoria.

RIPPLE EFFECT COMMUNITY GRANTS PROGRAM

Organisation	Description	Outcomes	Total grant	2019/20 allocation
COMMUNITY GRANTS (UP TO \$5000)				
Casterton Polocrosse Club	Kitchen upgrade - stage 1	The upgrade allows multiple user groups to fully use the grounds throughout the year, increasing access and significantly raising Wannon Water's profile in the region.	\$3,500	\$3,500
RSL Active	Veteran Community Engagement Program	Community event held in October with strong attendance by the Warrnambool community and RSL veterans. Positive and lasting impacts for the veterans through their opportunity to connect with broader community.	\$5,000	\$5,000
Rotary Club of Warrnambool Daybreak	Daybreak Care Program	Providing services for the homeless, or those in need including clothes washing and drying, showering and use of towels, change of clothing, hygiene packs, barbecue, tea, coffee, soup and biscuits, conversations.	\$2,000	\$2,000
Heywood Rural Health	Gardening group - delivered in partnership with Portland Community Garden	Installation of an accessible garden to help new consumers transition into the facility.	\$2,000	\$2,000
Warrnambool Student Wellbeing Association	A Big Life – school-based program to build resilience empathy and understanding	Program delivered at Warrnambool College, Brauer College, Grassmere, Koroit Primary and Woodford Primary schools.	\$1,500	\$1,500
Narrawong Mechanics Hall	Narrawong Hall kitchen and barbecue upgrade	The upgrade allows food to be prepared and served at the hall, creating greater use as a community hub.	\$5,000	\$5,000
Portland YMCA	Portland YMCA Water Safety Program life jackets	Enhanced capacity to deliver high quality education programs promoting water safety.	\$2,000	\$2,000
Rotary Club of Cobden	Mini golf rejuvenation through links with the Special School	Delivered in partnership with the school and men's shed, the complex has been refreshed and improved for its 20th birthday celebrations.	\$3,000	\$3,000
Tarrington Progress Association	Laternenfest - cultural event celebrating the area's German heritage	Successful and well attended community event held in November 2019.	\$2,000	\$2,000
Warrnambool Community Garden	Environment and education experiences	Recruitment and training of education facilitators to increase ability to cater for educational tour requests.	\$2,500	\$2,500

Organisation	Description	Outcomes	Total grant	2019/20 allocation
Warrnambool Triathlon Club	Summer Triathlon Series	Delivery of three beginners' triathlon programs over summer, increasing membership for the club and promoting healthy lifestyles	\$1,500	\$1,500
Community Southwest	Fragile X Syndrome workshop	Workshop delivered in November 2019 to connect local carers, support workers and medical and allied health providers in Camperdown	\$3,000	\$3,000
Easter Arts Festival	Community festival	Festival celebrating the work of local arts clubs, societies, choirs and practitioners (postponed due to COVID-19)	\$2,000	\$2,000

SCHOOL GRANTS (UP TO \$1000)

Warrnambool East Primary School	Kitchen garden water efficiency	Installation of timed watering system for school's kitchen garden	\$1,000	\$1,000
Warrnambool Presbyterian School	Planting to Grow	Established a kitchen garden program directed by the Design Technology students in Years 5 to 8, sharing excess produce and creating recipes from produce grown	\$750	\$750
St Coleman's Primary Mortlake	Water tank for the Chook Hotel	Capturing the water from the school chook shed to water the school's vegetable patch	\$750	\$750
Woodford Primary School	Bathroom Blues - art mural	Installation of geometric murals in school bathrooms to provide safe, uplifting space for students seeking solitude in the toilets	\$750	\$750
Heywood Kindergarten	Indigenous bush tucker garden	Children learning to grow produce, and gaining knowledge of Aboriginal food and culture	\$750	\$750
St Pius X Primary School	Water conservation and caring for plants	Engaging disengaged Year 5 students (mostly boys) through the upgrade and maintenance of the kitchen garden	\$1,000	\$1,000

INTERNATIONAL AID (UP TO \$4000)

Rotary Club of Warrnambool	Clean water provision project - Papua New Guinea	Installing the infrastructure to provide clean water at a low ongoing cost to supplement the existing water supply for a large secondary school in Popondetta, Oro Province, Papua New Guinea.	\$4,000	\$4,000
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Organisation	Description	Outcomes	Total grant	2019/20 allocation
CATCHMENT MANAGEMENT AUTHORITY GRANTS				
Glenelg Hopkins CMA	Restoration works on the Grange Burn river system - Hamilton	Removal of weeds and installation of recreational access. More than 2,000 native plants planted with a further 2,500 to be planted. The creation of a 30-metre wide native vegetation corridor. The community has played an active role in the delivery of this project	\$40,000	\$20,000
Corangamite CMA	Co-investment prioritisation for the Gellibrand Catchment	Identification and prioritisation of projects to be delivered in the Gellibrand Catchment. Development of a Gellibrand Catchment Management Plan	\$40,000	\$20,000
TOTAL			\$124,000	\$84,000

Water for Community

We continued to promote internal initiatives designed to support our wider community through our *Water for Community* program.

The *Water for Community* rebate recognises the mental, physical and social health benefits created through green public open spaces and indoor and outdoor sporting facilities. Rebates are applied to eligible not-for-profit organisations responsible for paying the water bill for properties such as parks, gardens, reserves, sporting and recreational grounds, swimming pools, median strips, roundabouts, cemeteries and boat ramps. In 2019/20 we provided \$179,951 in rebates to 236 customers.

We also provide public access to drinking water by funding permanent drinking fountains in partnership with community groups and organisations. This year, new fountains were installed at the Port Fairy Surf Club, the Portland foreshore and at South West Healthcare in Warrnambool. Two additional fountains have been purchased and will be installed in the next few months at the entrance to Wannon Water's Gateway Road office and along the Warrnambool to Port Fairy Rail Trail at the Koroit Railway Station, subject to COVID-19 restrictions.

Our portable water refill stations and dispensers were issued to 25 public events across the region. While the estimated cost of providing this support (65 units in total) is around \$5,525, it represents a potential retail saving of \$95,000 for communities that no longer have to purchase refill units or bottled water.

We also supported the Port Fairy Folk Festival for a second year, providing 40,000 litres of water to festival patrons and stall holders. In total 79% of patrons rated the water quality as 'good' and 46% rated the water quality as 'excellent'.

Developments by not-for-profit organisations in place for the specific purpose of providing broader community benefit are eligible for our Community Connections Rebate. The rebate reduces the developer's New Customer Contribution. This year, \$77,140 in rebates was provided, including several that supported people with disabilities through the Merri River School (formerly the Warrnambool Special Development School) and the Southern Stay Apartments.

This year, we developed our first Social and Sustainable Procurement Strategy. It guides us on using our buying power to generate social, economic and environmental value above and beyond the value of the goods and services that we purchase. In this financial year, just over one third (33.87 per cent) of our operational expenditure was spent on operational contracts in our service region.

Our Financial Inclusion Action Plan (FIAP) outlines our commitment to take practical actions to improve financial wellbeing for our customers, employees, supply chain and community partners. On the back of the success of our inaugural FIAP completed in 2018/19, we were one of just two organisations in Australia to begin the development of a 'build' level FIAP this year. It will be finalised in 2020/21 and delivered over the coming years.



Social procurement – a case study

Tasty Plate – true soul food created with real love

Tasty Plate is a social enterprise catering business that has been operating since 2008, providing training and support to people with a disability. It ensures they are engaged in the economic, social and cultural life of their community.

Tasty Plate operates a successful corporate and event catering service that delivers a fresh, vibrant and healthy approach to food and service in an environmentally sustainable way. It also runs a café at its Fairy Street site in Warrnambool.

A division of Brophy Family and Youth Services, Tasty Plate has seven staff and 30 participants who attend the service as part of the Structured Workplace Training Program, funded through the NDIS. It provides unique skill development to people with a disability and offers pathways to meaningful employment that benefits our community.

Wannon Water is a strong supporter of Tasty Plate and has engaged the business as a preferred catering provider since 2011. The relationship has allowed Tasty Plate to offer more training places to participants with a disability, knowing that it will have a steady stream of demand for catering.

The link with Wannon Water has also created a range of learning tasks for the participants. They prepare food, manage special orders and deliver to the various offices and sites. In turn, Wannon Water employees have had the opportunity to learn more about disability through the relationship - by regular contact with the Tasty Plate team and through presentations from the Tasty Plate founder and former CEO Helen Ridgewell.

In a motivational talk to Wannon Water employees, Helen spoke about the challenges she faced in setting up Tasty Plate, the business model now in place, and the fantastic outcomes that it has been able to achieve during its operation.

Executive manager Anna Maloney says exposure is the best way to educate the public on the ability of all people in our community. "Wannon Water employees are now familiar with the Tasty Plate team and understand their talents and abilities. We're very proud of our working relationship with Wannon Water. They're our most supportive customer and provide regular and consistent business."

Wannon Water spent \$26,533 in 2019/20 on catering services provided by Tasty Plate, a figure that was lower than previous years due to the coronavirus (COVID-19) pandemic. People with a disability who have underlying chronic health conditions, or who have high support needs, may be at increased risk of contracting COVID-19. In response, Tasty Plate temporarily closed services to its NDIS participants on 23 March 2020, with the kitchens closed and catering and event orders virtually cancelled overnight.

There was no revenue from catering and NDIS activities and services during April and May. On 1 June, Tasty Plate re-opened in a reduced capacity to abide by government workplace regulations, balancing the management of risks during COVID-19 while ensuring NDIS participants can still access disability services in line with their NDIS Plans. The catering and event sales continue to be very low, but Tasty Plate receives strong support from the community for take home meals from the Fairy Street Cafe. The business is confident that it can continue to grow and remain sustainable, despite immense recent challenges.

The collaborative relationship has allowed both Tasty Plate and Wannon Water to foster inclusiveness and promote independence and opportunity for people with a disability. It demonstrates first-hand that people with a disability are productive members of society and industry.

Community Leadership Program

The Community Leadership Program provides opportunities for our employees to support our community, including supporting our employees to gain new skills.

Thirty-one employees from across the organisation participated in our 'go-to crew' this year. This crew provides assistance at community events, tree planting activities, judging competitions and for our education programs. A further nine employees were trained in grant assessment, helping to select the successful applications in our *Ripple Effect* grants program.

This year, the corporate partner stream of the Community Leadership Program ensured we provided weekly volunteers to support Warrnambool and District Food Share and its Hamilton subsidiary. Thirty employees were involved in this program, comprising 18 employees in Warrnambool and 12 in Hamilton. Although volunteering was unfortunately suspended in March 2020 due to the COVID-19 pandemic, more than 70 hours was contributed to these organisations. Our employees were supported to voluntarily donate blood during work hours as part of the Life Blood Service Red25 program. In all, 83 blood donations were made in 2019/20, saving 249 lives.

Water for Aboriginal, cultural, spiritual and economic values

Wannon Water continues to listen, learn and work together to see outcomes for our communities.

We have been developing our first Reconciliation Action Plan throughout 2019/20, building on the relationships and work that has been occurring in recent years. This work includes supporting projects that are helping re-establish connection to Country, and to produce economic outcomes through greater engagement in the management of water resources.

To the east of our region, we have been working with the Framlingham Aboriginal Trust, Aboriginal Victoria and others to support initiatives to re-establish robust water and sewer infrastructure owned by the community. We were engaged by the Department of Premier and Cabinet to replace a major water main through the trust's land, servicing about 20 houses. We have benefitted from increased cultural knowledge of the area and we thank the community for sharing their knowledge and Country with us.

To the west of our region, is the Budj Bim cultural landscape and the location of what is considered the oldest freshwater aquaculture system in the world. In August 2019, it was inscribed on UNESCO's World Heritage List for its outstanding universal value. Created about 6,600 years ago by the Gunditjmara people, the site features remnants of stone channels and pools built to harvest eels from Tae Rak (Lake Condah). There are also remains of many stone huts that are believed to be the only remaining permanent dwellings built by an Aboriginal community in Australia. Wannon Water is a proud partner in the Kooyang Killara project funded under the State Government's Supporting Aboriginal Access to Water for Economic Development Program. The eel (kooyang) production facility at Tae Rak was successfully completed during the year and we were able to upskill several local community members to operate the facility. We look forward to seeing further plans for a traditional aquaculture centre and eel smoking and tasting facility realised by the Gunditj Murring Traditional Owners Aboriginal Corporation, and providing our support.

In conjunction with the Department of Environment, Land, Water and Planning (DELWP), we conducted a series of Great South Coast Integrated Water Management (IWM) forums and practitioner workshops to recognise Aboriginal values and objectives across our region. The Gunditj Murring Traditional Owners Aboriginal Corporation shared its vision for the landscape restoration and economic development of the Budj Bim World Heritage area. Traditional Owner feedback was used to draft the vision for the Great South Coast IWM Forum and strategic directions statement and local language was incorporated into the vision statement.

Wannon Water, in consultation with DELWP, also drafted a proposal to appoint a female Aboriginal as Deputy Chair of the IWM Forum and committed \$15,000 in funding to support the role. The commitment to the position remains, however the role is yet to be filled.

Through conversations and the relationships we have built, we were able to support an initiative that uses our Heywood water tower as a canvas for a large-scale mural. The project, run through the Leadership Great South Coast program, will serve as a conversation piece and highlight the significant sacrifices made by all our Gunditjmara service men and women, resulting in positive steps toward reconciliation between Indigenous and non-Indigenous members of our community.

We are developing a number of social requirements to support our tender process. This process is guided by our Social and Sustainable Procurement Strategy, as well as Victoria's Social Procurement Framework.

At Wannon Water, we acknowledge that it is still early days and that our employees need support to better understand the context for Aboriginal people in our service region. During the year we continued to develop our collective knowledge of Aboriginal culture by providing cultural awareness opportunities, hearing from local elders, celebrating National Reconciliation Week and being active members of the local Wata Waetnanda community group.

Recognising cultural heritage

We incorporate traditional ecological knowledge into water planning and management using Aboriginal Waterway Assessments and other tools developed by Traditional Owners through the use of Cultural Heritage Management Plans.

We prepared seven cultural heritage management plans in accordance with the *Aboriginal Heritage Act 2006* during the reporting period. A plan was developed for the following projects:

- Cassady's Bridge - sewer pump station
- Russell Creek - sewer upgrade
- Wangoom Road - water tower
- Camperdown Biosolids - facility refurbishment
- Hopkins River - pipe crossing (revised scope)
- Grampians Pipeline - cathodic protection installation
- Warrnambool Cheese and Butter - rising main upgrade.

We appointed cultural heritage consultants to prepare the cultural heritage management plans and liaise with Registered Aboriginal Party applicants.

A number of other cultural heritage management plans are being prepared and will be included in future reporting periods once completed.

Enhancing recreational outcomes

KONONGWOOTONG RESERVOIR

Konongwootong Reservoir, north of Coleraine, is recognised for its Aboriginal heritage and is a popular site for fishing, walking, bird watching and passive recreation. The reservoir was built in 1925 to supply water to the townships of Coleraine and Casterton. It remains operational today, providing water to rural customers and acting as a back-up supply to the Tullich Groundwater System.

The unique nature of Wannon Water's supply systems means that Konongwootong Reservoir is the only waterway accessible to the public for recreational purposes. Further information about its cultural, environmental and historical values, facilities and activities is available on our website.

As previously mentioned, we have implemented a *Water for Community* rebate that recognises the mental, physical and social health benefits created through green public open spaces and indoor and outdoor sporting facilities.

Links with local government

We value our close relationships with local government and continue to explore opportunities to partner with councils to access government funding for the betterment of our region.

Integrated solutions have been a focus of those links this year with a number of projects underway across south-west Victoria.

We have worked closely with the Warrnambool City Council on the East of Aberline Precinct Structure Plan, providing input to the development of an IWM approach to this 360-hectare growth corridor that will provide up to 4,000 homes to accommodate a population of more than 9,000. We've also had early input into other structure plans being prepared by other councils in our region, a process that results in a more coordinated outcome for our cities and towns.

In recent years we have observed growing community support in tackling the problem of plastics in waterways and on local beaches. We initiated and sponsored the Clean Oceans Collective, a partnership between the community, Wannon Water, Warrnambool City Council, Moyne Shire Council, Glenelg Shire Council and the Glenelg Hopkins Catchment Management Authority. The collective organised a series of workshops led by the nationally recognised marine debris organisation Tangaroa Blue Foundation and trained a network of local volunteers who continue to monitor and identify debris and contribute information to a national database.

Our Managing Director, Andrew Jeffers, is a director of the Great South Coast Group, an alliance of the five local governments in our region. The group aims to enhance outcomes in regional leadership, advocacy, partnerships and delivery.

We have also worked with councils to better coordinate construction works to reduce the impact on our communities, aiming to complete water and sewerage works before any roads are upgraded or resurfaced.



Water efficiency initiatives

Wannon Water is fortunate to have a diverse range of water supplies which have proven to be reliable and secure, even during extended periods of drought.

Nonetheless, our customers are increasingly discussing a link between water and the impacts of climate change. Our community engagement work has shown they want us to proactively promote water conservation and efficiency measures, regardless of whether water restrictions are on the horizon for our region or not. We believe there is a correlation between this issue and the impact of drought of in so many other parts of Australia.

TARGET YOUR WATER USE AND SMART WATER ADVICE

Victoria's voluntary water efficiency program, Target Your Water Use, was promoted on our website, ensuring that our customers have easy access to the information they need to make informed decisions about the amount of water they use.

Water efficiency initiatives continue to be a key component of our schools and community education programs with messaging and activities specifically targeted to relevant audiences.

We are a proud supporter of Smart Water Advice, a not-for-profit water efficiency project run by Smart Approved WaterMark for water utilities and councils throughout Australia. This initiative allows us to provide a range of online tips and resources to help customers save water in their homes, gardens and at work.

The need to use water responsibly was also highlighted on our social media channels, through our sponsorship program, and promoted through the government-funded Community Rebate Program for customers experiencing hardship and with high water use.

PERMANENT WATER SAVING RULES AND WATER RESTRICTIONS

Permanent Water Saving Rules continue to apply across all of Wannon Water's service area. No water restrictions were required in the reporting period.

DROUGHT RESPONSE

Wannon Water has a Drought Response Plan to protect water resources during severe dry periods.

To the north of our region, the Glenthompson water reservoir fell to a relatively low level during 2019/20.

However, supply from Grampian Wimmera Mallee Water's Willaura System and the transfer of water from a VicTrack dam provided sufficient water to secure the town's supply without restrictions.

Good inflows were received into all our other systems, meaning that the plan was not invoked and there were no restrictions on recreational playing fields in our service area. Many of these playing fields already use recycled water or other non-drinking water supplies.

Integrated solutions

Wannon Water continued to play a leadership role with DELWP in supporting the Great South Coast IWM Forum established in 2018. The forum published a strategic directions statement outlining its vision: *Water is life - we will work together with our communities to deliver integrated water outcomes contributing to the resilience of our environment, culture and economy.*

Fifteen project opportunities were identified to achieve the following outcome areas:

- Safe, secure and affordable supplies in an uncertain future
- Effective and affordable wastewater systems
- Avoided or minimised existing and future flood risks
- Healthy and valued waterways and marine environments
- Healthy and valued landscapes
- Community values are reflected in place-based planning
- Jobs, economic benefits and innovation

The forum supported four collaborative planning and feasibility projects across the region:

- The Hamilton IWM Plan - a collaborative process across whole of council, other agencies, stakeholders and community that produced a water balance for the city. Concept designs and costings were produced for four priority initiatives relating to water security, diversity of water supply sources, economic development and improving water quality in Lake Hamilton
- The Great South Coast Urban Water Atlas - a project that spanned four councils and established a GIS-based process for ongoing data sharing of water consumption, identification of potential

water sources, and opportunities to build greater climate resilience. Priority opportunities for alternative water supply for community assets were identified with concept designs and costings

- Adaptive Wastewater for Small Towns – tackling the issue of inadequate domestic wastewater systems in unsewered towns. Case study investigations were developed for Peshurst and Cudgee that include community engagement, investigation of innovative technical options and governance arrangements for the preferred options. Functional designs are expected to be completed toward the end of 2020
- The Great South Coast Urban Drainage Community of Practice - established with drainage engineers, asset managers, sustainability officers and river health officers from councils, CMAs and Wannon Water to build the capacity for collaborative water management in the region.

The Albert Park IWM planning process undertaken in 2019/20 is at implementation phase, with two of the projects from the plan progressing.

Funding was secured for the construction of roof water harvesting at Albert Park for transfer to our Warrnambool Water Treatment Plant. This project will reduce extractions from the environment for potable supply and reduce stormwater flows with associated flooding and stream health impacts.

Detailed design and costing was carried out for a project to divert stormwater from the residential catchment to the south of Albert Park. This project aims to redirect stormwater from the over-burdened stormwater network to the public open space along the southern boundary of the park for natural infiltration along vegetated swales, providing amenity, native habitat and groundwater recharge.

Water resource management

The importance of an IWM Forum was highlighted in Wannon Water's *Urban Water Strategy 2017-2065*. The strategy, which commenced in July 2017, is consistent with the Victorian Government's *Water for Victoria* plan and provides a detailed forecast of water demands across the region, taking into account population growth, climate change and water security.

The strategy recognises the inter-relationship between water, the needs of the environment and the needs of communities. It allows for a rapid growth in total demand to 2022 from the corporation's major customers to reflect their advice. They comprise mainly milk and food processors who use 25 per cent of the total volume of water we supply. This increase in demand has not been as great as anticipated during 2019/20.

The strategy shows that Wannon Water's groundwater-supplied systems will have sufficient supply to meet projected demand for the next 50 years. Of our surface water systems, Glenthompson requires minor augmentation in coming years to avoid water restrictions if demand increases or supply falls. No other augmentation works are required before 2030 to meet the forecast demand for water.

If a high-demand scenario was to eventuate in regions supplied by the Otway System, which is by far the largest of our systems, its augmentation would be required as early as 2030. While the Warrnambool Roof Water Harvesting Project is already alleviating demand from the Otway System, the longer-term augmentation plan is to bring an existing back-up bore at Curdievale fully online to cater for Warrnambool's future growth.

The *Urban Water Strategy* was prepared in consultation with customers, local councils, industry, businesses, other water agencies and traditional owner groups. It is a living document with its major review to commence in 2020/21 and be finalised in 2022.

WARRNAMBOOL ROOF WATER HARVESTING PROGRAM

Wannon Water's Roof Water Harvesting initiative is progressively being expanded as development occurs in Warrnambool's main north-east growth corridor over the next 30 years. The roofs of some 3,000 new homes to be constructed will form an urban catchment that is expected to contribute 471 megalitres of water per year into the Brierly Basin and then be treated at the Warrnambool Water Treatment Plant for urban drinking water.

The system expanded with construction of subdivisional works to collect water from 56 lots within the North Edge subdivision, when houses are built. The concept continues to demonstrate the benefits of integrated water management and the use of alternative sources of water to help meet the challenges of climate change adaptation.

In 2019/20, this innovative system harvested a total of 41 megalitres of water from the roofs of connected houses – an increase on the 36 megalitres harvested in the previous financial year.

Water is also being harvested from shed roofs in the Horne Road Industrial Estate in East Warrnambool. Rainfall from storm events is collected in onsite buffer tanks before being pumped to the Dales Road raw water storage at a controlled rate. Six sheds are now connected and others are under construction. One megalitre was harvested in 2019/20 but when fully developed, this stage is expected to harvest 25 megalitres a year.

WATER RECYCLING

Volumes of recycled water totalled 1,773 megalitres in 2019/20 period, representing 18 per cent of the overall available supply of treated effluent.

The bulk of the available supply goes to ocean outfall at the Warrnambool, Port Fairy and Portland sewage treatment plants. More than 50 per cent is specifically discharged from the Warrnambool STP. It has limited use for recycling due to the high salt content coming from industrial customers.

Recycled water was primarily used for agricultural and industrial purposes, including six megalitres of process water supplied to the Mortlake Power Station.

Recycled water was reused for agriculture on Wannon Water farms over the irrigation season. We also reused 55 megalitres at the Warrnambool STP screening plant and in the solids removal process, offsetting the use of potable drinking water for this site.

Support for industry

Wannon Water works with local industry to improve water management outcomes and, where possible, provide recycled water solutions removing the need for the use of potable water.

Our Brine Reveal Facility in Warrnambool provides a local solution for receiving salty trade waste from large industries and moving this waste to the Warrnambool STP for treatment and discharge via the outfall. This facility has been used effectively over the reporting period and provides for a safe entry point for industry to introduce waste in a controlled manner.

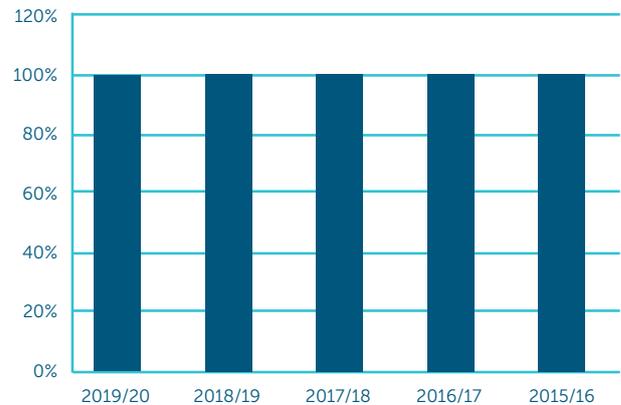
BIOSOLIDS REUSE

Our biosolids reuse initiative delivers environmental and economic benefits for farmers and for Wannon Water.

Biosolids are a nutrient-rich organic matter produced from sludge, which is the solid component of sewage removed during treatment. Once the sludge is dried and composted for at least three years, satisfying Environment Protection Authority guidelines, it is known as biosolids. This product looks, smells and feels like dark, rich soil and is used as a soil conditioner on local farms, mainly for broad-acre agriculture, pasture and cropping.

During the reporting period, we transported sludge from the Warrnambool and Port Fairy sewage treatment plants to our biosolids treatment facility at Camperdown, and reused 100 per cent of available biosolids by applying 4,332 dry tonnes to farm land.

Percentage of Biosolids Reused



Mitigating and adapting to climate change

Wannon Water recognises the importance of playing our part to reduce greenhouse gas emissions and keep the global temperature rise to no less than two degrees. We have a strong track record as an environmentally sustainable business and are committed to enhancing our environmental performance through climate change mitigation and adaptation.

We have pledged to reduce our greenhouse gas emissions by no less than 40 per cent by 2025 and to achieve net-zero emissions by 2050, a target set in the *Water for Victoria* plan. A comprehensive Carbon Neutrality Action Plan has been developed to guide this commitment. We will continue to investigate and pursue further opportunities to reduce our emissions while also delivering a wide range of benefits to our customers.

We are an active member of the Water Sector Water Availability and Climate Change working group and we also collaborate with regional stakeholders to respond to climate-related risks across organisational boundaries.

Our Urban Water Strategy describes our water supplies and drought preparedness and includes forecasts of demand and supply for the next 50 years that incorporate climate change. The strategy is currently being reviewed and updated for republication in 2022.

GREENHOUSE GAS EMISSIONS

Wannon Water produced 26,657 tonnes of greenhouse gas emissions in 2019/20. This level is consistent with achieving our 2025 goal.

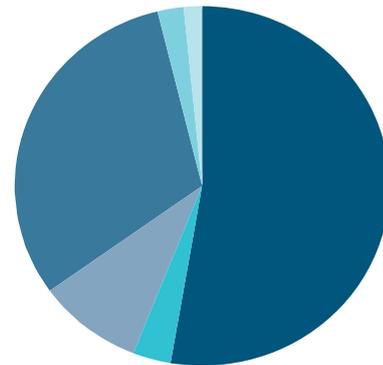
The volume of sewage and wastewater treated decreased by 7 per cent from a reduction in total energy consumed and a reduction in the grid emissions factor. Water treatment emissions reduced substantially

with major contributions from the new solar PV system at the Warrnambool Water Treatment Plant, reduced pumping at North Otway Main Pump Station, and efficiency upgrades at the Casterton Water Treatment Plant.

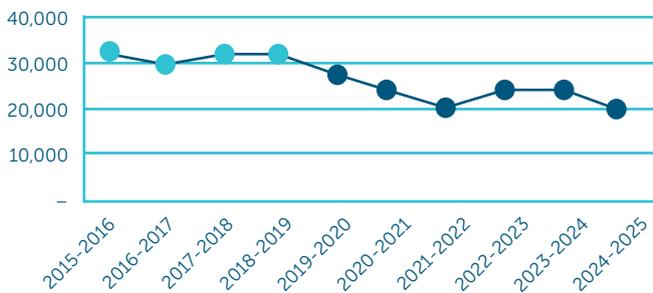
Our new Portland Wind Turbine and other renewable energy projects produced emissions offsets, but these were not required to be surrendered to achieve our result.

The fleet travelled less distance during the financial year, partly due to efficiencies gained through new works management software, and restrictions as a result of the COVID-19 pandemic. Other energy use also declined significantly due to a reduction of office and depot use during the pandemic.

Sources of greenhouse gas emissions



Net greenhouse gas emissions (tonnes of CO2 equivalent)



Emission by activity (t CO2-e)	2019/20	2018/19	2017/18	2016/17	2015/16
Water treatment	9,621	12,055	12,502	10,158	13,530
Sewage treatment	16,014	17,233	16,992	17,459	18,132
Transport	657	707	715	706	773
Other (including office energy use)	365	495	465	557	535
Reductions / offsets	0	0	0	0	0
Total	26,657	30,490	30,674	28,880	32,970

Performance indicator	Greenhouse gas emissions in tonnes of CO2-e (tonnes)			Variance % (tonnes)	Commentary
	2019/20 projected	Scope 1 emissions	Scope 2 emissions		
Water treatment and supply	N/A*	0	9,621	9,621	Wannon Water's renewable energy systems and energy efficient upgrades reduced our electricity usage. The result also reflects a reduction in emissions from postponed activity during the coronavirus pandemic, and a reduction in the Victorian grid emissions factor from the rollout of renewable energy in the State. <ul style="list-style-type: none"> • Sequester Program – a considered decision was made to not surrender carbon offsets in this year
Sewage collection, treatment and recycling	N/A*	6,719	9,295	16,014	
Transport	N/A*	657	0	657	
Other	N/A*		365	365	
Total emissions	28,439			26,657	

*NOTE: The 2019/20 projection is only available for the total emission figure, not individual areas.

ELECTRICITY USE

Total electricity use	2019/20 result (MWh)	2018/19 result (MWh)
Water supply	9,379	11,341
Sewage treatment	9,538	9,958
Other	356	462
Total	19,273	21,761

Performance Indicator	MWh		Commentary
	2019/20 Renewable electricity used	2018/19 Renewable electricity used	
Solar	606	455	Solar PV projects contributed full year results
Hydroelectric	0	0	
Wind	1,407	0	
Biogas	0	0	
Greenpower	0	0	
Other	0	0	
Total	2,013	455	
Percentage renewable electricity	10%	2%	

“ We believe our Indigenous Bush Tucker Garden Project was a success due to being part of a community that cares so much about helping in any way possible. The children were a massive part of this project and by completing it and being involved, it has really given them an experience and knowledge they may not have had. We will apply this type of learning in all future projects we undertake - Heywood Kindergarten.

Other statutory obligations

Regional Catchment Strategies 2013-2019

During engagement for the 2018-2023 Pricing Submission, our customers said they valued our work to protect the natural environment. Supporting this expectation, we established a dedicated fund to support the implementation of both the Glenelg Hopkins CMA (GHCMA) and the Corangamite CMA (CCMA) regional catchment strategies. This fund forms part of the broader *Ripple Effect* community program endorsed by our customers.

During the year, we continued to support the GHCMA to work with community groups and landholders to undertake priority riparian restoration works on the Grange Burn in Hamilton. Revegetation was undertaken on the streamside zone within the urban reach to improve the recreational opportunities and environmental values of the waterway. A follow-up project will extend the outcomes across a broader landscape. A new partnership was also established with the CCMA and Deakin University to compile evidence that can assist projects to be prioritised in the Gellibrand River Catchment, which is a strategic regional waterway. This will enhance aquatic health and land management practices. The delivery of a catchment plan in 2019/20 will enable priority projects to be identified for future joint investment and partnering.

Victorian Waterway Management Strategy and Regional Waterway Strategies

The Victorian Waterway Management Strategy, released in 2013, provides a framework for the management of rivers, estuaries and wetlands across Victoria. The strategy aims to maintain or improve the environmental condition of Victoria's waterways. The Corangamite and Glenelg Hopkins waterway strategies, published in 2014, provide regional implementation of the Victorian strategy and aim to improve the health of the region's waterways.

We support these strategies and ensure that relevant aspects of our operations are undertaken in accordance with their requirements. We also undertake specific projects that support and enhance their objectives and outcomes.

We comply with environmental obligations under our Bulk Entitlements (refer Appendix 3) issued under the Victorian Waterway Management Strategy framework, including providing passing flows at the North and South Otway offtakes on the Gellibrand River, and providing passing flows on the tributaries of Tea Tree Creek in the Grampians Water Supply System, north of Hamilton.

State Environmental Protection Policy (Waters)

We continue to manage our operations to support the objectives of the State Environmental Protection Policy (Waters) and ongoing compliance with the licence conditions for our sewage treatment facilities, including the discharge of recycled water to stream from sewage treatment plants at Simpson, Cobden and Heywood.

Performance culture

We continued to invest in the capability of our people to create a performance culture that can deliver stronger communities, business excellence and value for customers. To help drive these outcomes, our attention in 2019/20 was on:

- Being an employer of choice in Victoria
- Delivering gender diversity and Aboriginal inclusion outcomes
- Building resilience and capabilities to enhance our current and future workforce.

Engagement

An engaged and satisfied workforce helps contribute to Wannon Water being an employer of choice. Knowing that employee engagement and job satisfaction have a direct impact on overall performance and results, we use the Victorian Public Sector Commission's *People Matter* survey participation rate, engagement index and overall job satisfaction as measures of performance.

The Victorian Public Sector Commission postponed the annual *People Matter* Survey until later in 2020 due to the coronavirus pandemic. We are therefore unable to benchmark and measure our engagement index and overall job satisfaction.

Employment and conduct principles

We are compliant with the *Public Administration Act* 2004, and are committed to applying merit and equity principles when appointing employees. Our processes are continually reviewed and assessed against best practice to ensure applicants are assessed and evaluated fairly and equitably against key selection criteria and other accountabilities without discrimination.

Our Code of Conduct reinforces the expectations of employment, including making decisions and providing advice consistent with human rights.

Learning and development

We recognise that the professionalism, capability and effectiveness of our workforce is linked to our success. As such, we launched a new Learning and Development Framework to support our commitment to:

- Providing a supportive learning environment that meets both the technical and development needs of every employee
- Job satisfaction, motivation and engagement
- Career and personal development
- Recognising and encouraging good employee performance
- Effective succession and resource planning
- Identifying and developing high-potential employees.

During the reporting period, we provided 9,418 hours (44 hours per employee) of employee learning and development.

Our focus on leadership development continued with employees participating in several leadership development programs and team development programs including:

- International Water Centre Leadership Program
- Great South Coast Leadership Program
- JMW
- Victorian Water Industry Network Operators Program.

Our internal People Manager Program aims to improve our managerial skills. It includes modules on topics such as career intentions, creating a culture of performance, and psychological health. We continue to build on the program to generate further value and support our broader workforce.

We completed our second year of using a new contemporary performance engagement system which was introduced to improve development discussions between managers and their teams. The data and feedback from the second year of use has helped to inform new additions to the system for 2020/21 including an engagement module and a high potential module. This data will directly shape our approach to organisational development.



Investing in the future

We recognise that access to quality education options and training for people in our region - including high levels of educational attainment - is essential to delivering a skilled workforce and boosting regional prosperity.

We remained committed to providing employment opportunities for local students who want to develop their skills and pave a solid career in south-west Victoria.

Our engineering scholarship continues, and we again partnered with regional employment and training

providers to offer a 12-month traineeship program. This program engages trainees to work in various Wannon Water departments and sites across the region. Five trainees took part in the program in 2019/20.

We continued to sponsor and support education and employment pathway initiatives in our community including:

- Portland Future Leaders of Industry program
- South West Emerging Leaders Program
- Gunditjmara - Region Employment Forum
- Career information sessions for several secondary school groups.

Inclusion and diversity

Our People and Culture Policy Statement details our commitment to an inclusive workplace that embraces and promotes diversity, and where everyone is treated with respect and feel valued.

Our Inclusion and Diversity Management Plan has a target of increasing the percentage of females who occupy positions that manage teams to 40 per cent by 2023. The following table outlines our actual progress against this target:

Workforce Inclusion and Management Plan initiative	2023 target	2019/20	2018/19
Females who occupy positions that manage teams	40%	24%	22%

A number of new initiatives were implemented that should support progress in the years ahead. A new high potential framework was introduced that helps identify the highest potential talent in the organisation. Of those identified, 38% were female. This new framework will help direct investment and resources to support career progression for these people.

Additional female members were added to the senior management team and a new board shadowing opportunity was created and filled by a female.

We will also continue to promote employment pathways and partnerships for our region's Aboriginal people. Supporting this is an outcome that our workforce represents the community that we serve, including south-west Victoria's Aboriginal population of 1.3 per cent. The 2019/2020 *People Matter* survey results showed that 1 per cent of our workforce identifies as Aboriginal.

As part of our Future Workforce Planning Strategy, we will be undertaking projections for a broader workforce transition project. This project includes assessing gender trends and succession planning at senior levels of the organisation.

Our Inclusion and Diversity Committee continued to bring together a diverse group of employees who:

- Champion inclusion and diversity to ensure people love working at Wannon Water
- Provide strategic input, oversight and help to implement inclusion and diversity activities
- Provide feedback on the success and challenges of implementation of the Inclusion and Diversity Management Plan and any additional work plans.

Three committee working groups are operating to help progress gender, Aboriginal and disability outcomes.

The NOW! Network of Wannon Water Women continues to enable Wannon Water women to enhance their networking, collaboration, access to professional development, and their support for each other and women and girls in our region. The NOW! group held a successful International Women's Day event collaborating with Barwon South West Women's Health and Wellbeing, Warrnambool City Council and Brauer College, highlighting local women and their personal experiences and celebrating women in leadership.

We have invested in strengthening regional Traditional Owner relationships and will continue to support initiatives that encourage Traditional Owner representation on board and organisational committees. A full scholarship was offered for an Aboriginal female to complete the 2020 Leadership Great South Coast Program. We were also pleased to work with local Aboriginal groups and employment agencies to support an Aboriginal employee with a traineeship and work.

An employee program was formalised, partnering with local Aboriginal organisations to build relationships and cultural awareness. The development of a Reconciliation Action Plan has also been a key focus this year.

We hosted an International Day of People with a Disability to educate our employees about the challenges and barriers people with disabilities face in life and employment. One of our employees who identifies with a disability presented on the day.

Employer of choice

We continue to be accredited by Work 180 as an employer of choice to reflect our approach to recruitment and flexible work practices. Work 180 is a national platform that puts professional women in touch with employers who provide higher than normal employment benefits. Accreditation occurs after employers are assessed on a range of benefits and conditions, such as paid parental leave, pay equity and flexible work arrangements.

For the 31 positions filled in 2019/20, the statistics showed:

- 31 per cent of applicants were female
- 36 per cent of shortlisted candidates were female
- 46 per cent of the internal interview panel were female
- 42 per cent of the final appointments were female.

These figures support our objective of advancing gender diversity.

“

We wish to acknowledge the manner in which Wannon Water responded to my request to clear a blocked sewerage main today. My initial contact was handled very efficiently and I had confidence that workmen would attend the same day. The two workers who arrived were obviously familiar with the problem, and went about their task in a very efficient and enthusiastic manner. Their communication between each other resulted in good teamwork and a desire for a satisfactory outcome. They had similar work ethic and energy seldom seen these days. I appreciated the way they involved me and explained the problem, showed me exactly what was wrong on camera and how it had been resolved. It was very refreshing to find workers who obviously enjoyed doing their job well, to the complete satisfaction of the customer. Wannon Water has promoted customer satisfaction to their team and that was clearly evident today – T & B

Workforce statistics

The number of ongoing full-time equivalent employees in the reporting period remained the same as 2018/19, with the total all-employee head count increasing by four. Contributing factors included an increase of fixed-term contracts to support short-term projects and workflow. There were also additional vacancies at the same time last year.

Employees have been correctly classified in workforce data collection.

	30 June 2020							30 June 2019						
	All employees		Ongoing			Fixed term & casual		All employees		Ongoing			Fixed term & casual	
	No.	FTE	Full-time	Part-time	FTE	No.	FTE	No.	FTE	Full-time	Part-time	FTE	No.	FTE
Male	140	138	131	6	135	3	3	139	137	132	5	135	2	2
Female	73	62	38	30	59	5	3	70	60	39	30	59	1	1
AGE														
15-24	12	11	9	0	9	3	1	12	12	9	0	9	3	3
25-34	35	33	29	4	31	2	2	37	35	32	5	35	0	0
35-44	62	57	46	15	56	1	1	61	56	48	13	56	0	0
45-54	64	61	54	9	61	1	1	60	57	51	9	57	0	0
55-64	38	36	29	8	35	1	1	35	33	27	8	33	0	0
65+	2	2	2	0	2	0	0	4	4	4	0	4	0	0
CLASSIFICATION														
Band 1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Band 2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Band 3	8	8	8	0	8	0	0	7	7	7	0	7	0	0
Band 4	55	51	45	8	50	2	1	57	53	44	10	50	3	3
Band 5	53	48	38	11	45	4	3	46	43	37	9	43	0	0
Band 6	33	31	24	8	30	1	1	40	37	31	9	37	0	0
Band 7	27	26	22	5	26	0	0	23	22	19	4	22	0	0
Band 8	20	19	15	4	18	1	1	19	18	16	3	18	0	0
Senior Manager	11	11	11	0	11	0	0	12	12	12	0	12	0	0
EXECUTIVES														
General Manager	5	5	5	0	5	0	0	4	4	4	0	4	0	0
Managing Director	1	1	1	0	1	0	0	1	1	1	0	1	0	0
TOTAL EMPLOYEES	213	200	169	36	194	8	6	209	197	171	35	194	3	3

- Excludes seven non-executive Board Directors appointed by State Government
- FTE refers to full-time employee equivalent
- Data on employees who identify themselves as "self-described" is not collected
- Employees are classified as a band (Band 1 to 8) under the Wannon Water Enterprise Agreement 2016. Senior Managers refer to employees who have signed a Senior Management Agreement. Executives refer to employees who are engaged by the organisation under a contract governed by the Public Entity Executive Remuneration Policy.



Occupational Health & Safety (OH&S)

We are continuing work to embed our Zero Harm initiative into the organisation. Zero Harm is about looking after the physical and mental wellbeing of our people as well as the environments we work in.

It brings OH&S and health and wellbeing considerations under one banner, empowering employees to:

- Promote safe and inclusive behaviours in the workplace
- Consider community and environmental impacts in everything we do
- Intervene where necessary to support Zero Harm outcomes.

Our OH&S management system is continually reviewed, updated and audited to reflect current best practice. The system again passed its surveillance audit and was re-certified to AS/NZS 4801. A new dashboard was launched and supported record levels of hazard reporting. We are currently undertaking a staged roll-out of new integrated management system software to support improved management of risk, safety and reporting.

The COVID-19 pandemic impacted the way our employees work, with increased investment in ergonomic assessments, EAP support and IT equipment and software to support their changed circumstances and needs.

The strength of the OH&S management system is reflected by the strong safety culture. An integral part of this is the link between personal wellbeing and working life at Wannon Water, promoted through our employee health and wellbeing program.

To support this, a new Health and Wellbeing Management Plan is being finalised which includes the introduction of a new mental health framework to help guide and inform activities.

We promoted and supported a number of diverse health and wellbeing themes coinciding with national and workplace events. These included:

- Partnering with South West Healthcare to deliver stress management and resilience training
- Annual employee health checks, skin checks and flu immunisations
- An active Employee Assistance Program, supported by both male and female practitioners, delivered face-to-face or via Telehealth
- Starting the Healthy Workplace Achievement Program, including achieving the foundation, mental health, drugs and alcohol, and smoking modules
- Delivery of the VECCI Mental Health Essentials Program to all managers and employees.

TRAINING

We continued to invest in safety training, with 13 courses delivered to employees including:

- Breathing apparatus
- Manual handling
- First aid
- Drain cleaning
- Asbestos removal
- Various mobile plant training.

PERFORMANCE MEASURES

Our key OH&S performance indicators align with the standards set out in the workplace injury and disease recording standard AS 1885.1—1990.

OH&S Indicators	2019/20	2018/19	2017/18	2016/17	2015/16
Lost Time Injuries (number)	4	3	5	4	3
Lost Time Injury Frequency Rate (LTIFR - LTI occurrences per one million hours worked)	11.56	9.87	14.25	11.60	9.08
Lost Time Injury Severity Rate (days)	42.61	43.02	19.76	0.36	8.3
Incidents					
No. of Incidents	118*	97*	41	42	32
Rate per 100 FTE	59	45.7	20.30	20.39	16.16
<i>*NOTE - Increase reflects the new multi classification reporting of incidents to support improved safety outcomes</i>					
Claims					
Number of Lost Time Standard Claims	3	3	3	1	1
Number of Lost Time Standard Claims per 100 FTE	1.5	1.52	1.49	0.49	0.53
Average cost per claim	\$16,032	\$10,756	\$9,783	\$8,240	\$2,119

Section 7: Our financial performance

Wannon Water maintains financial viability by applying sound business planning, managing financial risks and ensuring sufficient income is generated to meet operating costs and debt commitments.

We achieved a net profit before tax of \$6.75 million for the reporting period – an increase of \$3.61 million on the previous year. The favourable result compared to the prior year relates primarily to the recognition of higher government contribution revenue for a third party-funded capital project in the region. Depreciation expense increased compared to the prior year due to

the managerial revaluation of our infrastructure assets at the end of the 2019 financial year which offset part of this favourable variance. The net profit before tax was \$0.74 million less than our budget. Total revenue was within 0.6 per cent of the \$81.6 million budget with expenditure \$0.88 million over budget. Over expenditure of \$2.04 million in depreciation contributed significantly to this unfavourable result. Lower than budgeted borrowing costs and the continued focus of implementing efficiency initiatives also delivered operational expenditure savings compared to budget.

We generated cash flows of \$35.53 million from operating activities. We were able to repay borrowings of \$1.86 million during the year with investments of \$32.05 million made in capital infrastructure.

The table below provides the financial highlights in 2019/20 compared with the previous four years.

Financial Result	2019/20 (\$'000)	2018/19 (\$'000)	2017/18 (\$'000)	2016/17 (\$'000)	2015/16 (\$'000)
Core business revenue	70,704	72,016	71,681	69,832	73,113
Capital revenue	2,335	724	448	1,049	620
Government contributions	6,283	1,277	919	552	82
Other revenue	2,723	2,661	3,914	3,079	3,191
Total revenue	82,045	76,678	76,962	74,512	77,006
Operating expenditure	46,790	46,192	45,307	43,173	41,468
Depreciation & amortisation expenditure	24,999	21,746	21,761	21,959	21,705
Finance costs	1,800	2,289	2,630	3,212	4,400
Other expenditure	1,703	3,315	3,072	3,050	1,288
Total expenditure	75,292	73,542	72,770	71,394	68,861
Net result before tax	6,753	3,136	4,192	3,118	8,145
Current assets	21,269	20,679	20,586	17,922	23,456
Non-current assets	824,546	815,808	748,044	751,796	752,908
Total assets	845,815	836,487	768,630	769,718	776,364
Current liabilities	24,271	22,336	14,999	20,049	19,813
Non-current liabilities	150,584	147,540	135,786	134,743	143,772
Total liabilities	174,855	169,876	150,785	154,792	163,585
Net cash flows from operations	35,533	30,892	26,306	23,943	34,801
Payments for property, plant and equipment (including infrastructure)	32,049	26,333	21,424	21,112	17,170

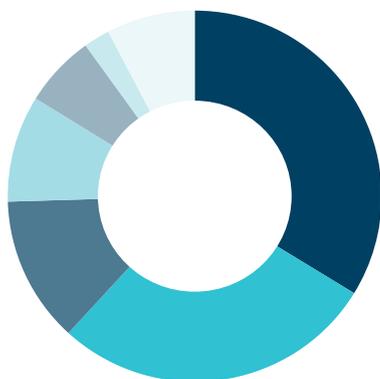
Revenue and expenses

OUR REVENUE

Total revenue for the year increased by \$5.37 million compared to the 2018/19 financial year.

Consistent with our price and growth projections, overall water and sewerage service charges increased by just 0.2 per cent from the previous year, reaffirming our desire to deliver affordable pricing for our customers. Although less than the previous year, our water volume usage was in line with the average from the past three years and the 11.47 gegalitres of water recorded for the year is within 0.5 per cent of the 10-year average. The total volumetric revenue of \$23.01 million represents a drop of 8.0 per cent from the previous year. This also represented a decrease of 2.9 per cent on budget.

Trade waste volume charges and revenue from agreements with third parties stayed at similar levels to 2018/19 with \$7.63 million recognised, mainly in the areas of major trade waste volume and quality charges as well as non-prescribed revenue. Government grants for third party-funded capital projects also contributed \$6.28 million in revenue throughout the year.



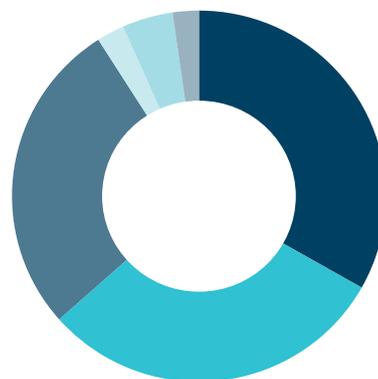
Sewerage service charges	34%
Volumetric water usage charges	28%
Fixed water service charges	13%
Trade waste charges	9%
Government grants and contributions	8%
Other income	6%
Gifted assets	2%

OUR EXPENSES

Total expenses increased by \$1.75 million (2.4 per cent) compared to the previous year.

Despite a number of vacant positions throughout the year, employee benefits still increased by 3.7 per cent from the previous year; consistent with the organisation's Enterprise Agreement conditions. It was within \$0.02 million to the budget for the year. Depreciation/ amortisation expense (\$3.25 million) was the biggest increase in expenditure compared to the previous year due to the impact of a managerial revaluation that was done at the end of 2018/19. However, we saw reduced expenditure in electricity (\$0.49 million) due to price relief and demand management efficiencies. The customer efficiency rebate (\$0.48 million) also reduced in line with the staged reduction in the rebate to our customers over a four-year period.

Borrowing costs (\$0.42 million) compared favourably to the prior year as total borrowings decreased during the year. All other operating expenditure was comparable to the prior year results with the exception of a 49 per cent decrease in the losses that the organisation made on the disposal of decommissioned non-current assets throughout the year.



Depreciation and amortisation	33%
Supplies and services	30%
Employee benefits	28%
Environmental contribution levy	5%
Borrowing costs	2%
Net loss on disposal of assets	2%

Summary of financial performance indicators

Cash Interest Cover (times)



The result is favourable to last year. The excellent results are due predominantly to a significant increase in capital receipts received during the year and a reduction in borrowing costs. The ratio shows that cash received from operating activities is 20.7 times that of net interest costs paid.

Current Ratio (times)



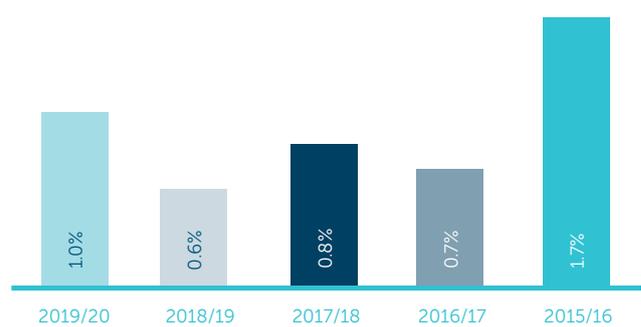
The ratio measures how comfortably payment of short-term liabilities can be covered by Wannon Water's short-term assets. A ratio result greater than 1.0 times indicates that our short-term assets are greater than our short-term liabilities. A high cash balance at year end due to lower than budgeted capital payments during the year was the key driver of the ratio result for this year.

Gearing Ratio



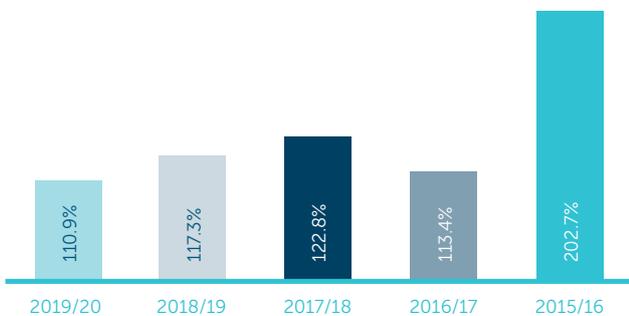
Interest bearing liabilities reduced by \$1.7 million during 2019/20 as a result of positive cash flows and lower than budgeted capital expenditure throughout the year. The decline in the ratio total is a favourable result, as a low ratio provides a positive indication of our long-term liquidity.

Return on Assets



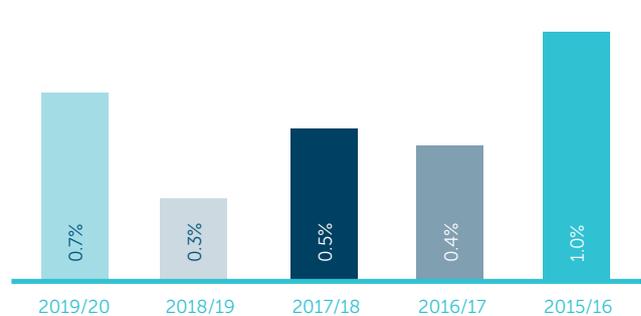
Indicates how much profit Wannon Water has generated from every dollar in assets owned. The ratio is low, as assets owned are significant in value and we do not aim to generate large profits. The healthy profit figure for the year due to the recognition of capital funding revenue is the reason for the increase in ratio from last year.

Internal Financing Ratio



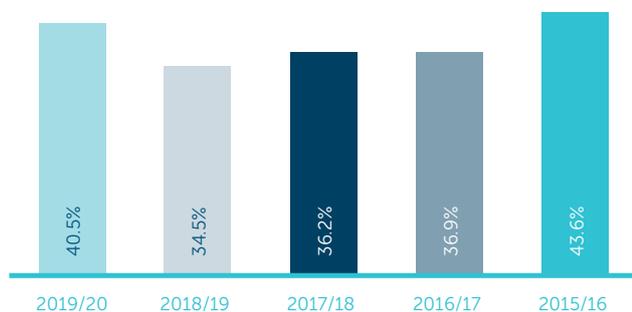
The ratio measures the portion of capital works paid for from operating cash flows. The 2019/20 result indicates that more than 100 per cent of capital works payments was funded by cash received from operating activities resulting in no requirement to borrow extra funds. The key driver of this were the capital receipts received during the year from third parties/government for capital projects.

Return on Equity



Indicates how much profit Wannon Water has generated from every dollar in ownership interest (equity). The ratio is low as equity is significant in value and we do not aim to generate large profits. The healthy profit figure for the year due to the recognition of capital funding revenue is the reason for the increase in ratio from last year.

EBITDA Margin



This indicator measures Wannon Water's operating profitability and our ability to generate an accounting surplus. The solid result is driven by an increase in our net result and indicates that our profit (before interest, tax, depreciation and amortisation) for the year can significantly contribute to funding operations and asset renewal.

Capital expenditure

We completed \$31.89 million of capital works in the reporting period (of which \$7.87 million was externally funded) to further enhance the delivery of water, sewerage and trade waste services and to service growth in south-west Victoria.

Projects with capital expenditure greater than \$0.25 million included:

Project	Total project cost (\$ million)	2019/20 expenditure (\$ million)	Future commitments (\$ million)
Port Campbell 12 Apostles Visitor Centre – sewer and water servicing	8.70	5.72	2.35
Warrnambool Sewage Treatment Plant - upgrade	39.31	4.06	34.38*
Camperdown Biosolids Facility - refurbishment	3.56	3.11	0.07
Warrnambool - sewers and access points	1.65	1.65	0.0
Warrnambool - water main replacements	1.18	1.18	0.0
Hamilton Biosolids Facility - new drying area	4.57	1.03	0.88*
Plantation Road Raw Water Storage - bypass	1.13	1.05	0.0
Saputo - rising main replacement	1.37	0.94	0.17
Integrated Works Management System	2.23	0.77	0
Hamilton Water Treatment Plant -new clear water storage	2.03	0.70	1.23
Corangamite - fluoride feasibility studies	1.05	0.63	0.26
Timboon Service Basin - floating cover and seal joint replacement	0.78	0.63	0.0
Port Fairy Sewage Treatment Plant – domestic aeration upgrade	0.72	0.62	0.04
Portland - wind energy project	5.00	0.59	0.0
Warrnambool – Wellington Street sewer main duplication	0.60	0.49	0.0
Warrnambool Sewage Treatment Plant - media replacement	0.94	0.40	0.49
Warrnambool - Wangoom Road water tower and pump station	2.50	0.36	1.91

*Note – Wannon Water is committed to this spend, but we have not yet awarded a contract.

Significant changes in financial position

There were no significant changes in financial position during the 2019/20 reporting period.

Events subsequent to balance date

At the time of printing this annual report, Wannon Water was not aware of any events subsequent to balance date that would significantly impact its operations.

Future challenges

Wannon Water is planning to undertake the largest capital project in the corporation's history, the upgrade of the Warrnambool Sewage Treatment Plant. This multi-year project will contribute to the \$28.4 million capital program that will be delivered in the 2020/21 year. A total of \$21 million of this expenditure will be funded through cash flows from operating activities which will add to our opening cash balance at the start of the year. An extra \$14 million of new loans will be required to fund the balance of these capital works, as well as the maturing borrowings of \$10 million during the year.

Wannon Water Financial Management Compliance Attestation Statement

I, Jacinta Ermacora, on behalf of Wannon Water, certify that the Wannon Region Water Corporation has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



Jacinta Ermacora
Chair
Wannon Water
18 September 2020

“

Thank you and the team for an excellent launch of your *Ripple Effect* grants program. We had a great time and were impressed with the process and how it all came together on the night. What really stood out was the openness and positive values toward community engagement. I noticed this on display in all the materials, presentations, public announcements and even the wall art throughout the building - RSL Active.



Section 8: Our Board

Board Directors

Wannon Water's Board comprises eight independent non-executive Directors and one executive Director, who is the Managing Director. The non-executive Directors are appointed by the Minister for Water in consultation with the Treasurer for terms up to four years. The Victorian Government sets their remuneration. The Managing Director is appointed by the Board in accordance with the *Water Act 1989*.

The Board is responsible for the overall corporate governance of Wannon Water including:

- Setting the strategic direction for Wannon Water
- Guiding and measuring implementation of the strategy
- Setting the risk appetite for Wannon Water
- Establishing and leading the culture of Wannon Water
- Being accountable to stakeholders including the authorising environment, the community and staff
- Meeting all governance and compliance requirements.

The Board undertook a Board performance review and submitted the findings to the Minister for Water in March 2020 in accordance with Section 3.2 of the Minister's Statement of Obligations. The review built on the previous year's externally facilitated performance review and included a review of progress on those recommendations. The Board also collaboratively developed an agreed Operating Code which sets out the Board team's purpose, culture and expected behaviours.

The Directors bring to the Board an appropriate mix of skills and experience.

JACINTA ERMACORA – BOARD CHAIR

BSocWk, MSocSc (Policy and Management), FAICD.

Appointed 1 October 2015

Jacinta has a background in social work and policy development. She is experienced in consumer advocacy, sexual assault advocacy and primary health reform, and has governance experience in natural resource management, local government and the water industry.

Her interests include strengthening economic and social development in south-west Victoria, policy development in collaboration with communities, and diversity and inclusion. Jacinta is qualified as a quality



improvement performance assessor and is a graduate and fellow of the Australian Institute of Company Directors.

Jacinta is currently a board director at South West TAFE, a board director of Great South Coast Regional Partnerships, and independent chair of the Merri River School, Wollaston Campus Committee in a voluntary capacity.

Jacinta is the Chair of the Strategic Issues Committee and the Executive Remuneration Committee.

KEN KING – DEPUTY BOARD CHAIR

Dip For BForSc (Hon) MRSV MAICD
Appointed 1 October 2017

Ken is a senior project manager at the Victorian Planning Authority.

Previous roles include deputy secretary of the Department of Sustainability and Environment (DSE), holding executive roles in DSE, its predecessors, and Parks Victoria (PV) for 25 years.

Ken has extensive experience in forestry, fire, fauna and flora management, and in operations, policy and strategy.

Ken has previously served as a director for a number of boards and he holds a range of leadership roles within Victorian agencies including chair of the Natural Resources Conservation League of Victoria and Eucalypt Australia. He is also a member of Colac Area Health's Risk and Audit Committee.

Ken is a member of the Executive Remuneration Committee and Strategic Issues Committee.



ANDREW JEFFERS – MANAGING DIRECTOR

B. Eng (Civil), M. Eng (Env), MBA,
GAICD.

Appointed 20 July 2015

Prior to his appointment in July 2015, Andrew worked for 16 years with Wannon Water and 23 years within the Victorian water industry in various engineering and corporate roles, which has resulted in a deep understanding of the water industry and the business of a water corporation.

Andrew understands Wannon Water exists for its customers and recognises the importance and community value of providing high quality water,



sewerage and trade waste services. He has a special interest in ensuring that Wannon Water helps communities in the south-west flourish.

Andrew is a member of the Victorian Intelligent Water Network Executive Committee, a director of VicWater, chair of the VicWater Safety Executive Group, a director of the Great South Coast Group and a director of Beyond the Bell.

Andrew is a member of the Strategic Issues Committee.

SUSAN BRUMBY

**RN, DipFarm M'ment,
GCertHELT, GDipWomensSt,
MHM, PhD**

Appointed 1 October 2019

Susan is the founding director of the National Centre for Farmer Health and has experience in agriculture, health reform, education and leadership.

Previous positions include executive health service roles, managing a beef and wool property, and serving on a number of State and Commonwealth advisory councils. She is a graduate of the Australian Rural Leadership Program and is a current director of Western Victoria Primary Health Network.

Susan holds post graduate qualifications in Health Management and her PhD and ongoing research is in the health and wellbeing of agricultural communities.

Susan is a member of the Executive Remuneration Committee and the Strategic Issues Committee.



MICHAEL CRUTCHFIELD

MBA, BA, BPE, Dip Ed.

Appointed 1 October 2015

Michael is a Country Fire Authority operations officer and was previously a member of the Victorian Parliament, where he was the Parliamentary Secretary for Water and Environment.

He has a Master of Business Administration, Bachelor of Arts, Bachelor of Physical Education and Diploma of Education.

Michael is a member of the Strategic Issues Committee.



MICK MURPHY OAM

DipCE, MAICD, Grad.Dip.Bus.

Appointed 1 October 2015

From Mortlake, Mick has a background in civil engineering and business development consulting. He has 20 years' experience as a local government and water board engineer. Prior to joining Wannon Water, Mick spent 20 years as a chair and director of a number of state and regional statutory authorities, and has served as a mayor and councillor of Moyne Shire, and as a foundation director of South West Water.

Mick was awarded a Centenary Medal in 2002 for service to water management, and an Order of Australia Medal (OAM) in 2006 for service to the community of regional Victoria, particularly through local government, water conservation and environment organisations.

He is currently executive chair of Michael J Murphy & Co Pty Ltd, independent chair of headspace Warrnambool, independent chair of Southern Grampians Audit and Risk Committee and chair of Aberlea Aged Care Inc.

Mick is chair of the Audit & Risk Management Committee, a member of the Strategic Issues Committee and the Executive Remuneration Committee.



ADRIAN PANOW

BAppSc, GCBA, PhD, GAICD

Appointed 1 October 2019

Dr Adrian Panow is currently the director of Deakin Energy at Deakin University which responds to the need for innovative solutions to the challenges of sustainable energy supply.

Adrian is an experienced energy, resources and agrifood executive with international private and public sector expertise in business and technology development, sustainability, stakeholder engagement, joint ventures, commercialisation and program leadership.

Adrian holds an Australian Institute of Company Directors Diploma and a Bachelor of Applied Science in Biochemistry/Applied Chemistry, a PhD in Industrial Biotechnology and Graduate Certificate in Business Administration.



Adrian is a member of the Audit & Risk Management Committee and the Strategic Issues Committee.

HELEN SCARBOROUGH

B. Ec., M.Ec, PhD, GAICD
Appointed 1 October 2017

Helen has held various academic roles at Deakin University for over 25 years and is currently Associate Professor in the Department of Economics.

Previous roles include research economist roles for Westpac Bank and the Australian Chamber of Manufacturers.

Helen has previously served as a member of the Western Coastal Board.

Helen holds post graduate qualifications in economics and her PhD and research is in environmental economics.

Helen is a member of the Audit & Risk Management Committee and Strategic Issues Committee.



SARAH-JANE WALSH

B.Ec, LLB, LLM, MBA, FAICD
Appointed 1 October 2017

Sarah-Jane is a fellow and accredited facilitator with the AICD (since 2011) and has operated her own consultancy since 2009, advising on legal and governance issues for boards.

Previous roles have included ombudsman at the Financial Ombudsman Service (now AFCA), senior fellow at Monash University lecturing on corporate governance and directors' duties, deputy general counsel of ANZ Banking Group, and general counsel and company secretary at Liberty Financial Ltd.

Sarah-Jane has previously served as a director for a number of boards, holds a Bachelor of Law and Master of Law and is admitted as a legal practitioner in Victoria. She also holds a Bachelor of Economics and a Master of Business Administration.

Sarah-Jane is a member of the Audit & Risk Management Committee and Strategic Issues Committee.



“ My son was so impressed with Tap Man at the Noorat Show on the weekend that he drew you a picture (not something he offers very freely). It was absolutely the highlight of his first experience at a show. I understand that it's not easy wearing the suit but the kids (well...my kid) got so much enjoyment from it. Thank you.

Board meetings

Board meetings are scheduled monthly except for January, April and July. Minutes of meetings record Board decisions.

Directors receive customer and other stakeholder feedback through a range of mechanisms, and an ongoing rolling program of direct customer and stakeholder engagement, customer surveys, community consultation and project-based customer committees.

BOARD AND COMMITTEE MEETINGS AND ATTENDANCE

	Board	Audit & Risk Management Committee	Executive Remuneration Committee	Strategic Issues Committee
	Attended	Attended	Attended	Attended
Jacinta Ermacora	9 of 9	-	4 of 4	7 of 7
Susan Brumby	7 of 7	-	2 of 2	5 of 6
Michael Crutchfield	9 of 9	-	-	7 of 7
Andrew Jeffers	9 of 9	-	-	7 of 7
Ken King	9 of 9	-	4 of 4	6 of 7
Mick Murphy	9 of 9	4 of 4	4 of 4	7 of 7
Adrian Panow	6 of 7	3 of 3	-	5 of 6
Helen Scarborough	9 of 9	4 of 4	-	7 of 7
Sarah-Jane Walsh	9 of 9	4 of 4	-	7 of 7

Board committees

The Board has three committees to assist the Board in carrying out its responsibilities:

- Audit and Risk Management Committee
- Executive Remuneration Committee
- Strategic Issues Committee.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee provides independent assurance and advice to the Board on Wannon Water's risk, control and compliance framework and its external accountability responsibilities. The committee also monitors compliance and effectiveness of certified management systems and monitors effectiveness of cyber resilience. The committee meets with the internal auditor, Pitcher Partners, and the external auditor.

As at 30 June 2020, the committee comprised non-executive independent Directors Mick Murphy (Chair), Helen Scarborough, Sarah-Jane Walsh, Adrian Panow and independent external members Stephen Bird and Shannyn Martin.

EXECUTIVE REMUNERATION COMMITTEE

The Executive Remuneration Committee oversees succession planning and remuneration policies and practices for executive employment in line with Government Sector Executive Remuneration Panel guidelines.

As at 30 June 2020, the committee comprised four non-executive Directors Jacinta Ermacora (Chair), Ken King, Mick Murphy and Susan Brumby.

STRATEGIC ISSUES COMMITTEE

The Strategic Issues Committee provides a forum for Directors to explore issues of strategic importance to Wannon Water in depth and build relationships with key stakeholders.

As at 30 June 2020, the committee comprised non-executive Directors Jacinta Ermacora (Chair), Susan Brumby, Michael Crutchfield, Ken King, Mick Murphy, Adrian Panow, Helen Scarborough and Sarah-Jane Walsh, as well as Managing Director Andrew Jeffers.

Ethical standards

The Board acknowledges the need for, and continued maintenance of, the highest standards of corporate governance practice and ethical conduct by Directors, employees and contractors. The Board has a comprehensive governance framework that seeks to ensure high standards of ethical behaviour through policies supported by specific awareness and compliance programs. The governance framework is regularly reviewed.

The Code of Conduct for Directors of Victorian Public Entities issued by the Public Sector Standards Commissioner provides guidance to Directors for compliance with the public sector values and good governance practice.

The Board reviewed the Instrument of Delegation for financial and non-financial decision making during the reporting period.

Pecuniary and conflict of interest declarations

Directors and managers completed declarations of pecuniary interest and addressed any potential conflicts of interest during the reporting period.

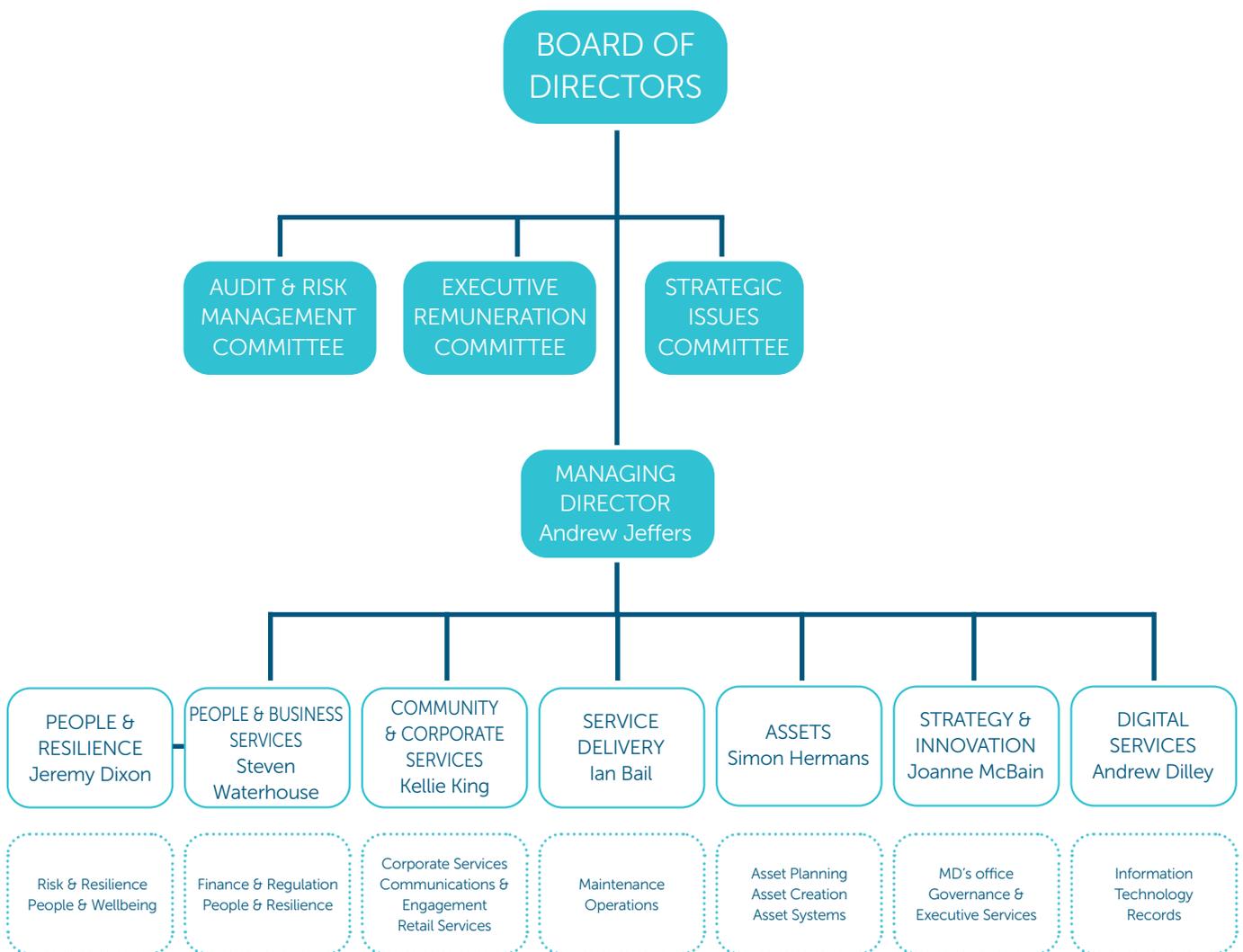
The Board also reviewed its conflict of interest practices against the DELWP model policy for conflict of interest.

Independent advice

The Board ensures that it maintains independent judgement. Directors are entitled to seek independent legal advice on matters relating to the business of Wannon Water at the corporation's expense, subject to consultation with the Chair. No Director exercised this right during the reporting period.

Organisational Structure

As at 30 June 2020



Section 9: Corporate information

Legislative compliance

PUBLIC INTEREST DISCLOSURE ACT

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

Wannon Water is a public body for the purposes of the Act.

What is a public interest disclosure?

A public interest disclosure is a complaint of corrupt or improper conduct or detrimental action 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 Wannon Water or its Board members, officers or employees by contacting IBAC (details below).

Wannon Water is not able to receive public interest disclosures.

Wannon Water has established procedures for the protection of persons from detrimental action in reprisal for making a public interest disclosure about Wannon Water, its board members, officers or employees. You can access Wannon Water's procedures on its website at wannonwater.com.au

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: ibac.vic.gov.au

FREEDOM OF INFORMATION ACT

Wannon Water is committed to ensuring information is made accessible in accordance with the *Freedom of Information Act 1982*.

The Act allows the public a right of access to documents held by the corporation. The purpose of the Act is to extend, as far as possible, the right of the community to access information held by government departments, local councils, Ministers and other bodies subject to the Act.

An applicant has a right to apply for access to documents held by the corporation. This comprises documents both created by the corporation or

supplied to the corporation by an external organisation or individuals, and may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and video tapes. Information about the type of material produced by the corporation is available on our website at wannonwater.com.au

The Act allows Wannon 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 the corporation in-confidence.

The Act was amended on 1 September 2017 to reduce the Freedom of Information (FOI) processing time for requests received from 45 to 30 days. However, when external consultation is required under ss29, 29A, 31, 31A, 33, 34 or 35, the processing time automatically reverts to 45 days. Processing time may also be extended by periods of 30 days, in consultation with the applicant. With the applicant's agreement this may occur any number of times. However, obtaining an applicant's agreement for an extension cannot occur after the expiry of the timeframe for deciding a request.

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

Making a request:

Applications for access to information under the *Freedom of Information Act 1982* must be made in writing; clearly identify the documents to which access is sought; and include an application fee of \$29.60 (further charges may apply). Fees and charges levied under the *Freedom of Information Act 1982* are not subject to GST.

Applications should be addressed to:

Steven Kearns
Freedom of Information Manager
Wannon Water
PO Box 1158
Warrnambool Vic 3280

FOI statistics/timeliness:

Wannon Water did not receive any valid applications under the *Freedom of Information Act 1982* in 2019/20.

Further information:

Further information regarding the operation and scope of FOI can be obtained from the Act; regulations made under the Act; and foi.vic.gov.au

INFORMATION PRIVACY ACT

Wannon Water complies with information privacy principles set out in the *Privacy and Data Protection Act 2014*. A Personal Privacy Charter provides guidance to our employees, contractors and consultants to ensure that private information is protected from unauthorised access or disclosure.

A copy of this charter can be viewed at wannonwater.com.au

OTHER INFORMATION

The following information is available (in full) on request from Wannon Water, subject to the *Freedom of Information Act 1982*:

- A statement that declarations of pecuniary interests have been duly completed by all relevant officers
- Details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- Details of publications produced by Wannon Water about itself, and how these can be obtained
- Details of changes in prices, fees, charges, rates and levies charged by Wannon Water
- Details of any major external reviews carried out on Wannon Water
- Details of major research and development activities undertaken by Wannon Water
- Details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit
- Details of major promotional, public relations and marketing activities undertaken by Wannon Water to develop community awareness of Wannon Water and its services
- Details of assessments and measures undertaken to improve the occupational health and safety of employees
- A general statement on industrial relations within Wannon Water and details of time lost through industrial accidents and disputes
- A list of major committees sponsored by Wannon Water, the purposes of each committee and the extent to which the purposes have been achieved
- Details of all consultancies and contractors, including consultants/contractors engaged, services provided and expenditure committed to for each engagement.

The information is available on request from:

Steven Kearns
Freedom of Information Manager
Wannon Water
PO Box 1158
Warrnambool Vic 3280

Wannon Water also provides free access to a comprehensive range of information on its website, wannonwater.com.au

BUILDING ACT

Wannon Water complied with the building and maintenance provisions of the *Building Act 1993* and mechanisms are in place to ensure all buildings comply with standards.

An annual maintenance program using the *Building Commission's Essential Safety Measure Maintenance Manual* guides the reporting and scheduling of maintenance works on all Wannon Water buildings and facilities. Annual maintenance reports are used to record inspections and repairs in areas including signage, lighting, emergency exits, fire services, lifts, fire detection and occupancy warning systems. Ongoing assessments are made ensuring continual compliance with all measures.

Contracts and consultancies

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 completion 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.

Wannon Water continues to comply with the requirements of the Competitive Neutrality Policy.

LOCAL JOBS FIRST

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

Wannon Water is required to apply the Local Job First policy in all projects valued at \$1 million or more in regional Victoria. The MPSG applies to all construction projects valued at \$20 million or more.

Contracts commenced during 2019/20

Wannon Water commenced four contracts in 2019/20 totaling \$5.172 million where VIPPP plans were required. All projects are in regional Victoria.

The outcomes expected from the implementation of the VIPP to these projects, as assessed by Industry Capability Network, include:

- An average of 94.54 per cent of the total value for the four contracts
- An average retention or creation of 4.93 full-time equivalent jobs per contract.

Contracts completed during 2019/20

Two contracts were completed in 2019/20 to which the VIPP applied.

The outcomes were:

- Average local content (ANZ added value) of 96.09 per cent
- Average retention or creation of 6.75 employees.

The outcomes from ongoing contracts will be included in future reporting periods on completion of the contracts.

During the reporting period, six businesses prepared VIPP plans and there were no interaction reference numbers undertaken with the Industry Capability Network.

MAJOR CONTRACTS

No contracts greater than \$10 million were entered into.

CONSULTANCY EXPENDITURE

Consultants costing less than \$10,000

Wannon Water engaged 10 consultancies in 2019/20 where the total fees payable to the consultants were less than \$10,000. Total expenditure on these consultants was \$39,840 (excluding GST).

Consultants costing more than \$10,000

Fifteen consultancies were engaged in 2019/20 with a total value of \$812,590 (excluding GST).

Consultant	Purpose of consultancy	Total project fee (exc. GST) \$'000	Expenditure 2019/20 (exc. GST) \$'000	Future expenditure (exc. GST) \$'000
Alpha Archaeology	Cultural heritage services	23.72	23.72	0
Biosis Pty Ltd	Cultural heritage services	21.11	21.11	0
Capire Consulting	Stakeholder engagement services	11.01	11.01	0
Decentralised Water Consulting	Small town wastewater options	180.00	97.85	82.15
Eastern Maar Aboriginal Corp.	Cultural heritage services	28.92	28.92	0
Eda Project Management	Contract superintendent and civil engineering design	37.17	37.17	0
Ess Earth Sciences	Dam safety – seismic monitoring	28.63	14.18	14.45
GHD	Dam safety management	1,034.64	207.85	310.46
Glenn Rundell	Contract superintendent	38.86	36.86	2.00*
PCE Training	Contract superintendent	33.53	15.51	18.02*
Planit Consulting	Contract superintendent and civil engineering design	102.24	92.18	10.06*
Plume Ecology	Native vegetation consultant	10.64	10.64	0
Sitec	Civil engineering design	40.79	40.79	0
The CSE Group	Civil engineering design	17.70	13.31	4.39
Tonkin Consulting	Civil engineering design	200.85	148.83	52.02*

* Estimated fee based on potential construction phase activities yet to be confirmed

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

For the 2019/20 reporting period, Wannon Water had a total ICT expenditure of \$6,685,090 with the details shown below.

Business as usual (BAU) ICT expenditure TOTAL \$'000	Non-business as usual (Non-BAU) ICT expenditure		
	Operational expenditure OPEX \$'000	Capital expenditure CAPX \$'000	OPEX + CAPX TOTAL \$'000
5,553	-	1,132	1,132

* "ICT expenditure" refers to Wannon 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 Wannon 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.

GOVERNMENT ADVERTISING EXPENDITURE

Wannon Water did not produce any advertising campaigns valued at \$100,000 or more during the year.

Section 10: Our performance indicators

FINANCIAL PERFORMANCE INDICATORS

KPI Number	Key Performance Indicator	2018-19 Result	2019-20 Result	2019-20 Target	Variance to Prior Year	Notes	Variance to Target	Notes
F1	Cash interest cover Net operating cash flows before net interest and tax / net interest payments	18.2 times	20.7 times	18.7 times	13.7%	1a	10.6%	1b
F2	Gearing ratio Total debt / total assets x 100	4.3%	4.0%	6.7%	-7.0%		-40.3%	2b
F3	Internal financing ratio Net operating cash flow less dividends / net capital expenditure x 100	117.3%	110.9%	62.7%	-5.4%		76.8%	2b
F4	Current ratio Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	1.2 times	1.2 times	1.0 times	-		20.0%	3b
F5	Return on assets Earnings before net interest and tax / average assets x 100	0.6%	1.0%	1.2%	66.7%	2a	-16.7%	4b
F6	Return on equity Net profit after tax / average total equity x 100	0.3%	0.7%	1.2%	133.3%	2a	-41.7%	4b
F7	EBITDA margin Earnings before interest, tax, depreciation and amortization / total revenue x 100	34.5%	40.5%	39.3%	17.3%	2a	3.0%	

Notes:

- 1a/1b Grant funding for capital projects received in advance had a positive impact on the ratio compared to last year and to target. This was a one-off contribution and was not budgeted.
- 2a Grant funding recognised for one-off works undertaken during the year had a positive impact on earnings and net profit compared to last year. These contributions had a favourable impact on the ratios.
- 2b Our capital works program was impacted by delays in the pre-construction phases of the Warrnambool STP Upgrade project. This meant less was spent than forecast and lower level of borrowings than forecast were required. Both outcomes resulted in a favourable ratio variances compared to target.
- 3b Grant funding contribution was received in June 2020 that related to works to be complete in 2020/21. This increased cash held at the end of the year resulting in a higher than forecast current asset balance and a favourable ratio variance compared to target.
- 4b An unbudgeted revaluation of assets at the end of 2018/19 increased depreciation expenditure compared to forecast. This was the main driver of lower than expected earnings and net profit and the unfavourable ratio variance.

WATER AND SEWERAGE SERVICE PERFORMANCE INDICATORS

KPI Number	Key Performance Indicator	2018-19 Result	2019-20 Result	2019-20 Target	Variance to Prior Year	Notes	Variance to Target	Notes
WS1	Unplanned water supply interruptions No. of customers receiving 5 unplanned interruptions in the year / total number of water (domestic and non-domestic) customers x 100	0.0%	0.0%	0.0%	0.00%		0.0%	
WS2	Interruption time Average duration of unplanned water supply interruptions	106.2 Minutes	158.0 Minutes	80.0 Minutes	48.8%	3a	97.5%	5b
WS3	Restoration of unplanned water supply Unplanned water supply interruptions, restored within 5 hours / total unplanned water supply interruptions x 100	97.5%	94.1%	98.0%	-3.5%		-4.0%	
SS1	Containment of sewer spills Sewer spills from reticulation and branch sewers, contained within 5 hours / total sewer spills from reticulation and branch sewers x 100	96.3%	100%	99.0%	3.8%		1.0%	
SS2	Sewer spills interruptions No. of residential sewerage customers affected by sewerage interruptions, restored within 5 hours	100.0%	100%	99.0%	0.0%		1.0%	

Notes:

3a/ 5b The unfavorable variance to prior year and to target, is predominately due to seventeen cases for the year that had extended repair times, compared to seven in 2018/19. Of these seventeen cases, two had repair times exceeding nine hours due to the proximity of the burst mains to other infrastructure, and works having to be completed throughout the night. A new maintenance works management system was implemented in 2019/20 to increase the efficiency of maintenance management. Proactive maintenance programs to identify issues before they arise are continually reviewed, to assist with reducing the severity of unplanned events.

CUSTOMER RESPONSIVENESS PERFORMANCE INDICATORS

KPI Number	Key Performance Indicator	2018-19 Result	2019-20 Result	2019-20 Target	Variance to Prior Year	Notes	Variance to Target	Notes
CR1	Water Quality Complaints No. of complaints per 1000 customers	3.5	3.0	3.8	-14.3%	4a	-21.1%	6b
CR4	Billing and account complaints No. of complaints per 1000 customers	0.5	0.6	1.7	20.0%	5a	-64.7%	7b

Notes:

4a/ 6b Water quality complaints for the 2019/ 20 year decreased by twenty-two compared to the prior year, resulting in a favorable variance and improving again on the result to target. Improvement initiatives across Wannon Water continue to ensure customers receive high quality water, with the aim of these initiatives to also reduce complaints into the future.

5a/ 7b Billing and account complaints increased by six in 2019/ 20. This resulted in an unfavorable variance compared to the prior year, however complaints still remain low, with a total of twenty-eight complaints for 2019/ 20. This small increase, and overall low numbers of complaints is attributed to the continued high performance of the customer relations team, customer rebates, our hardship program offerings and customers reducing bills.

ENVIRONMENTAL PERFORMANCE INDICATORS

KPI Number	Key Performance Indicator	2018-19 Result	2019-20 Result	2019-20 Target	Variance to Prior Year	Notes	Variance to Target	Notes
E1	Effluent re-use volume (end use)	18.6%	17.8%	20.0%	-4.3%		-11.0%	8b
E2	Total net CO2 emissions Net tonnes CO2 equivalent	30,490	26,657	28,624	-12.6%	6a	-6.9%	9b

Notes:

6a/ 9b The favourable variance to both the prior year and target is due to reduced Water Treatment emissions. Reductions were due to the solar panel system operating at the Warrnambool Water Treatment Plant for the full year, reduced water pumping and efficiency upgrades at the Casterton WTP. There was also a decline in energy use due to the Coronavirus (Covid-19) pandemic - this included less travel and a reduction in energy use at all Wannon Water offices and depots.

8b The unfavourable variance to target is attributable to low effluent re-use in both Urban/ Industrial and Other re-use categories. While Agricultural use decreased slightly, it was still above its required target level. Demand for recycled water outside the agricultural sector remains low in the region. Wannon Water continues to liaise with current agreement holders to promote and ensure recycled water is utilised, and available in high demand periods throughout the year.

CERTIFICATION

Certification of Performance Report for 2019/20

We certify that the accompanying Performance Report of Wannon Region Water Corporation in respect of the 2019/20 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 2019/20 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the Performance Report to be misleading or inaccurate.



J A Ermacora
Chair



A R Jeffers
Managing Director



S J Waterhouse
Chief Finance & Accounting Officer
Wannon Region Water Corporation

Dated this 16th day of October 2020

Independent Auditor's Report

To the Board of the Wannon Region Water Corporation

Opinion	<p>I have audited the accompanying performance report of the Wannon Region Water Corporation (the corporation) for the year ended 30 June 2020, which comprises the:</p> <ul style="list-style-type: none"> • financial performance indicators • water and sewerage service performance indicators • customer responsiveness performance indicators • environmental performance indicators • certification of performance report. <p>In my opinion, the performance report of the Wannon Region Water Corporation in respect of the year ended 30 June 2020, presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the <i>Financial Management Act 1994</i>.</p>
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Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the performance report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance report in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
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Board's responsibilities for the performance report	<p>The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.</p>
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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
20 October 2020



Paul Martin
as delegate for the Auditor-General of Victoria



Financial Statements

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COMPREHENSIVE OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Notes	2020 \$'000	2019 \$'000
Revenue			
Service charges	2.1.1	38,139	38,070
Usage charges	2.1.1	30,634	32,550
Other income	2.1.3	2,723	2,743
Developer and customer contributions	2.1.2	4,189	1,975
Government grants and contributions	2.2	6,283	1,195
Interest income		77	145
Total Revenue and income from continuing operations		82,045	76,678
Expenses			
Direct operational expenses	3.2	(10,939)	(11,487)
Repairs and maintenance expenses	3.3	(2,874)	(2,781)
Administrative and other operating expenses	3.4	(8,955)	(8,654)
Depreciation	4.1.1	(23,946)	(21,114)
Employee benefits	3.1.1	(20,716)	(19,964)
Finance costs	6.1.2	(1,800)	(2,289)
Environmental contributions	8.2	(3,306)	(3,306)
Net gain / (loss) on disposal of non-current assets	4.1.4	(1,703)	(3,315)
Amortisation	4.2	(1,053)	(632)
Total Expenses		(75,292)	(73,542)
Net result before tax		6,753	3,136
Income tax expense	8.1.1	(2,077)	(957)
Net result for the period		4,676	2,179
<i>Items that will not be reclassified to net result</i>			
Change in asset revaluation surplus		-	66,663
Income tax relating to these items		-	(20,000)
Total comprehensive income for the period	9.1.2	-	46,663
Comprehensive result		4,676	48,842

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

BALANCE SHEET
AS AT 30 JUNE 2020

	Notes	2020 \$'000	2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6.2	4,648	2,137
Receivables	5.1	5,239	16,386
Contract assets	2.1.4	9,385	-
Inventories		696	647
Prepayments	5.3	1,301	1,509
Total current assets		21,269	20,679
Non-current assets			
Receivables	5.1	8,452	8,076
Infrastructure, property, plant and equipment	4.1	806,573	800,592
Intangible assets	4.2	7,422	7,140
Right of use assets	5.5	2,099	-
Total non-current assets		824,546	815,808
TOTAL ASSETS		845,815	836,487
LIABILITIES			
Current liabilities			
Payables	5.2	4,982	7,032
Contract liabilities	2.1.4	4,062	-
Lease liabilities	5.5	167	-
Interest bearing liabilities	6.1	10,000	10,692
Employee benefits	3.1.2	5,060	4,612
Total current liabilities		24,271	22,336
Non-current liabilities			
Interest bearing liabilities	6.1	24,000	25,000
Lease liabilities	5.5	1,984	-
Employee benefits	3.1.2	461	478
Deferred tax liabilities	8.1.2	124,139	122,062
Total non-current liabilities		150,584	147,540
TOTAL LIABILITIES		174,855	169,876
NET ASSETS		670,960	666,611
Equity			
Contributed capital	9.1.1	441,165	441,165
Reserves	9.1.2	194,197	194,643
Accumulated surplus	9.1.3	35,598	30,803
TOTAL EQUITY		670,960	666,611
Commitments for expenditure	6.3, 8.2.1		
Contingent assets and liabilities	7.2		

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

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

	Notes	Contributed capital \$'000	Reserves \$'000	Accumulated surplus/ (deficit) \$'000	Total \$'000
Balance at 1 July 2018		441,165	149,494	27,110	617,769
Net result for the period		-	46,663	2,179	48,842
Transfer to/from accumulated funds on disposal		-	(1,514)	1,514	-
Closing balance at 30 June 2019	9.1	441,165	194,643	30,803	666,611
Adoption of new accounting standards: AASB15 Revenue from contracts with customers	9.8	-	-	(327)	(327)
Restated total equity at 1 July 2019		441,165	194,643	30,476	666,284
Net result for the period		-	-	4,676	4,676
Transfer to/from accumulated funds on disposal		-	(446)	446	-
Closing balance at 30 June 2020	9.1	441,165	194,197	35,598	670,960

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

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Notes	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts			
Service and usage charges		74,149	75,288
Goods and Services Tax received from the ATO		4,895	4,559
Government contributions received		77	83
Capital charges received		8,826	3,550
		87,947	83,480
Payments			
Payments to suppliers and employees		(46,562)	(46,652)
Goods and Services Tax paid to the ATO		(727)	(331)
Interest and other costs of finance paid		(1,819)	(2,299)
Environmental contributions		(3,306)	(3,306)
		(52,414)	(52,588)
Net cash inflow from operating activities	6.2.1	35,533	30,892
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment and intangible assets		(32,049)	(26,333)
Proceeds from sale of infrastructure, property, plant and equipment	4.1.4	883	641
Net cash outflow from investing activities		(31,166)	(25,692)
Cash flows from financing activities			
Repayment of borrowings		(1,692)	(4,064)
Principle element of lease liabilities		(164)	-
Net cash outflow from financing activities		(1,856)	(4,064)
Net increase in cash and cash equivalents		2,511	1,136
Cash and cash equivalents at start of the financial year		2,137	1,001
Cash and cash equivalents at the end of the financial year	6.2	4,648	2,137
Financing arrangements	6		

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

1. ABOUT THIS REPORT

Basis of Accounting

The financial report includes separate financial statements for Wannon Region Water Corporation (the Corporation) as an individual reporting entity. This financial report is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, director's declaration and notes accompanying these statements for the year ended 30 June 2020. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASs), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. The Corporation is a not-for-profit entity for the purpose of preparing the financial statements.

Where appropriate, those AASs paragraphs applicable to not-for-profit/for-profit entities have been applied.

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The annual financial statements were authorised for issue by the Board on 16 October 2020.

The principal address is:
25 Gateway Rd
Warrnambool VIC 3280

Accounting policies

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

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

The following standards have been adopted by the Corporation:

AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from contracts with customers*, which replaces AASB 118 *Revenue* AASB 111 *Construction Contracts and related interpretations* require the Corporation to recognise revenue when the Corporation satisfies a performance obligation by transferring a promised good or service to a customer. The Corporation has adopted AASB 15 as at 1 July 2019 and has applied the new rules on a modified retrospective basis as mandated by the DTF through FRD 121 Transactional requirements on the application of AASB 15 *Revenue from Contracts with Customers*. As a result, comparatives for 2018/19 in our 30 June 2020 accounts have not been restated. The transition adjustment was \$327,000 and was made directly to retained earnings. Further disclosures in relation to AASB 15 are at Note 2.1 and 9.8 of this report.

AASB 16 Leases

AASB 16 *Leases* was issued in February 2016 and replaces AASB 117 *Leases*. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed for lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay the obligation for lease payments are recognised. The Corporation has adopted AASB 16 as at 1 July 2019 and has applied the new rules on a modified retrospective basis as mandated by the DTF through FRD 123 Transitional requirements on the application of AASB 16 *Leases*. As a result, comparatives for 2018/19 in our 30 June 2020 accounts have not been restated. Further disclosure in relation to AASB 16 is at note 9.8 of this report.

AASB 1058 Income for Not-for-Profits

AASB 1058 *Income for Not-for-Profits* replaces requirements of income transactions previously accounted for under AASB 1004 *Contributions*. It establishes principles for not-for-profit entities that apply to (a) transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit Corporation to further its objectives; and (b) the receipt of volunteer services. It will apply to capital grants from government and grants with no sufficiently specific performance obligation. Wannon Water needs to determine whether a transaction falls under AASB 1058 or actually a contract with a customer under AASB 15. The Corporation has adopted AASB 1058 as at 1 July 2019 and has applied the new rules on a modified retrospective basis as mandated by the DTF through FRD 122 Transitional requirements on the application of AASB 1058 *Income of Not-for-Profit Entities*. As a result, comparatives for 2018/19 in our 30 June 2020 accounts have not been restated. Further disclosures in relation to AASB 1058 are at note 9.8 of this report.

Functional and presentation currency

Items included in this financial report are measured using the currency of the primary economic environment in which the Corporation operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the Corporation's functional and presentation currency.

Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over in the next twelve months, being the Corporation's operating cycle. See Note 3.1.2 for a variation in relation to employee benefits.

Rounding

Unless otherwise stated, amounts in this report have been rounded to the nearest thousand dollars. Figures in the financial report may not equate due to rounding.

Historical cost convention

This financial report has been prepared under the historical cost convention, except for the revaluation of financial assets and certain classes of property, plant and equipment.

Accounting estimates

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

- the fair value of land, buildings, infrastructure and plant & equipment (Note 4.1.2);
- estimation of useful life (Note 4.1);
- impairment of assets (Note 4.1);
- employee benefits provision (Note 3.1.2);
- the estimation of accrued tariffs and charges calculation (Note 5.1);
- the calculation of provision for impaired receivables (Note 5.1);
- the calculation of deferred tax assets and deferred tax liabilities (Note 8.1.2);
- actuarial assumptions used to determine the Corporation's superannuation defined benefit liability and employee benefit provisions (Note 3.1.3);
- determining whether the performance obligations are sufficiently specific so as to determine whether the arrangement is within the scope of AASB 15 or AASB 1058 (Note 2.1.2 and 2.1.3);
- the timing of satisfaction of performance obligations (Note 2.1.2);
- determining transaction price and amounts allocated to performance obligations (Note 2.1.2);
- for leases, determining whether the arrangement is in substance short-term arrangement (Note 5.5);
- estimating discount rate when not implicit in the lease (Note 5.5).

Covid 19

During the year there was a global health pandemic event (Covid 19) that affected all areas of business within the State of Victoria. Following the outbreak, a State of Emergency was declared within Victoria leading to various restrictions being placed on business, certain industries and the wider community for extended periods of time. There were a number of stimulus packages rolled out by both State and Federal Governments to help ease the economic impact being experienced by all Victorians. Some of these initiatives included the Jobkeeper and Jobseeker payments, rent relief for eligible business and tenants and a commitment from Government to ensure prompt payment of supplier invoices across the public sector to help ease cash flow issues.

Wannon Water monitored the impact that the virus had on our customers and their ability to pay debts as they fell due. It was found that there was no material impact on their capacity to pay bills throughout the region as a result of the outbreak. Therefore, no adjustments or assumptions have been made in disclosing any balances within these financial statements.

2. FUNDING DELIVERY OF OUR SERVICES

Introduction

This section provides additional information about how the Corporation is funded and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The Corporation's corporate intent is to provide safe, reliable, innovative and sustainable water services and strengthen communities in the south west of Victoria. To assist the Corporation to achieve this outcome we receive income from residential, non residential and major customers for water and sewer services and usage charges. Developer contributions are also a key source of income for the Corporation.

2.1 Revenue from contracts with customers

The Corporation derives revenue from the transfer of goods and services over time and at a point in time in the following revenue streams. Revenue is recognised when, or as, the performance obligations to the customer are satisfied.

Structure

- 2.1 Revenue from contracts with customers
 - 2.1.1 Revenue from service and usage charges
 - 2.1.2 Developer contributions
 - 2.1.3 Other revenue
 - 2.1.4 Contract assets and contract liabilities
- 2.2 Government grants and contributions

Consideration received in advance of recognising the associated revenue from the customer is recorded as a contract liability (refer Note 2.1.4). Where the performance obligations are satisfied but not yet billed, a contract asset is recorded (refer Note 2.1.4)

2.1.1 Revenue from service and usage charges

	2020 \$'000	2019 \$'000
Service charges		
Sewer	27,696	27,772
Water	10,443	10,298
Total service charges	38,139	38,070
Usage charges		
Water	23,008	25,016
Trade waste	7,626	7,534
Total usage charges	30,634	32,550

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

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

perpetuity. As a result, the Corporation has applied the practical expedient given in AASB 15, paragraph 121(b), not to disclose this amount in relation to service charges.

Usage charges are billed quarterly in arrears and revenue is recognised over time as the Corporation has the right to receive an amount of consideration based on the unit of water consumed by and sewage, trade waste disposed and recycled water of during the financial year and the regulated price. Usage charges are accrued, and contract liabilities are booked.

The Corporation has applied the practical expedient given in AASB 15, paragraph B16, where revenue can be recognised in the amount which it has a right to invoice, since the amount is considered by Corporation to correspond directly with the value to the customer of the Corporation's performance to date. The amount of right to invoice is based on meter readings. As meter reading is cyclical, an estimate is made at the end of the accounting period for water usage and sewerage and

trade waste disposal by customers and recycled water produced. The estimate is made by multiplying the number of days since the last reading by daily average water consumption for that period.

Any difference between the amount invoiced and actual consumption is adjusted in the period in which the meter readings are finalised and are recovered or paid as part

of the next period's charges. Further, this revenue stream includes an estimate of the amount of water consumed by, and sewage disposed and trade waste disposed and recycled water for customers that are not yet billed at the end of the period. This amount is included in contract assets.

2.1.2 Developer contributions

	2020 \$'000	2019 \$'000
New customer contributions	2,335	724
Developer contributed assets	1,854	1,251
Total developer contributions	4,189	1,975

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

Revenue from developer contributed assets is recognised as a point in time when the Corporation has satisfied its performance obligation.

Depending on the type of developer application, this can result in the performance obligation being satisfied:

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

Revenue is recognised as the fair value of the gifted assets by assessing the value of the works using scheduled rates.

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 the cost of

augmenting the Corporation's water supply distribution systems and sewerage disposal systems.

Revenue from new customer contributions is recognised as a point in time when the Corporation has satisfied its performance obligation.

Depending on the type of new customer contribution application, this can result in the performance obligation being satisfied as point in time when the Corporation satisfies its performance obligation will vary depending on the type of application submitted by the customer.

As a result, a performance obligation can occur when:

- the Statement of Compliance is issued to the customer, or
- the customer is connected to the Corporation's infrastructure network for the revision of water and sewerage services when no Statement of Compliance is required to be issued, or
- the customer receives consent from the Corporation to proceed with their application.

The rates applied to calculate the new customer contributions are regulated by the Essential Services Commission.

2.1.3 Other income

Cost recoveries	837	1,325
Miscellaneous	906	466
Rental	293	444
Information statements	277	261
Connection and inspection fees	279	205
Recycled water sales	131	43
Total other income	2,723	2,743

Revenue classified as other income is recognised when or as performance obligations are satisfied. Performance obligation relating to various plumbing services, application, recycled water inspection and meter installation fees are satisfied at a point in time when the Corporation renders the specified service requested by the customer. Cost recovery and miscellaneous income mainly consists of charges for services to third parties on behalf of Corporation. Revenue is recognised over time based on the customers simultaneously receiving and consuming the benefits.

2.1.4 Contract assets and contract liabilities

	2020 \$'000	2019 \$'000
Current contract asset		
Accrued tariffs and charges	9,385	-
Total contract assets	9,385	-
Current contract liabilities		
Customers paid in advance	3,640	-
Unearned income	422	-
Total contract liabilities	4,062	-

Accrued tariffs and charges 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 invoiced. Usage charges are all recognised as revenue when the service has been provided. An accrual is done to account for water and sewage services provided for but not billed at the end of the reporting period.

Customers paid in advance are payments received in advance of the provision of goods or services or performance obligation required to be performed by the Corporation to settle the terms of receipt of income is considered as customers paid in advance. The Corporation will recognise these advance payments as revenue, once it has performed the performance obligations associated with the payments.

Unearned income represents new customer contributions received in the reporting period, but the performance obligations are outstanding at balance date.

2.2 Government grants & contributions

Government contributions - capital	6,283	1,195
Total government grants and contributions	6,283	1,195

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

3. THE COST OF DELIVERING SERVICES

Introduction

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

Structure

- 3.1 Our people
 - 3.1.1 Employee benefits
 - comprehensive operating statement
 - 3.1.2 Employee benefits - balance sheet
 - 3.1.3 Superannuation
- 3.2 Direct operational expenses
- 3.3 Repairs and maintenance
- 3.4 Administrative and other operating expenses

3.1 Our people

3.1.1 Employee benefits - comprehensive operating statement

	2020 \$'000	2019 \$'000
Employee benefits		
- salaries and wages	(16,851)	(16,014)
- annual leave	(1,504)	(1,441)
- long service leave	(651)	(866)
- employer superannuation contributions	(1,588)	(1,517)
- defined benefit superannuation expense	(122)	(126)
Total employee benefit costs	(20,716)	(19,964)

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

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

3.1.2 Employee benefits - balance sheet

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

	2020 \$'000	2019 \$'000
Current provisions:		
<i>Annual Leave</i>		
Annual leave - unconditional and expected to settle within 12 months	1,339	1,153
<i>Long Service Leave</i>		
Long service leave - unconditional and expected to settle within 12 months - measured at nominal value	424	440
Long service leave - unconditional and expected to settle after 12 months - measured at present value	2,780	2,553
<i>On-Costs</i>		
Unconditional and expected to settle within 12 months - measured at nominal value	56	58
Unconditional and expected to settle after 12 months - measured at present value	365	335
<i>Other Leave</i>		
Other leave - unconditional and expected to settle within 12 months	97	73
Total current provision for employee benefits	5,060	4,612
Non-current provisions:		
Long service leave - conditional - measured at present value	407	422
Long service leave on costs - conditional - measured at present value	53	56
Total non-current provisions for employee benefits	461	478
Aggregate carrying amount of employee benefits		
Current	5,060	4,612
Non-current	461	478
Total provision for employee benefits	5,521	5,090
Reconciliation of movement in on-cost provision		
Opening balance	449	389
Additional provision recognised	93	118
Amounts utilised during period	(60)	(43)
Increases resulting from re-measurement	1	8
Effect of changes in the discount rate	(9)	(23)
Closing balance	474	449
Current	421	393
Non-current	53	56

Wages, salaries and annual leave

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

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

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

On-costs

On costs, such as payroll tax and workers' compensation insurance, are recognised as liabilities when the employment to which they relate has occurred.

They are not employee benefits and are disclosed separately from provisions for employee benefits.

Long service leave

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

Unconditional LSL (representing seven or more years of 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; and
- present value - if the Corporation does not expect to wholly settle within 12 months.

Conditional LSL 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 LSL liability is measured at present value.

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

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 2020 are detailed below:

Scheme	Type of scheme	Rate (%)	2020 \$'000	2019 \$'000
State Superannuation Fund	Defined Benefits	9.5	37	36
Vision Super	Defined Benefits	9.5	85	90
Vision Super	Accumulated Fund	9.5	1,145	1,133
Other	Accumulated Fund	9.5	433	386
Total contributions			1,700	1,645

There were no contributions outstanding and loans issued from or to the above schemes as at 30 June 2020.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2021 is \$86,000.

Accumulation

Contributions to the accumulation plans are expensed as the contributions are paid or become payable.

Defined benefit plan

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

Funding arrangements

On the basis of the results of the 2020 interim actuarial investigation conducted by the Fund Actuary, Wannon Water 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, Wannon Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

The 2019 interim actuarial investigation surplus amounts

As at 30 June 2019, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) was 107.1%. Because the VBI was above 100%, the 2020 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

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

Net investment returns	7.0% pa
Salary information	4.25% pa
Price inflation (CPI)	2.5% pa

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

The Fund's actuarial investigations identified the following for the Defined Benefit category of which Wannon Water is a contributing employer:

	2019 (\$M)	2018 (\$M)
- A VBI surplus	151.3	131.9
- A total service liability surplus	233.4	218.3
- A discounted accrued benefits surplus	256.7	249.1

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 2019. The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2019.

The 2020 full triennial actuarial investigation

A full actuarial investigation is being conducted for the Fund's position as at 30 June 2020. It is anticipated that this actuarial investigation will be completed by 31 December 2020.

Employer Contributions

Regular Contributions

On the basis of the results of the 2020 interim actuarial investigation conducted by the Fund Actuary, Wannon Water makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2020, this rate was 9.5% of members' salaries (9.5% in 2018/2019).

This rate will increase in line with any increases in the superannuation guarantee contribution rate. In addition, Wannon Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding calls

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

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

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

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

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

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

3.2 Direct operational expenses

	2020 \$'000	2019 \$'000
Electricity	(4,074)	(4,565)
Licences	(2,300)	(2,225)
Other goods and services	(1,238)	(1,399)
Consultancies and contractors	(1,147)	(1,287)
Chemicals	(943)	(995)
Testing and sampling	(960)	(846)
Goods and equipment	(277)	(170)
Total direct operational expenses	(10,939)	(11,487)

3.3 Repairs and maintenance

Preventative maintenance	(986)	(1,051)
Corrective maintenance	(821)	(871)
Other maintenance costs	(512)	(466)
Reactive maintenance	(554)	(393)
Total repairs and maintenance	(2,874)	(2,781)

3.4 Administrative and other operating expenses

Consultancies and contractors	(4,555)	(4,245)
Other goods and services	(2,459)	(2,036)
Efficiency rebate	(1,505)	(1,987)
Goods and equipment	(298)	(222)
Electricity	(138)	(164)
Total administrative and other operating expenses	(8,955)	(8,654)

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

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction

The Corporation controls infrastructure and 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.

Structure

- 4.1 Infrastructure, property, plant and equipment
 - 4.1.1 Reconciliation of movements in carrying values of Infrastructure, property, plant and equipment
 - 4.1.2 Fair value determination: non-physical assets
 - 4.1.3 Depreciation and impairment
 - 4.1.4 Net gain/(loss) on disposal of non-current assets
- 4.2 Intangible assets

4.1 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

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

	Land and land improvements \$'000	Buildings \$'000	Water infrastructure \$'000	Sewer infrastructure \$'000	Plant and equipment \$'000	Capital works in progress \$'000	Total \$'000
2019-20							
Opening WDV at 1 July 2019	34,196	28,728	397,244	314,703	6,769	18,953	800,592
Additions	-	-	-	-	-	31,879	31,879
Developer contributed assets	-	-	661	1,193	-	-	1,854
Disposals	(194)	(71)	(891)	(1,095)	(319)	(45)	(2,615)
Transfers between categories							
- Additions ¹	29	230	6,443	7,760	1,646	(17,445)	(1,337)
Depreciation expense	(17)	(1,191)	(11,864)	(8,855)	(1,874)	-	(23,801)
Closing WDV at 30 June 2020	34,014	27,697	391,593	313,706	6,222	33,341	806,573
Cost	34,081	31,789	433,767	346,627	20,329	33,341	899,934
Accumulated depreciation	(67)	(4,092)	(42,174)	(32,921)	(14,107)	-	(93,361)
Closing WDV at 30 June 2020	34,014	27,697	391,593	313,706	6,222	33,341	806,573
2018-19							
Opening WDV at 1 July 2018	30,373	26,216	359,572	296,914	6,123	14,115	733,313
Additions	-	-	-	-	-	26,604	26,604
Developer contributed assets	-	175	1,076	-	-	1,251	2,502
Revaluations	3,675	2,994	41,951	18,043	-	-	66,663
Disposals	-	-	(1,914)	(1,442)	(599)	(102)	(4,057)
Transfers between categories							
- Additions ¹	164	495	7,761	8,364	2,811	(21,663)	(2,068)
Depreciation expense	(17)	(977)	(10,300)	(8,253)	(1,567)	-	(21,114)
Closing WDV at 30 June 2019	34,196	28,728	397,244	314,703	6,769	18,953	800,592
Cost	34,246	31,634	427,854	338,954	19,893	18,953	871,534
Accumulated depreciation	(50)	(2,906)	(30,610)	(24,251)	(13,125)	-	(70,942)
Closing WDV at 30 June 2019	34,196	28,728	397,244	314,703	6,769	18,953	800,592

¹ Amount transferred to intangibles. Refer to Note 4.2

Initial recognition

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage, plant, equipment and motor vehicles used by the Corporation in its operations. Items with an estimated useful life of more than two years or are considered to be an attractive item are recognised as an asset. All other assets acquired are expensed.

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.

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

Subsequent measurement

Infrastructure, property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset). Refer to Note 4.1.2 for fair value disclosures.

Revaluation of infrastructure, property, plant and equipment

Revaluations are conducted in accordance with FRD 103F. Scheduled revaluations are undertaken every five years with the next one planned for 2021. An annual assessment of fair value to determine if it is materially different to the carrying value. If the difference to carrying value is greater than 10 per cent, a management revaluation is undertaken while a movement greater than 40 per cent will normally involve an Approved Valuer (usually the Valuer General of Victoria) to perform detailed assessment of the fair value. If the movement in fair value since the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts.

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

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

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

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

4.1.2 Fair value determination non-physical assets

Significant judgement: Fair value measurements of assets and liabilities

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

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

Consistent with AASB 13 Fair Value Measurement, the Corporation determines the policies and procedures for both recurring fair value measurements such as infrastructure, property and plant and equipment in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

Fair value hierarchy

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

- 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.

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

Fair value measurement hierarchy for non financial assets as at 30 June 2020

	Fair value measurement at end of reporting period using:			
	Carrying amount at 30-Jun-20 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land and land improvements at fair value				
Specialised land	34,014	-	-	34,014
Total of land and land improvements at fair value	34,014	-	-	34,014
Buildings at fair value				
Specialised buildings	27,697	-	-	27,697
Total of buildings at fair value	27,697	-	-	27,697
Water infrastructure at fair value				
Water reticulation and distribution	279,129	-	-	279,129
Water treatment plants	53,741	-	-	53,741
Water reservoirs and service basins	58,723	-	-	58,723
Total of water infrastructure at fair value	391,593	-	-	391,593
Sewer infrastructure at fair value				
Sewer reticulation	260,609	-	-	260,609
Sewer treatment plants	53,097	-	-	53,097
Total of sewer infrastructure at fair value	313,706	-	-	313,706
Plant, equipment and vehicles at fair value				
Vehicles	2,932	-	2,932	-
Plant and equipment	3,290	-	-	3,290
Total of plant, equipment and vehicles at fair value	6,222	-	2,932	3,290

Fair value measurement hierarchy for non financial assets as at 30 June 2019

	Fair value measurement at end of reporting period using:			
	Carrying amount at 30-Jun-19 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land and land improvements at fair value				
Specialised land	34,196	-	-	34,196
Total of land and land improvements at fair value	34,196	-	-	34,196
Buildings at fair value				
Specialised buildings	28,728	-	-	28,728
Total of buildings at fair value	28,728	-	-	28,728
Water infrastructure at fair value				
Water reticulation and distribution	282,949	-	-	282,949
Water treatment plants	55,842	-	-	55,842
Water reservoirs and service basins	58,453	-	-	58,453
Total of water infrastructure at fair value	397,244	-	-	397,244
Sewer infrastructure at fair value				
Sewer reticulation	259,689	-	-	259,689
Sewer treatment plants	55,013	-	-	55,013
Total of sewer infrastructure at fair value	314,703	-	-	314,703
Plant, equipment and vehicles at fair value				
Vehicles	3,161	-	3,161	-
Plant and equipment	3,607	-	-	3,607
Total of plant, equipment and vehicles at fair value	6,769	-	3,161	3,607

There have been no transfers between levels during the period.

The Valuer General Victoria (VGV) is the Corporation's independent valuation agency in relation to valuation of property, plant and equipment and infrastructure.

The Corporation, in conjunction with VGV, monitors changes in the fair value of property, plant and equipment and infrastructure through relevant data sources to determine whether revaluation is required.

Specialised land and specialised buildings

The market approach is used for specialised land, although it 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 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 Egan Valuers Pty. Ltd. On behalf of the Valuer General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation was 30 June 2016 [AASB 116.77(a), (b), AASB 116 Aus77.1].

The Corporation conducted an assessment at 30 June 2019 and determined that there had been material movement in the value of both specialised land and specialised buildings assets since the 2016 valuation. As per the requirements of FRD103H and under the direction of the Victorian Valuer-General's Office, a managerial revaluation was undertaken on the building asset class as at 30 June 2019. A desktop valuation was performed utilising non-metro regional area indices to revalue the individual carrying amounts of assets within the class. It was determined that there had been a cumulative increment of 10.5% since the last valuation, resulting in a revaluation amount of \$2.99M being credited directly to equity in the asset revaluation reserve.

Under the same requirements as the buildings assets class stated in the above paragraph, a managerial revaluation was also undertaken on the land asset class as at 30 June 2019. A desktop valuation was performed utilising non-metro regional area indices to revalue the individual carrying amounts of assets within the class. It was determined that there had been a cumulative increment of 12.3% since the last valuation, resulting in a revaluation amount of \$3.68M being credited directly to equity in the asset revaluation reserve.

The Corporation conducted a further assessment at

30 June 2020 and determined that there had been no material movement in the value of the Corporation's specialised land and building assets since the managerial revaluation in 2019. Management regards the VGV indicies to be a reliable and relevant data set to form the basis of our estimates. Whilst these indicies are applicable at 30 June 2020, the fair value of land and buildings will continue to be subject to the impacts of COVID-19 in future periods.

Vehicles

Vehicles are valued at level 2, using the depreciated 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 active market, is managed by experienced fleet managers at the Corporation who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Plant and equipment

Plant and equipment is 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 depreciated replacement cost method. As plant and equipment are specialised in nature and modified to meet our requirements, fair value is measured at level three. There were no changes in valuation techniques throughout the period to 30 June 2020. For all assets measured at fair value, the current use is considered the highest and best use.

Water and sewer infrastructure

Water and sewer infrastructure assets are valued using the depreciated replacement cost method. 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 depreciated 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 Jardine Lloyd Thompson Pty. Ltd. on behalf of the Valuer General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2016.

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 an assessment at 30 June 2019 and determined that there had been material movement in the value of all network infrastructure assets since the 2016 valuation. No material movement was identified in facility infrastructure assets since the

2016 valuation. As per the requirements of FRD103H and under the direction of the Victorian Valuer-General's Office, a managerial revaluation was undertaken on the network infrastructure asset class as at 30 June 2019. A desktop valuation was performed utilising non-metro regional area indices to revalue the individual carrying amounts of assets within the class. It was determined that there had been a cumulative increment of 14.1% since the last valuation, resulting in a revaluation amount of \$59.99M being credited directly to equity in the asset revaluation reserve.

The Corporation conducted a further assessment at 30 June 2020 and determined that there had been no material movement in the value of all network infrastructure assets since the managerial revaluation in 2019. As at 30 June 2020 no material movement was identified in facility infrastructure assets since the 2016 valuation.

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

Reconciliation of level 3 fair value movements

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

2020	Specialised land \$000	Specialised buildings \$000	Water infrastructure \$000	Sewer infrastructure \$000	Plant and equipment \$000
Opening balance	34,196	28,728	397,244	314,703	3,607
Additions/ purchases	29	230	7,104	8,953	857
Disposals	(194)	(71)	(891)	(1,095)	(15)
Depreciation	(17)	(1,191)	(11,864)	(8,855)	(1,160)
Closing balance	34,014	27,697	391,593	313,706	3,289
2019					
Opening balance	30,373	26,216	359,572	296,914	2,920
Additions/ purchases	164	495	7,936	9,440	1,638
Revaluations	3,675	2,994	41,951	18,043	-
Disposals	-	-	(1,914)	(1,442)	(7)
Depreciation	(17)	(977)	(10,300)	(8,253)	(944)
Closing balance	34,196	28,728	397,244	314,703	3,607

Description of significant unobservable inputs to Level 3 valuations

2020 and 2019	Valuation technique	Significant unobservable inputs
Specialised land and improvements	Market approach	Community Service Obligation (CSO) adjustment Land value range
Specialised buildings	Depreciated replacement cost	Cost per building Useful life of specialised buildings
Water Infrastructure - Water reticulation & distribution	Depreciated replacement cost	Cost per metre Useful life of the infrastructure
Water Infrastructure - Water treatment plants	Depreciated replacement cost	Cost per treatment plant Useful life of the infrastructure
Water Infrastructure - Water reservoirs & service basins	Depreciated replacement cost	Cost per facility Useful life of the infrastructure
Sewer Infrastructure - Sewer reticulation	Depreciated replacement cost	Cost per metre Useful life of the infrastructure
Sewer Infrastructure - Sewer treatment plants	Depreciated replacement cost	Cost per treatment plant Useful life of the infrastructure
Plant and equipment	Depreciated replacement cost	Cost per unit Useful life of plant and equipment

4.1.3 Depreciation and impairment

All non-current physical assets that have a limited useful life are depreciated. Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component.

Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of

their residual values, over their estimated useful lives, commencing from the time the asset is held ready for use.

Typical estimated useful lives for the different asset classes are included in the table below and are consistent with the prior year, unless otherwise stated.

Asset class	Current year	Prior year	Asset class	Current year	Prior year
Bores	4 - 107 years	3 - 80 years	Buildings	10 - 105 years	2 - 80 years
Electrical	4 - 84 years	1 - 78 years	Furniture and fittings	4 - 20 years	4 - 20 years
Lagoons	5 - 120 years	2 - 100 years	Manholes	7 - 147 years	1 - 99 years
Mechanical	1 - 73 years	2 - 73 years	Meters	5 - 80 years	5 - 74 years
Pipes	1 - 147 years	1 - 100 years	Plant, equipment & motor vehicles	2 - 20 years	2 - 20 years
Pumps	5 - 90 years	1 - 80 years	Reservoirs	4 - 300 years	1 - 300 years
Service basins	4 - 300 years	1 - 300 years	Tanks	4 - 103 years	1 - 100 years
Towers	4 - 103 years	1 - 100 years			

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

The change in years disclosed in the table above has had no financial impact on depreciation calculated in the Comprehensive Operating Statement.

Indefinite life assets

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

Impairment

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

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference 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 depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

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

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

	2020 \$'000	2019 \$'000
Cost of assets disposed		
Land	(194)	-
Buildings	(71)	-
Infrastructure	(1,986)	(3,356)
Motor vehicles	(304)	(592)
Office equipment	(15)	(7)
Intangibles	(1)	(1)
Total written down value of assets disposed	(2,571)	(3,956)
Proceeds of assets disposed		
Motor vehicle trade ins	306	639
Other asset sales	562	2
Total proceeds of asset disposed	868	641
Net gain/ (loss) on disposal of non current assets	(1,703)	(3,315)

4.2 Intangible assets

	2020 \$'000	2019 \$'000
(a) Classes of intangibles		
Computer software - at cost	10,546	9,263
Less: Accumulated amortisation	(7,874)	(6,873)
	2,672	2,390
Bulk water entitlement - at cost	4,750	4,750
Total intangibles	7,422	7,140

(b) Movements during the reporting period	Software \$'000	Bulk water entitlement \$'000	Total \$'000
2019-20			
Opening WDV at 1 July 2019	2,390	4,750	7,140
Disposals	(1)	-	(1)
Transfers between categories - additions ¹	1,337	-	1,337
Amortisation expense	(1,053)	-	(1,053)
Closing WDV at 30 June 2020	2,673	4,750	7,423
2018-19			
Opening WDV at 1 July 2018	955	4,750	5,705
Disposals	(1)	-	(1)
Transfers between categories - additions ¹	2,068	-	2,068
Amortisation expense	(632)	-	(632)
Closing WDV as at 30 June 2019	2,390	4,750	7,140

¹ Amount transferred from Work in Progress. Refer to Note 4.1.1

Recognition

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

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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.

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

	Software costs	Water share entitlement
Useful lives	Finite	Indefinite
Amortisation method used	4 years - straight line	Not amortised or revalued
Internally generated / Acquired	Acquired and internally generated	Acquired
Impairment test / Recoverable amount testing	Annually and where an indicator of impairment exists	Annually and where an indicator of impairment exists

Permanent water entitlements

Permanent water entitlements purchased 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 are tested annually for impairment. Bulk permanent water entitlements prior to 1 July 2009 are not recorded on the Balance Sheet as an intangible asset, as they cannot be reliably measured.

Amortisation

Intangible assets with finite useful lives are amortised as an expense on a systematic basis (typically straight-line), commencing from the time the asset is available for use. The amortisation periods are reviewed and adjusted if appropriate at each balance date. Intangible assets with indefinite useful lives are not amortised however, all intangible assets are assessed for impairment annually.

5. OTHER ASSETS AND LIABILITIES

Introduction

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

Structure

- 5.1 Receivables
- 5.2 Payables
- 5.3 Prepayments
- 5.4 Fair value determination of financial assets and liabilities
- 5.5 Leases

5.1 Receivables

	2020 \$'000	2019 \$'000
Current		
<i>Contractual</i>		
Accrued tariffs and charges	-	9,318
Tariffs and charges	1,448	2,560
Other receivables	3,654	4,259
Schemes/ Receivables	53	53
Less: Allowance for expected credit losses	(217)	(176)
	4,938	16,014
<i>Statutory</i>		
GST input tax credit receivable	301	372
Total current receivables	5,239	16,386
Non-current		
<i>Contractual</i>		
Other receivables	8,117	7,708
Schemes / Receivables	335	369
Total non-current receivables	8,452	8,076
Total receivables	13,691	24,462

Receivables consist of:

- Contractual receivables classified as financial instruments and categorised as 'Financial asset as amortised cost'. They are initially recognised at fair value plus any directly attributable costs. The Corporation holds contractual receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less any impairment.
- Trade receivables are initially measured at transaction price, unless they contain a significant financing component, when they are recognised at fair value. 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. As a consequence, Corporation does not adjust any of the transaction price for the time value of money.

- Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables initially. Subsequent to initial measurement these are tested for expected credit loss as per AASB 9.
- Receivables arise from unconditional multi-year grants accounted for under AASB 1058 are recognised upfront.
- The carrying amount at amortised cost is the reasonable approximation of fair value.

Impairment of contractual receivables

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

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

30 June 2020	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	More than 365 days past due	Total
Expected loss rate (%)	0.8	0.0	8.8	14.4	12.5	18.5	
Gross carrying amount – receivables from service and usage charges, tenant ('\$000)	115	-	15	25	45	28	228
Gross carrying amount – receivables from service and usage charges, owners ('\$000)	1,833	17	94	77	177	663	2,861
Gross carrying amount – other receivables ('\$000)	1,955	12	26	9	10	-	2,012
Loss allowance ('\$000)	(32)	(0)	(12)	(16)	(29)	(128)	(217)
1 June 2019							
Expected loss rate (%)	0.3	2.7	8.6	6.7	9.2	17.3	
Gross carrying amount – receivables from service and usage charges, tenant ('\$000)	119	17	22	21	35	31	245
Gross carrying amount – receivables from service and usage charges, owners ('\$000)	1,168	110	70	113	214	640	2,315
Gross carrying amount – other receivables ('\$000)	4,226	20	13	-	-	-	4,259
Loss allowance ('\$000)	(15)	(4)	(9)	(9)	(23)	(116)	(176)

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 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 14 days from the due date of the invoice. Thereafter, interest is charged at 6.1% on the outstanding balance. The average credit period for sales of goods/services is 28 days and for other receivables is 30 days. There are no material financial assets that are individually determined to be impaired.

5.2 Payables

	2020 \$'000	2019 \$'000
Current		
Contractual		
Trade creditors	3,338	3,272
Contract retentions	648	211
Contract deposits	432	444
Accrued loan interest	3	13
Accrued expenses - employment benefits	561	391
Income in advance	-	2,701
Total current payables	4,982	7,032

Payables consist of:

- contractual payables such as accounts payable. Accounts payable represent liabilities for goods and services provided to the Corporation prior to the end of the financial year that are unpaid, and arise when the Corporation becomes obliged to make future payments in respect of the purchase of those goods and services.
- statutory payables, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts. [AASB 7.21, AASB 139.43 and 139.47]

5.2.1 Ageing analysis of contractual payables

	\$'000 Carrying amount	\$'000 Nominal amount	Maturity dates			
			\$'000 Less than 1 month	\$'000 1 - 3 months	\$'000 3 months - 1 year	\$'000 1 - 5 years
2020						
Supplies and Services	3,103	3,103	3,103	-	-	-
Other payables	1,879	1,879	731	263	884	1
Total	4,982	4,982	3,834	263	884	1
2019						
Supplies and Services	2,876	2,876	2,876	-	-	-
Other payables	1,455	1,455	689	205	561	-
Total	4,331	4,331	3,565	205	561	-

5.3 Prepayments

	2020 \$'000	2019 \$'000
Current		
Prepaid expenses	1,301	1,509
Total prepayments	1,301	1,509

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

5.4 Fair value determination of financial assets and liabilities

The fair values and net fair values of financial assets and liabilities are determined as follows:

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The Corporation currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2020-21 reporting period.

5.5 Leases

This note provides information for leases where the Corporation is a lessee.

(i) Amounts recognised in the Balance Sheet

The following amounts relating to leases are recognised in the balance sheet:

	30-Jun-20 \$'000	30-Jun-19 \$'000
Right of use Assets		
Land	1,640	-
Buildings	401	-
Plant and equipment	58	-
Total right-of-use assets	2,099	-
Lease Liabilities		
Current	167	-
Non current	1,984	-
Total lease liabilities	2,151	-

(ii) Amounts recognised in the Comprehensive Operating Statement

The following amounts are recognised in the Comprehensive operating statement relating to leases:

Depreciation charge of right of use asset		
Land	(91)	-
Buildings	(27)	-
Plant and equipment	(27)	-
Total depreciation charges	(145)	-
Interest expense on lease liabilities	70	-
Total amount recognised in the comprehensive operating statement	70	-

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Corporation and for which

the supplier does not have substantive substitution rights;

- the Corporation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and the Corporation has the right to direct the use of the identified asset throughout the period of use.
- The Corporation has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

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

Separation of lease and non-lease components

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

Recognition and measurement of leases as a lessee (under AASB 16 from 1 July 2019)

Lease liability - initial measurement

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

- fixed payments (including in-substance fixed payments);
- amounts expected to be payable under a residual value guarantee; and
- payments arising from purchase and termination options reasonably certain to be exercised.

Lease liability - subsequent measurement

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

Short-term leases and leases of low value assets

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

Below market/peppercorn lease

Right-of-use assets under leases at significantly below market terms and conditions that are entered into are principally to enable the Corporation to further its objectives, are initially and subsequently measured at cost.

These right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Presentation of right-of-use assets and lease liabilities

The Corporation presents right-of-use assets as 'property plant and equipment' unless they meet the definition of investment property, in which case they are disclosed as 'investment property' in the balance sheet.

Recognition and measurement of leases (under AASB 17 until 30 June 2019)

In the comparative period, leases of property, plant and equipment were classified as either finance lease or operating leases.

Leases of property, plant and equipment where the Corporation as a lessee had substantially all of the risks and rewards of ownership were classified as finance leases. Finance leases were initially recognised as assets and liabilities as amounts equal to the fair value of the leases property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The leased asset is accounted for as a non-financial physical asset and depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

Minimum finance lease payments were apportioned between the reduction of the outstanding lease liability and the periodic finance expense, which is calculated using the interest rate implicit in the lease and charged directly to the operating statement.

Contingent rentals associated with finance leases were recognised as an expense in the period in which they are incurred.

Assets held under other leases were classified as operating leases and were not recognised in the Corporation's balance sheet. Operating lease payments were recognised as an operating expense in the operating statement on a straight-line basis over the lease term.

Leases as a lessor

The Corporation's accounting policy under AASB 16 has not changed from the comparative period. As a lessor, the Corporation classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

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.

Structure

- 6.1 Interest bearing liabilities
 - 6.1.1 Maturity analysis
 - 6.1.2 Interest expense
- 6.2 Cash flow information
 - 6.2.1 Reconciliation of net result to cash flow from operating activities
- 6.3 Commitments for expenditure
 - 6.3.1 Operating commitments
 - 6.3.2 Capital commitments

6.1 Interest bearing liabilities

	2019 \$'000	2018 \$'000
Current		
Loans from TCV	10,000	10,692
Total current interest bearing liabilities	10,000	10,692
Non-current		
Loans from TCV	24,000	25,000
Total non-current interest bearing liabilities	24,000	25,000
Total interest bearing liabilities	34,000	35,692

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 interest bearing liabilities which mature within 12 months as current liabilities 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. Interest bearing liabilities known as 11am debt are also classified as current interest bearing liabilities.

6.1.1 Maturity analysis of interest-bearing liabilities

Risk exposures

The exposure of the Corporation's borrowings to interest rate changes and the contractual repricing dates at the balance dates are as follows:

	2019 \$'000	2018 \$'000
less than 1 month	-	1,570
1 - 3 months	-	-
3 - 12 months	10,000	9,122
1 - 5 years	24,000	25,000
Over 5 years	-	-
	34,000	35,692

6.1.2 Interest expense	2020 \$'000	2019 \$'000
Borrowing costs		
Interest on loans - TCV	1,453	1,879
Financial Accommodation Levy - DTF	347	410
Interest on leases under AASB 16	70	-
Total interest expense	1,870	2,289

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

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

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.

Deposits at call	2,667	-
Cash at bank	1,981	2,137
Balance as per cash flow statement	4,648	2,137

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

Net result for the period after income tax	4,676	2,179
Add / (less) non-cash flows in net result		
Depreciation and amortisation	24,999	21,746
Net loss on disposal of non-current assets	1,703	3,315
Infrastructure assets acquired at no cost	(1,854)	(1,251)
Changes in assets and liabilities		
Decrease (increase) in receivables	10,771	2,089
Decrease (increase) in contract assets	(9,385)	-
Decrease (increase) in inventories	(49)	(13)
Decrease (increase) in other non financial assets	2,307	(192)
Increase (decrease) in payables	(2,050)	1,485
Increase (decrease) in contract liabilities	4,062	-
Increase (decrease) in employee benefits	431	577
Increase (decrease) in other liabilities	(78)	957
Net cash (outflow) / inflow from operating activities	35,533	30,892

6.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

6.3.1 Operating commitments

At 30 June 2020, the Corporation had operating commitments for the provision of contract and consultancy services to meet the Corporation's operations not recognised as liabilities payable to be paid as follows:

	2020 \$'000	2019 \$'000
Within one year	3,573	1,869
One to five years	2,246	1,722
Total operating commitments (inclusive of GST)	5,819	3,591
Less GST recoverable	529	326
Total operating commitments (exclusive of GST)	5,290	3,265

6.3.2 Capital commitments

Capital commitments arise from contracts. These commitments are recorded below at their nominal value and inclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

At 30 June 2020, the Corporation had capital commitments for the acquisition and/or construction of infrastructure, plant and equipment not recognised as liabilities payable, to be paid as follows:

Within one year	9,770	5,059
Total capital commitments (inclusive of GST)	9,770	5,059
Less GST recoverable	888	460
Total capital commitments (exclusive of GST)	8,882	4,599

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

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

Structure

- 7.1 Financial instruments specific disclosures
 - 7.1.1 Financial instruments: Categorisation
 - 7.1.2 Financial risk management objectives and policies
- 7.2 Contingent assets and contingent liabilities

7.1 Financial instruments specific disclosures

Financial instruments arise out of contractual agreements that give rise to a financial asset on one entity and a financial liability or equity instrument of another entity.

These financial instruments include:

Financial assets

Cash and deposits
Receivables
Sale of goods and services
Loans to third parties
Accrued investment income
Other receivables
Term deposits
Investment in Zero Emission Water (ZEW)

Financial liabilities

Payables
Supplies and services
Amounts payable to government and agencies
Borrowings
TCV loans

Due to the short-term nature of the financial assets and liabilities held by the Corporation, their carrying value is assumed to approximate their fair value.

Classification of financial instruments

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. Financial assets are initially measured at fair value plus or minus any direct transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The following assets are held with the objective to collect the contractual cash flows:

- cash & deposits; and
- receivables (excluding statutory receivables);

Financial liabilities are initially recognised at fair value, plus or minus subsequent to initial recognition, these financial instruments are measured at amortised cost with any liability, using the effective interest rate method. The Corporation recognises the following liabilities:

- payables (excluding statutory payables); and
- borrowings.

Derecognition of financial assets

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

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

- the Corporation has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset; or
 - has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

Impairment of financial assets

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

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

7.1.1 Financial instruments: Categorisation

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

7.1.2 Financial risk management objectives and policies

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. This note presents information about the Corporation's exposure to each of these risks, and the objectives, policies and processes for measuring and managing risk.

The Corporation's Board has the overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Corporation. The Corporation uses different methods to measure different types of risk to which it is exposed.

These methods include sensitivity analysis in the case of interest rate risks and ageing analysis for credit risk.

Risk management is carried out by the Audit and Risk Management Committee under policies approved by the Board. 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 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 bad debts is not significant.

The group 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.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's policy is to settle financial obligations within 30 days and in the event of dispute make payments within 30 days from the date of resolution.

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

Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Corporation's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. The Corporation's exposure to market risk is primarily through interest rate risk, there is 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:

(i) Interest rate risk

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

In accordance with the Corporation's Treasury Management Policy, floating debt is limited to less than 20% of the total borrowing portfolio. This debt is restricted to short term borrowings, which limits the exposure to interest rate risk further.

The Corporation has minimal exposure to interest rate risk through its holding of cash assets and other financial assets.

(ii) Foreign exchange risk

The Corporation has no exposure to changes in the foreign exchange rate.

(iii) Other price risk

The Corporation has no significant exposure to other price risk.

Market risk sensitivity analysis

Interest rate exposure of financial instruments

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Corporation does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and the Corporation's sensitivity to interest rate risk are set out in the table below.

	Interest rate exposure				Interest rate risk sensitivity			
	Floating interest rate \$'000	Fixed interest rate \$'000	Non interest bearing \$'000	Carrying amount \$'000	-1% Result	Equity	1% Result	Equity
2020								
Financial assets:								
- Cash and cash equivalents	4,648	-	-	4,648	(29)	(29)	29	29
- Receivables ¹	-	13,239	150	13,389	-	-	-	-
- Contract assets	-	-	9,385	9,385	-	-	-	-
Total	4,648	13,239	9,535	27,422				
Weighted average effective interest rate	0.4%	6.6%	-					
Financial liabilities:								
- Payables ¹	-	-	4,982	4,982	-	-	-	-
- Contract liabilities	-	-	4,062	4,062	-	-	-	-
- Interest bearing liabilities	-	34,000	-	34,000	1	1	(1)	(1)
Total	-	34,000	9,044	43,044	(28)	(28)	28	28
Weighted average effective interest rate	0.0%	3.2%						
2019								
Financial assets:								
- Cash and cash equivalents	2,137	-	-	2,137	(39)	(39)	39	39
- Receivables ¹	-	14,487	285	14,772	-	-	-	-
Total	2,137	14,487	285	16,909				
Weighted average effective interest rate	1.30%	6.4%	-					
Financial liabilities:								
- Payables ¹	-	-	4,331	4,331	-	-	-	-
- Contract liabilities	-	-	2,701	2,701	-	-	-	-
- Interest bearing liabilities	1,570	34,122	-	35,692	2	2	(2)	(2)
Total	1,570	34,122	7,032	42,724	(37)	(37)	37	37
Weighted average effective interest rate	1.4%	4.5%						

Note 1 - The amount disclosed in receivables and payables excludes statutory amounts.

7.2 Contingent assets and contingent liabilities

At balance date, the Corporation is unaware of any contingent liabilities or assets not recorded or disclosed within the financials statements.

8. STATUTORY OBLIGATIONS

Introduction

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

Structure

- 8.1 Tax
 - 8.1.1 Income tax
 - 8.1.2 Deferred tax assets and liabilities
- 8.2 Environmental contribution
 - 8.2.1 Environmental commitments

8.1 Tax

8.1.1 Income tax

The Corporation is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office.

The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate

income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

	2020 \$'000	2019 \$'000
The income tax expense for the financial year differs from the amount calculated on the net result. The differences are reconciled as follows:		
Net result before income tax expense	6,753	3,136
Income tax calculated @ 30% (2019: 30%)	2,026	941
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Non-deductible expenses	9	16
Initial adoption of AASB 15	(98)	-
Accounting profit on sale of pre-CGT assets	(76)	-
Derecognition of DTA (pre-CGT land)	223	-
Recognition of current year capital losses	(7)	-
Income tax as reported in the comprehensive operating statement	2,077	957

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 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.

The Corporation's deferred tax liabilities exceed the level of deferred tax assets and therefore a net deferred tax liability has been disclosed in the balance sheet.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets

The balance comprises temporary differences attributable to:

Amounts recognised in the comprehensive operating statement		
Prior and current tax losses	17,414	23,567
Provisions and accrued expenditure not deductible	2,537	1,731
	19,951	25,298
Movement		
Opening balance 1 July	25,298	30,119
Annual movement	(5,347)	(4,821)
Closing balance 30 June	19,951	25,298

Deferred tax liabilities

The balance comprises temporary differences attributable to:

Amounts recognised in the comprehensive operating statement		
Depreciation and revaluation	(144,090)	(147,360)
Other	-	-
	(144,090)	(147,360)
Movement		
Opening balance 1 July	(147,630)	(131,528)
Annual movement	3,540	(16,102)
Closing balance 30 June	(144,090)	(147,630)
Net deferred tax liabilities		
Deferred tax assets	19,951	25,298
Deferred tax liabilities	(144,090)	(147,360)
Net deferred tax liabilities	(124,139)	(122,062)

8.2 Environmental contribution

	2020 \$'000	2019 \$'000
Environmental contribution levy	3,306	3,306
Total environmental contribution levy	3,306	3,306

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 Environmental Contributions Order 2020 to 2024 establishes an obligation for authorities to pay into a consolidated fund annual contributions for the first period, from 1 October 2020 to 30 June 2024 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation.

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 contribution commitments

At 30 June 2020, the Corporation had outstanding environmental contribution commitments, to be paid is follows:

Within one year	3,167	3,306
One to five years	9,501	-
Total environmental contribution commitments (GST n/a)	12,668	3,306

9. OTHER DISCLOSURES

Introduction

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

Structure

- 9.1 Equity
 - 9.1.1 Contributed capital
 - 9.1.2 Asset revaluation surplus
 - 9.1.3 Accumulated surplus/ (deficit)
- 9.2 Events occurring after the balance date
- 9.3 Responsible persons
- 9.4 Related Parties
- 9.5 Remuneration of Executives
- 9.6 Remuneration of auditors
- 9.7 Ex-gratia expense
- 9.8 Changes in Accounting Policy
- 9.9 Australian Accounting Standards issued that are not yet effective

9.1 Equity

9.1.1 Contributed capital

Opening balance at 1 July	441,165	441,165
Capital contributions	-	-
Closing balance at 30 June	441,165	441,165

Additions to net assets that have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

9.1.2 Reserves

	2020 \$'000	2019 \$'000
Land	3,838	3,817
Buildings	4,320	4,366
Infrastructure	186,039	186,460
Total reserves	194,197	194,643

Movements in reserves during the reporting period

	Land \$'000	Buildings \$'000	Infrastructure \$'000	Total \$'000
Opening balance at 1 July	3,817	4,366	186,460	194,643
Transfer from / (to) accumulated funds on disposal of re-valued assets	21	(46)	(421)	(446)
Revaluation increment / on non-current assets	-	-	-	-
Closing balance at 30 June	3,838	4,320	186,039	194,197

9.1.3 Accumulated surplus/ (deficit)

Opening balance at 1 July	30,803	27,186
Net profit/ (loss) for the year	4,676	2,179
Transfer from / (to) asset revaluation reserve	446	1,514
Prior Year adjustment - AASB9	-	(76)
Adjustment to opening balance as at 1 July 2019 - AASB15	(327)	-
Closing balance at 30 June	35,598	30,803

9.2 Events occurring after 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.

The global health pandemic event (Covid 19) that affected all areas of business within the State of Victoria will continue to be monitored for potential impacts on the organisation as it continues to be present in the 2020/21 year. Certainty of supply of critical infrastructure, goods and equipment and general supplies is a high priority for the organisation during this time to ensure the services that we provide to our customers are not affected. Reviewing and understanding the hardships faced by our customers and their ability to pay their debts as they fall due will continue to be a focus for management in the coming months.

9.3 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period as required by AASB 124 Related Party Disclosures.

The names of persons who held the positions of Ministers and Accountable Officers in the Corporation are as follows:

Title	Name	Period of Appointment
Minister for Water	The Hon. Lisa Neville MP	1 July 2019 - 30 June 2020
Chair	Ms Jacinta Ermacora	1 July 2019 - 30 June 2020
Deputy Chair	Ms Georgina Gubbins	1 July 2019 - 30 September 2019
Deputy Chair	Mr Kenneth King	1 October 2019 - 30 June 2020
Director	Mr Michael Crutchfield	1 July 2019 - 30 June 2020
Director	Mr Mick Murphy, OAM	1 July 2019 - 30 June 2020
Director	Ms Sarah-Jane Walsh	1 July 2019 - 30 June 2020
Director	Ms Helen Scarborough	1 July 2019 - 30 June 2020
Director	Mr Kenneth King	1 July 2019 - 30 September 2019
Director	Mr Rob Wallis	1 July 2019 - 30 September 2019
Director	Ms Susan Brumby	1 October 2019 - 30 June 2020
Director	Mr Adrian Panow	1 October 2019 - 30 June 2020
Managing Director / Accountable Officer	Mr Andrew Jeffers	1 July 2019 - 30 June 2020

Remuneration

The number of responsible persons whose remuneration from the Corporation was within the specified bands as follows:

Income band	2020 No.	2019 No.
\$0 - \$9,999	2	0
\$20,000 - \$29,999	6	7
\$30,000 - \$39,999	1	0
\$50,000 - \$59,999	1	1
\$300,000 - \$310,000	1	1
Totals	11	9

Total remuneration received or receivable by the responsible officers in connection with the management of the Corporation during the reporting period was in the range: \$560,000 - \$570,000 (\$540,000 - \$550,000 in 2018-19)

9.4 Related parties

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

Related parties of the Corporation include:

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

All related transactions have been considered and are deemed to have been entered into on an arm's length basis.

Key management personnel (KMP)

Key managements personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly, this comprises independent Directors and the Managing Director. Key management personnel (as defined in ASB 124 Related Party Disclosures) includes the Portfolio Minister and all directors listed under responsible persons in note 9.3 who have the authority and responsibility for planning, directing and controlling the activities of the Corporation directly, or indirectly, during the financial year.

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliament Services' financial report.

The Corporation considers KMP's to be responsible persons as referred to in Note 9.3.

Compensation of KMPs

	2020 \$'000	2019 \$'000
Short-term employee benefits	513	486
Post-employment benefits	49	49
Other long-term benefits	7	6
Termination benefits	-	-
	569	541

Significant transactions with government-related entities

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

	2020 \$'000	2019 \$'000
Department Environment, Land, Water and Planning (DELWP)		
Paid/ payable		
Environmental Contribution Levy	3,306	3,306
Native vegetation credits	220	-
Aerial Photography	-	56
Received/ receivable		
Smarter use of water in our cities and towns	318	-
Integrated Water Management payments	-	72
Department Treasury and Finance (DTF)		
Paid/ payable		
Financial Accommodation Levy	347	410
DTF recovery fees	-	54
Department Health and Human Services (DHHS)		
Received/ receivable		
Customer rebates and administration fees	3,432	3,387
Camperdown fluoride project funding	-	852
Treasury Corporation of Victoria (TCV)		
Paid/ payable		
Net borrowings during the year	1,692	4,064
Borrowing costs	1,393	1,879
Received/ receivable		
Interest Revenue	27	66
State Revenue Office (SRO)		
Paid/ payable		
Payroll Tax	443	478
Received/ receivable		
Not for Profit rebate	302	314
Environment Protection Authority (EPA)		
Paid/ payable		
Licences	168	167
Works approval application fees	67	-
GWM Water		
Paid/ payable		
Water Service and Supply charges	330	325
Department of Premier & Cabinet		
Received/ receivable		
Framlingham water supply project funding	-	1,400
Gender equality bill implementation pilot	68	-
Parks Victoria		
Received/ receivable		
12 Apostles project funding	6,639	-
Zero Emissions Water Limited		
Received/ receivable		
Zero Emissions Water	125	-

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.

Zero Emissions Water Limited (ZEW) disclosure

Wannon Water Corporation is one of 13 water corporation members of Zero Emissions Water Limited (ZEW), a public company limited by guarantee. ZEW's substantial objective is to acquire electricity, contracts for difference and other derivative products in relation to electricity, and/or green products from an energy and emissions reduction facility(ies) in Victoria and in turn supply these products to its Members. This vehicle provides the opportunity for water Corporation members to collaboratively promote energy and emissions reduction initiatives in Victoria and to reduce emissions.

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

Under the Members' Agreement, Wannon Water's liability as a member is limited to \$10 in the event of a winding up. As required by Australian accounting standards, Wannon Water 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. Wannon Water 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 Wannon Water.

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 PPA contains certain conditions precedent which were due to be satisfied during the 2019/20 financial year.

The solar farm energy generator experienced a construction delay due to redesign of electrical infrastructure and a connection delay relating to generator restrictions and revised connection procedures advised by the Australian Electricity Market Operator (AEMO). Renegotiated terms have resulted in an extension of the target commercial operation date to 1 October 2020 and a compensation settlement to ZEW for the delay. Wannon Water's share of the settlement is \$125,466.82 which has been recognised in the Comprehensive Operating Statement as other income.

At 30 June 2020 the conditions precedent in the PPA are not completed and ZEW does not have a contractual obligation for the CFD derivative. Therefore, there are no other transactions to be recognised. Upon satisfaction of the conditions precedent, the CFD derivative will be recognised as a financial liability and will be measured at its fair value. Subsequent changes in the fair value of the derivative will be recognised in profit and loss.

The Members' Agreement specifies that ZEW may call on Wannon Water to make a loan available to ZEW amounting to \$72,020.57. The loan, if requested by ZEW would meet the definition of a financial asset as it gives rise to a contractual right for Wannon Water to receive cash from ZEW at the end of the loan term. As at 30 June 2020, no request has been made by ZEW.

Once the facility is operational, the financial impact of the members' agreement with ZEW is expected to be an increase in revenue, expenses, and recognition of LGCs as intangible assets or asset held for sale (asset).

9.5 Remuneration of executives

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

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

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long-service benefit or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

Remuneration (a)	2020 \$'000	2019 \$'000
Short-term employee benefits	1,225	1,010
Post-employment benefits	117	97
Other long-term benefits	29	24
Termination benefits	-	-
	1,371	1,131
	No.	No.
Total number of executives	7	6
Total annualised employee equivalents (b)	6.31	5.33

Notes:

(a) Remuneration represents the expenses incurred by the entity in the current reporting period for the employee, in accordance with AASB119 Employee Benefits.

(b) Annualised employee equivalent is based on the time fraction worked over the reporting period. This is calculated as the total number of days the employee is engaged to work during the week by the total number of full time working days per week (this is generally five full working days per week).

9.6 Remuneration of auditors

Victorian Auditor-General's Office		
Audit or review of financial statements	56	55
Other non-audit services		
Other non-audit services (i)	133	140
	189	195

Notes

(i) Includes internal, regulatory and compliance audits. The Victorian Auditor General's Office is not allowed to provide non-audit services

9.7 Ex gratia expense

Forgiveness or waiver of debt	31	51
Other	38	6
Total ex gratia expenses	69	57

In accordance with FRD 11A Disclosure of Ex-Gratia Expenses the Corporation must disclose in aggregate the total amount of material (greater than \$5,000) expenses.

Other represents termination arrangements with employees who have left the Corporation. Where incurred, these costs are included in employee benefits in the comprehensive operating statement.

9.8 Changes in accounting policies

AASB 15 Revenue from contracts with customers

In accordance with FRD 121 requirements, the Corporation has applied the transitional provision of AASB 15, retrospectively with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, the Corporation applied this standard retrospectively only to contracts that are not 'completed contracts' at the date of initial application. Comparative information has not been restated. Note 2.1.2 includes details about the transitional application of AASB 15 for new customer contributions and how the standard has been applied to revenue transactions. At the commencement of this year, \$327,000 worth of new customer contribution income from previous years was considered to have not met the required performance obligations for the organisation. This adjustment was recognised through accumulated surplus/ deficit at the commencement of the year. Under the old AASB 1004 standard, new customer contributions for the year would have totalled \$2,428,721 compared to \$2,335,160 under the new AASB15 recognition.

At the commencement of the year \$9,317,566 of receivables were reclassified to contract assets and \$2,701,144 of payables were reclassified to contract liabilities.

AASB 1058 Income for not-for-profits

In accordance with FRD 122 requirements, the Corporation has applied the transitional provision of AASB 1058, retrospectively with the cumulative effect of initially applying this standard against retained earnings at 1 July 2019. Under this transition method, the Corporation applied this standard retrospectively only to contracts and transactions that are not completed and the date of initial application.

Comparative information has not been restated.

Note 2.2 - Grants includes details about the transitional application of AASB 1058 and how the standard has been applied to revenue transactions.

The adoption of AASB 1058 did not have an impact on other comprehensive income and the Statement of Cash Flows for the financial year.

AASB 16 Leases

The Corporation has applied AASB 16 with a date of initial application of 1 July 2019.

The Corporation has elected to apply AASB 16 using a modified retrospective approach, as per the transitional provisions of AASB 16 for all leases for which it is a lessee. Previously, the Corporation determined at contract inception whether an arrangement is or contains a lease under AASB 117 and Interpretation 4 - 'Determining whether an agreement contains a lease'. Under AASB 16, the Corporation assesses whether a contract contains a lease based on the definition of a lease as explained in Note 5.5.

On transition to AASB 16, the Corporation has elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied to contracts entered into or changed on or after 1 July 2019.

Leases classified as operating leases under AASB 117

As a lessee, the Corporation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Corporation. Under AASB 16, the Corporation recognises right-of-use assets and lease liabilities for all leases except where exemption is available in respect of short-term and low value leases.

On adoption of AASB 16, the Corporation recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate as of 1 July 2019. On transition, right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

The Corporation has elected to apply the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases less than 12 months of lease term;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and lease liability at 1 July 2019 are determined as the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

Leases as a lessor

The Corporation is not required to make any adjustments on transition to AASB 13 for leases in which it acts as a lessor. The Corporation accounted for its leases in accordance with AASB 16 from the date of initial application.

Impacts on financial statements

On transition to AASB 16, the Corporation recognised \$2,243,777 of right-of-use assets and \$2,243,777 of lease liabilities. When measuring these liabilities, the Corporation discounted lease payments using its incremental borrowing rate at 1 July 2019.

	1-Jul-19
Total Operating lease commitments disclosed at 30 June 2019	3310
Discounted using the incremental borrowing rate at 1 July 2019	(1,066)
Finance lease liabilities as at 30 June 2019	0
Recognition exemption for:	
Short-term leases	0
Leases of low-value assets	0
Lease liabilities recognised at 1 July 2019	2244

Transition impact on financial statements

This note explains the impact of the adoption of the following new accounting standards for the first time, from 1 July 2019:

- AASB 15 Revenue from Contracts with Customers;
- AASB 1058 Income of Not-for-Profit Entities;
- AASB 16 Leases; and

Impact on the Balance sheet due to the adoption of AASB 15, AASB 1058 and AASB 16 is illustrated with the following reconciliation between the restated carrying amounts at 30 June 2019 and the balances reported under the new accounting standards (AASB 15, AASB 16 and AASB 1058) at 1 July 2019;

Balance Sheet	Before new accounting standards Opening 1 July 2019	Impact of new accounting standards - AASB 15, 16 & 1058	After new accounting standards Opening 1 July 2019
Current assets			
Receivables	16,386	(9,318)	7,068
Contract assets	-	9,318	9,318
Non-current assets			
Land	34,196	2,133	36,329
Buildings	28,728	26	28,754
Property, plant and equipment	6,769	85	6,854
Total non-current assets	815,808	2,244	818,052
Total assets	836,487	2,244	838,731
Current liabilities			
Payables	6,641	(2,701)	3,940
Contract liabilities	-	3,028	3,028
Lease liabilities	-	2,244	2,244
Total current liabilities	22,336	2,571	24,907
Total liabilities	169,876	2,571	172,447
Accumulated surplus	30,803	(327)	30,476
Total equity	666,611	(327)	666,284

9.9 Australian Accounting Standards issued that are not yet effective

The following Australian Accounting Standards (AAS) become effective for reporting periods commencing after the operative dates stated:

Certain new AAS have been published that are not mandatory for the 30 June 2019 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	Applicable for annual reporting periods beginning on	Estimated impact
<i>AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material</i>	This Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.	1 January 2020	The standard is not expected to have a significant impact on the public sector.
<i>AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.	1 January 2022	The standard is not expected to have a significant impact on the public sector.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2019-20 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- AASB 2019-4 Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Requirements Recognition and Measurement
- AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities
- AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C)
- Conceptual Framework for Financial Reporting



CERTIFICATION

CHAIR'S, ACCOUNTABLE OFFICER'S AND CHIEF FINANCE AND ACCOUNTING OFFICER'S DECLARATION

The attached financial statements for the Wannon Region Water Corporation have been prepared in accordance with Standing Directions 5.2 of the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

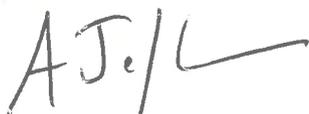
We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2020 and financial position of the Corporation at 30 June 2020.

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 16 October 2020.



J A Ermacora
Chair
Wannon Region Water Corporation



A R Jeffers
Managing Director
Wannon Region Water Corporation



S J Waterhouse
Chief Finance & Accounting Officer
Wannon Region Water Corporation

Dated this 16th day of October 2020

Independent Auditor's Report

To the Board of the Wannon Region Water Corporation

Opinion	<p>I have audited the financial report of the Wannon Region Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2020 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • chair's, accountable officer's and chief finance and accounting officer's declaration. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Other Information	<p>The Board of the corporation is responsible for the "other information" included in the corporation's Annual Report for the year ended 30 June 2020. The other information in the Annual Report does not include the financial report, performance report and my auditor's reports thereon. My opinion on the financial report does not cover the other information included in the Annual Report. Accordingly, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial report, my responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a materially misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.</p>
Board's responsibilities for the financial report	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
20 October 2020



Paul Martin
as delegate for the Auditor-General of Victoria

Appendix 1

Disclosure of information on letter of expectations (MRD 07)

Legislation	Requirement	Page reference
REPORT OF OPERATIONS		
Charter and Purpose		
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FRD 22H	Application and operation of the <i>Public Interest Disclosure Act 2012</i>	54
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SD 5.2.1(a)	Compliance with Ministerial Directions	70
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Other disclosures as required by FRDs in notes to the financial statements		
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Appendix 1

Legislation	Requirement	Page reference
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<i>Aboriginal Heritage Act 2006</i>		30
<i>Building Act 1983</i>		55
<i>Public Interest Disclosure Act 2012</i>		54
<i>Local Jobs First Act 2003</i>		55
<i>Financial Management Act 1994</i>		6, 47, 61, 70, 93, 102
<i>Public Administration Act 2004</i>		38
<i>Freedom of Information Act 1982</i>		54, 55
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<i>Water Industry (Environmental Contributions) Act 2004</i>		100
<i>Parliamentary Salaries and Superannuation Act 1968</i>		103
<i>Public Administration Act 2004</i>		105

Appendix 2

Disclosure of information on letter of expectations (MRD 07)

PRIORITY AREA	MEASURE	PAGES
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Customer & community outcomes		
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Appendix 3

Bulk entitlements and groundwater licences

Bulk water entitlements

A bulk entitlement is a legal right to water granted by the Minister for Water under the *Water Act 1989*.

Bulk entitlements are commonly held by water corporations to:

- Provide a clearly defined property right to water;
- Provide flexibility to manage water within the entitlement;
- Provide a basis for sharing limited water resources, protecting the entitlements of other users and protecting in-stream values;
- Facilitate water trading between user groups to ensure appropriate redistribution over time to finite water resources; and
- Allow specific entitlements for environmental purposes.

Wannon Water operates under seven surface water bulk entitlements (refer table below), each containing provisions on minimum passing flows and maximum daily extractions from waterways. Wannon Water achieved 100 per cent compliance with these requirements in 2019/20.

With regard to the reporting requirements for each of Wannon Water's Bulk Entitlements during 2019/20, the following clauses are common to all:

- The Corporation did not transfer any temporary or permanent parts of the bulk entitlements;
- No temporary or permanent transfers of water entitlements occurred to the waterway systems;
- Approval, amendment and implementation of programs and proposals for clauses relating to making allowances, metering program or environmental obligations - programs implemented as required and there were no amendments to these programs. There were no proposals under the Making Allowances clauses.
- Wannon Water did not seek to amend any of its Bulk Entitlements;
- No new Bulk Entitlements were granted to Wannon Water;
- The Corporation complied with all Bulk Entitlement conditions;
- No difficulties were experienced in complying with any Bulk Entitlements.

In addition to these, during 2019/20, there were a number of specific requirements for individual Bulk Water Entitlements including:

- No water was credited to or taken from the Hamilton Bulk Entitlement drought reserve;
- From the Wimmera and Glenelg Rivers Bulk Entitlement, one megalitre was taken by the Hamilton Pipeline offtake and 43 megalitres by the Balmoral offtake;
- Wannon Water did not take any water in the Wimmera and Glenelg Rivers Bulk Entitlement at any other works;
- The final allocation to Wannon Water under the Wimmera and Glenelg Rivers Bulk Entitlement was 2,120 megalitres.

Appendix 3

Bulk Entitlement Order	Bulk entitlement volume (ML)	Volume extracted in 2019/20 (ML)	Percentage of bulk entitlement extracted in 2019/20 (ML)	Water in storage at 30 June 2020 (ML)	Water level at 30 June 2020 (m)	Reporting requirement clause
Otway System Conversion Order 1998	12,580	8,028	64%	2009	N/A*	Clause 12
Hamilton Conversion Order 1997	3,435	1,698	49%	2093	N/A*	Clause 12
Dunkeld System Conversion Order 1997	170	18	11%	77	8	Clause 13
Glenthompson Conversion Order 1997	94	-1 ^{Note}	-1%	49	2	Clause 13
Coleraine, Casterton and Sandford Conversion Order 1997	885	85	10%	1,819	5	Clause 13
Wimmera and Glenelg Rivers – Wannon Water Conversion Order 2010	2,120	1 (Hamilton) 44 (Balmoral)	2%	5,481	N/A	Clause 13
Willaura System – Wannon Water Conversion Order 2012	58	37	64%	N/A	N/A	Clause 10

* Multiple storages

Note: Water delivered from Willaura by Grampians Wimmera Murray Water to Glenthompson less (Willaura pipeline customers plus Glenthompson customers). In this period, this equated to $37 - (12.8 + 25.1) = -0.9\text{ML}$ (rounded to -1ML). The Glenthompson reservoir has a high evaporation rate of $\sim 20\text{ML}$ per year. If the catchment has a year of low rainfall like we did last year, evaporation will be higher than what the catchment received from rainfall. Water received from Willaura is counted in the Willaura System Conversion Order 2012.

Appendix 3

Groundwater licences

No groundwater licences were traded during the reporting period. Wannon Water holds no licences for Managed Aquifer Recharge.

Locality	Licence No.	Entitlement (ML)	Usage 2019/20 (ML)
Albert Park	BEE024155 (1152971)	750	416
Bullawin	BEE026192 (911313)	1,102	0
Caramut	BEE021943 (924563)	50	23
Carlisle	BEE029488 (9016487)	1,800	4
Casterton	BEE022551 (885355)	1,000	404
Condah	4001451	N/A	N/A
Curdievale	904309	2,150	0
Darlington	BEE021827 (1082159)	10	3
Dartmoor	9016786	150	26
Heywood	900184	333	168
Koroit	BEE029066 (899038)	524	0
Macarthur	BEE021944 (4001451)	130	25
Mocamboro	BEE026109 (903701)	100	0
Mortlake	BEE030858 (907049)	335	23
Penshurst	BEE036146 (914444)	250	69
Port Campbell	BEE026252 (904309)	1,009	305
Port Fairy	890472	1,026	624
Portland	923621	6,222	1,618

Notes

Our Region



- ▲ Towns with urban water and sewerage services
- Towns with urban water supply only
- Towns with a non-potable urban water supply
- Pipelines



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