



Annual Report 20/21



Acknowledgement

Wannon Water and the Victorian Government proudly acknowledge Victoria's Aboriginal communities and their rich cultures and pay 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 and Torres Strait Islander peoples 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 peoples 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 Poondée-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: The Heywood Water Tower Indigenous War Memorial Project was initiated by Leadership Great South Coast 2020 alumni. International street artist Adnate collaborated with Tommy Day to paint the striking mural with input from Levi Geebung and Salad Bowl Art. Image courtesy of Adnate.

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Section 1: Overview

2020/21 - A Snapshot

2,001
kilometres
water mains

30
million litres of
drinking water
provided to
customers
each day

28
million litres of
sewage & trade
waste treated
each day

14
water
supply
systems

\$973
million worth
of assets

\$1,212
average
residential bill
per 200kl/day

199
EFT
employees





\$83,200
in
Ripple Effect
grants

170
litres average
residential
consumption per
person per day
(*climate corrected*)

962
kilometres
sewer
mains

44,048
water
customers

34
towns
served

\$23.3
million worth
of capital
works

37,732
sewerage &
trade waste
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 2021.



Jacinta Ermacora
Chair
Wannon Water
27 September 2021

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 for the period from 1 July 2020 to 30 June 2021 was the Hon Lisa Neville MP, Minister for Water. The Hon Richard Wynne acted as the Minister for Water from 15 February 2021 to 30 June 2021.

A message from the Chair and Managing Director

Each year, our strategic direction – beyond water for strong communities – is at the heart of our decision making.

It's embedded in our purpose of delivering water and sewerage services and improving the lives of people in South West Victoria.

We're also focussed on the Victorian Government's seven key priorities for the water sector. They reflect our own commitments of providing great value for customers; establishing strong regional partnerships; employing a diverse, engaged and high performing workforce; and ensuring our business is resilient.

Unfortunately, the impact of the coronavirus (COVID-19) pandemic continued in 2020/21. We are grateful for the way our employees responded. They maintained essential services, supported customers in need, and found creative solutions to different ways of working, keeping both themselves and our communities safe.

Despite many challenges, we've remained focused and are proud to say that we've made great progress on the key priorities.

Climate change

Wannon Water had already pledged to reduce greenhouse gas emissions by 40 per cent by the year 2025 and achieve net-zero carbon emissions by 2050. Fifteen years ago, our emissions were almost 40,000 tonnes and we're on track to more than halve this and achieve our target by 2025.

Given our excellent progress, we are now considering bringing forward our pledge to meet emissions reduction targets of net-zero to a much earlier timeframe. Energy is a significant operational cost for our business so our initiatives will not only help the environment, but provide future savings for our customers.

A major update to our 50-year Urban Water Strategy progressed through the year and includes consideration of climate impacts to ensure ongoing resilience of our water and sewerage services.



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

Customer and community outcomes

Customer and community engagement is an ongoing initiative at Wannon Water. The feedback we receive helps us plan for the future, ensures that our services meet community expectations, and enhances value for customers.

Although face-to-face engagement was not possible due to COVID-19 restrictions, we were able to record 1,359 instances of two-way engagement with a diverse range of voices.

Water for Aboriginal cultural, spiritual and economic values

We will soon be launching our first Reconciliation Action Plan (RAP) to affirm our commitment to reconciliation and strengthen ties with Traditional Custodians and Aboriginal and Torres Strait Islander communities. We appreciate the relationships and knowledge we have gained from these communities.

It was with much pleasure that we were able to support a project that used the Heywood Water Tower as a canvas for a large-scale mural. The project, run through the Leadership Great South Coast program, created a conversation piece that highlights the significant sacrifices made by Gunditjmara service men and women in war time. It aims to contribute to positive steps towards reconciliation between Indigenous and non-Indigenous members of our community.

Another important project has been the replacement of a major water main through land owned by the Framlingham Aboriginal Trust. We were engaged by the Department of Premier and Cabinet to undertake the project and ensure the supply to all homes and buildings is secure, and that the water pressure is consistent to modern municipal standards.

Resilient and liveable cities and towns

Wannon Water championed a number of Integrated Water Management (IWM) projects in partnership with a range of other government agencies, local government, and community organisations.

Sporting facilities in Warrnambool's Albert Park will soon join our award-winning roof water harvesting scheme, providing additional resources for the city and taking pressure off the stormwater network. The collaboration between the IWM partners about the use of water from all sources – and throughout the whole water cycle – will deliver long-term benefits for the entire community. We worked with Warrnambool City Council, the Department of Environment, Land, Water and Planning (DELWP) and stakeholders including the Warrnambool City Memorial Bowling Club and Warrnambool Football Netball Club to plan the project.

IWM partners also worked together to find a sustainable design solution to address the impact of failing septic systems across Penshurst, which is the most densely populated unsewered town within Southern Grampians Shire.

Recognising recreational values

Our *Water for Community* rebate recognises and supports the mental, physical and social health benefits created through green public open spaces and indoor and outdoor sporting facilities.

Rebates are provided to eligible not-for-profit organisations responsible for paying the water bill for properties such as parks and gardens, reserves, sports grounds, swimming pools, and cemeteries. More than \$140,000 in rebates was provided to 231 community organisations.

Leadership and culture

Wannon Water is committed to an inclusive workplace that embraces and promotes diversity, and where everyone is treated with respect and feels valued. We have an Inclusion and Diversity Management Plan that has ambitious targets because we believe, as an organisation, we need to keep evolving our thinking and challenging our practices.

We were part of a Workplace Gender Audit Case Study submitted to the Department of Premier and Cabinet, supporting the introduction of the Gender Equality Legislation that came into effect on 31 March 2021.

We remain accredited by Work 180 as an 'employer of choice' to reflect our 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.

If men and women are supported to work flexibly, it can encourage them to share family responsibilities. Therefore, our approach to flexibility has been fair and consistent for a number of years, prior to the COVID-19 pandemic, with 43 per cent of employees taking advantage of flexible working arrangements. This included opportunities for employees to work from home, vary their hours and work locations, and purchase leave. We've now extended these flexibility arrangements to allow employees in some roles to work from home for up to 40 per cent of their normal work pattern.

Financial sustainability

We continue to focus on keeping our operating costs as low as possible without compromising the quality of our water and sewerage services.

We were pleased to achieve a net profit before tax of \$2.94 million, generating cash flows of nearly \$28 million from operating activities and investing more than \$23 million in capital infrastructure.

Thank you

Our achievements this year would not have been possible without the dedication and commitment of our people, our partners and the businesses we work with. They continue to strive and provide excellent services for the benefit of our customers, our communities and our environment.

On behalf of the Board, we are pleased to present our 2020/21 Annual Report.



Jacinta Ermacora
Chair



Andrew Jeffers
Managing Director



Wannon Water's vital role

Each day across South West 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.


While our primary functions are around providing water and sewerage services, we have a strategic direction that calls us to go beyond water for strong communities. As a key regional organisation, we strive to be an influential community partner, contributing to the wellbeing and prosperity of the region as a whole.

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*.

Wannon Water is Victoria's second largest regional urban water corporation by area, covering 23,500 square kilometres and a total population of 100,400. Our region extends from the Otway Ranges to the South Australian border and includes the major centres of Warrnambool, Portland and Hamilton. Our three offices are located in these major centres.

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 drinking 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.
- 

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 2020/21 (kilolitres)
Residential	37,606	5,218	47%	5,224	139
Business	4,648	4,496	41%	4,812	967
Rural	1,794	1,273	12%	1,406	710
Total	44,048	10,987	100%	11,442	249*

**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 44,048 residential, commercial, industrial and rural customers across 34 customer zones. The total growth in the number of water customers was 1 per cent in 2020/21, with 445 new customers connected to a reticulated water service.

We provide sewerage services to a total of 37,732 residential, commercial and industrial customers across 16 sewerage systems. The total growth in the number of sewerage customers was 1.1 per cent in 2020/21, with 411 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:



2026 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 ✗ Not met

KEY PROJECT/INITIATIVE	COMMENT	STATUS
Investigate and engage on water taste, odour and colour initiatives	Substantial progress on the commercial business case for the <i>Great Tasting Water</i> project has been made which will support investment considerations as part of the Price Submission development in 2021/22.	✓
Deliver Integrated Water Management (IWM) projects for 2020/21 outlined in the Great South Coast Strategic Directions Statement	All projects have been completed with the exception of the East Aberline Road Structure Plan (a Warrnambool City Council project now scheduled for completion in late 2021), the Orford power station (development no longer proceeding) and two projects flagged for review (collaboration on infrastructure capacity and privately owned water supply safety for small towns).	✓
Implement the Customer Experience Systems 2020/21 program of works	A new customer contact channel - online chat – was implemented in November 2020. There was significant progress on our Customer Relationship Management (CRM) and Billing Project with an expression of interest being sought. This is to be assessed early in 2021/22.	✓
Implement changes to the Rural Water Surcharge System	The first phase of these changes was implemented and allows customers to apply for an increase in their allocation when they have exceeded the limit in each of the three previous years. The second phase of this project assessing the advantages and disadvantages of reallocating limits based on land area has started and will be finalised in the second half of 2021.	✓
Implement the actions identified in the Customer Experience Strategy for 2020/21	A review of existing priorities and actions in line with the draft Water Services Association of Australia (WSAA) Customer Experience Maturity Framework revealed the highly ambitious nature of the 2020/21 program of works. All actions are on track consistent with this review, however for those originally envisaged for completion in the 2020/21 year, four have been fully completed, four are underway and five actions are on hold until a full customer experience maturity assessment is completed in the first half of 2022.	✗

Stronger communities

KEY PROJECT/INITIATIVE	COMMENT	STATUS
Enrol others in a compelling agricultural, water policy and strategy for our region	Board level discussions with DELWP included advocacy for a South West Sustainable Water Strategy. Regional partners, including the Food and Fibre Council, Great South Coast Group and Southern Rural Water, are endorsing and advocating for this outcome. The Food and Fibre Council hosted a Ministerial Water Roundtable where a request for a strategy was well received as was a request for increased departmental focus on water-based agriculture in our region. The Great South Coast Group is also including a South West Sustainable Water Strategy in its refreshed draft advocacy document.	✓
Develop and begin implementing Wannon Water's 'Build' Financial Inclusion Action Plan (FIAP)	Our first FIAP actions are complete. The development of a 'Build' FIAP has started and it is expected to be released in November 2021.	✗
Deliver carbon emissions reduction projects that provide broad community value	Our carbon emissions reduced significantly and we remain on track to achieve our 2025 carbon pledge. Consultants are being engaged by the Port Fairy Smart Energy Precinct to prepare a commercial business case to support the Price Submission and seek government funding support. Wannon Water is working with WSAA to develop a national Willingness to Pay survey to better understand the potential for future carbon sequestration projects. The development of emissions reduction aspirations beyond 2025 has started.	✓
Deliver the education program with a focus on water conservation and climate change	Coronavirus (COVID-19) impacted the education program with sessions suspended due to lockdowns, meaning fewer students reached this year. In partnership with the Glenelg Hopkins Catchment Management Authority (GHCMA), we held a Valuing Our Water photography competition and provided financial support for schools to sign up to the Schools Water Efficiency Program (SWEP), a one-off initiative through the <i>Ripple Effect</i> program.	●
Begin on-ground works on the Warrnambool Sewage Treatment Plant upgrade	On-ground works were delayed significantly due to Environment Protection Authority (EPA), native vegetation and planning approvals. Final approvals are expected by August 2021. Work started on site to clear small patches of land for geo-tech studies. Tender packages for the main contract, site clearance and superintendent contracts are prepared.	●

Performance culture

KEY PROJECT/INITIATIVE	COMMENT	STATUS
Develop and implement a Reconciliation Action Plan (RAP)	Reconciliation Australia conditionally endorsed our Reflect RAP in May 2021. Final design of the plan is being completed and implementation activities are occurring.	✓
Develop accessibility initiatives as part of implementing our Inclusion and Diversity Management Plan	Our Accessibility Inclusion Plan was finalised and approved, with initiatives and outcomes occurring.	✓
Promote and embed Zero Harm	The Zero Harm Framework and aspiration is embedded and continues to identify and help progress outcomes across the organisation.	✓
Embed and link organisational values to performance	Behaviors consistent with our organisational values are a significant aspect of our employee performance and annual review processes. Our values are reflected on regularly and brought to life in environments of recognition and intervention.	✓
Implement our Future Workforce Planning Strategy	Future workforce activities continue to advance with COVID-19 remaining a catalyst for the organisation to quickly increase its maturity. Organisational design, high potential framework, manager capability and secondments were areas of focus.	✓
Leverage the growth program within our Learning and Development Framework	Our learning and development software was developed, launched and embedded. Ongoing programs are now more agile and we are able to respond to needs as required.	✓

Business excellence

KEY PROJECT/INITIATIVE	COMMENT	STATUS
Implement our Digital Strategy	Initiatives including the CRM and Billing Project, Asset Management Information Systems Roadmap, enhancement of the Project Management Framework to support digital projects, and upgrades to systems to support employees working remotely were areas of focus.	✓
Implement our Cyber Resilience Strategy	Initiatives undertaken to build and maintain a secure, flexible and resilient cyber environment included developing a Change and Configuration Management Framework, improving access control, collaborating on the onboarding of new employees, enhancing the organisation's physical security and developing a physical security standard.	✓
Implement projects that will deliver unregulated revenue	A number of unregulated revenue initiatives progressed including maintenance contracts, consultancy services, brine receipt and the sale of native vegetation credits.	✓
Implement our Asset Management Strategy	The delivery of the strategy is progressing well. Asset management customer value benchmarking demonstrated that Wannon Water is operating consistent with ISO 55001 requirements. Some initiatives were reprioritised, reflecting the need for a review of the five-year strategy and initiatives.	●
Implement our Financial Sustainability Strategy	Initiatives completed include scenario planning and modelling, Price Submission project planning and associated resourcing, enhanced internal performance reporting and a comprehensive review of the finance system.	✓
Embed innovation capability	Capability has been enhanced through initiatives including participation in the WSAA W-Lab innovative technologies program and an Innovation and Design Needs Assessment Project.	✓

Section 3: Our customers

Providing value for customers

Understanding customer needs

We exist to provide services to our customers and their communities. Therefore understanding the experiences and perceptions of our customers is vital in enhancing the value of those services and in strengthening the communities in which we operate.

The Wannon Water Engagement Cycle (WVEC) is an annual process of engaging with our customers using a range of methods across many months. The information is used to sharpen our focus on areas that will provide value to our customers and inform the development of the next Corporate Plan.

The 2020 WVEC was particularly challenging to deliver during the COVID-19 pandemic. Unfortunately face-to-face sessions could not take place due to lockdowns and restrictions. Despite this, we achieved 1,359 instances of two-way engagement with our customers including online focus groups with community organisations, phone and online surveys, and the development of an extensive online engagement platform.

The engagement focused on three themes - customer promises; water efficiency, water conservation and climate change; and customer experience of the pandemic. Feedback is summarised below.

CUSTOMER PROMISES

- Most participants were satisfied with their current water supply, with no major concerns.
- There was low awareness of the detail in our customer promises, but they were generally liked once known.
- The bill structure was not seen as providing an incentive for lower water use, or benefiting those actively decreasing water use.
- There was concern about water quality issues around taste, smell and appearance, particularly for towns with ground water supplies.
- We received positive feedback about our responsiveness to fixing services.

WATER EFFICIENCY, CONSERVATION AND CLIMATE CHANGE

- Our carbon reduction efforts were supported particularly by younger customers.
- Water security concerns were not as evident as in 2019.
- Perceptions were positive around the use of water for recreational purposes.
- Most people had implemented basic water conservation strategies (shorter showers, efficient garden watering etc.).
- Integrated Water Management (IWM) efforts were highly regarded by stakeholders and have improved relationships, capacity and knowledge.

CUSTOMER EXPERIENCE OF THE COVID-19 PANDEMIC

- The impact varied across our service region but was felt by all participants.
- There were high levels of uncertainty due to restrictions and impacts on some sections of the regional economy, and mental health and wellbeing.
- Some sectors were insulated, with real estate thriving due to increased property demand in some areas.
- The agriculture sector was mostly stable with impact coming from supply chain/logistics issues.
- Small businesses, hospitality, retail and tourism were those mostly affected. Some were able to better adjust to the current environment (i.e. transition to online transactions).
- Participants agreed that the full impact on the regional economy is yet to emerge.
- There were shifts in vulnerability, with the 'usual' vulnerable cohorts accessing additional government benefits while others experienced vulnerability for the first time.
- Our hardship assistance, including for small businesses, was generally supported.

The WVEC also revealed opportunities for us to increase educating customers about bill structure, customer promises, water quality challenges, water sources and water conservation.



Trust, satisfaction and value for money

Our annual customer survey was completed by QMR in May 2021. It showed that customer perceptions of the value for money we provide remained stable. Women and younger customers were most likely to report receiving value for money. While still at strong levels (71 per cent agree or strongly agree they trust Wannon Water), there was a decline in customer perceptions of trust compared to our peak level of trust (77 per cent) reported in 2020.

Overall customer satisfaction dropped slightly and returned to levels seen in 2019. Those aged 40 to 59 were least likely to report strong levels of customer satisfaction.

Concerns around taste and water quality increased significantly and appear to be the primary drivers for perceptions of overall satisfaction and value for money. Notably, customers in the areas of Portland, Heywood and Port Fairy (all serviced by a groundwater supply) most strongly reported concerns on water quality.

Contemporary customer services

Online chat was launched as a new customer channel in November 2020. During business hours, customers can now chat online with a customer service representative. This not only improves choice for some customers about how they can engage with us, but improves accessibility, particularly for those with a hearing impairment.

A project to replace the software systems used to support customer relationship management and billing commenced in 2020/21. This included establishing project governance, recruiting a project leader and partnering with Goulburn Valley Water to issue an expression of interest to the market. This is a significant project and will take several years to complete.

A number of initiatives in the Customer Experience Strategy 2020-22 were implemented following its endorsement in June 2020. There was a significant review of the approach to collating, analysing and using customer feedback including complaints, compliments and enquiries. At the heart of this approach is the belief that all customer feedback is valuable and can be used to improve the experience for our customers.

Other notable actions include completing a review of the customer relations service and implementing recommendations from a review on debt collection. Outcomes of a review of the rural surcharge system were implemented with eligible customers able to apply for a review of their surcharge limit. A total of 16 customers took up this opportunity.

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 2020/21, owner-occupiers paid an average bill of \$1,090 based on our region's average annual residential consumption of 139 kilolitres. The annual bill for a residential customer with a consumption of 200 kilolitres was \$1,212.

Assisting customers experiencing vulnerability

We focused on supporting all our customers who had difficulty paying their bill, with the pandemic meaning that some people have found themselves in this situation for the first time.

We committed to the COVID-19 National Hardship Principles, which included increased messaging about the support available to customers having difficulty paying their bills, softening traditional debt collection approaches, and appropriately modifying our existing support measures taking individual cases into consideration.

A partnership with local governments and energy retailers allowed us to support each other's customers through a cross-referral process, directing those who were experiencing difficulty paying their bills to each other for further support.

Our Financial Inclusion Action Plan (FIAP) outlines our commitment to take practical actions to improve the financial wellbeing for our customers, employees, supply chain and community partners. On the back of the success of our inaugural FIAP in 2018/19, we were one of just two organisations in Australia that developed a 'build' level FIAP in 2020/21. The build FIAP is scheduled for release in late 2021.

Social sustainability

We provided the following community service obligation rebates and grants to eligible customers:

Community Service Obligations	2020/21 (\$)	2019/20 (\$)	2018/19 (\$)	2017/18 (\$)	2016/17 (\$)
Concession card rebates	3,546,848	3,397,662	3,354,142	3,335,651	3,207,310
Not-for-profit organisation rebates	300,040	226,805	314,577	272,774	254,145
Utility relief grant scheme	33,574	84,794	94,976	60,760	78,093
Water usage life machine rebates	1,277	1,442	1,859	2,280	1,024
Water for Community rebate*	143,988	179,951	194,354	N/A	N/A
Total	4,025,727	3,890,654	3,959,908	3,671,465	3,540,572

* 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 30 June 2021, instalment plans were in place for 2,670 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
- Cross referrals with local government and the energy sector
- Payment extensions of three months, six months, 12 months and longer if needed
- Concession discounts for those who hold a valid concession card
- Undetectable water leak grants
- Access to State Revenue Office rebates (not-for-profits)
- All debt collection and restriction ceased during the period.

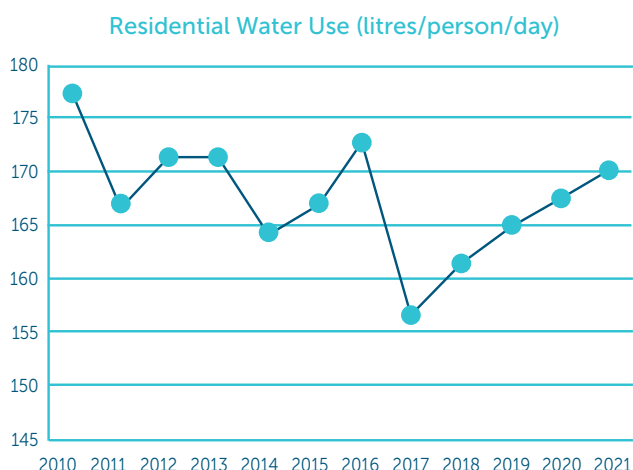
Customer assistance	Number of customers 2020/21	Total value 2020/21 (\$)	Number of customers 2019/20	Total value 2019/20 (\$)	Number of customers 2018/19	Total value 2018/19 (\$)	Number of customers 2017/18	Total value 2017/18 (\$)
High water usage allowances	338	157,404	353	186,842	346	203,471	327	126,139
Hardship rebates	177	56,376	180	52,868	184	54,234	146	33,501
Total	515	213,780	533	239,710	530	257,705	473	159,640

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 behavioural trend rather than a climate-driven trend.

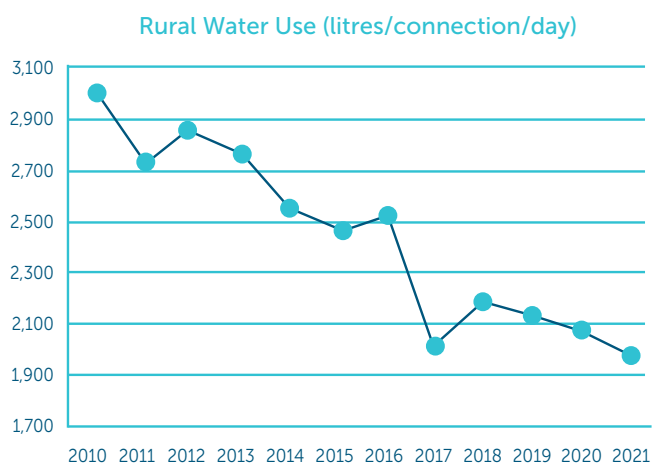
Residential water use

Residential use, once climate corrected, was 170 litres/person/day in 2020/21, which is marginally higher than last year's usage of 167 litres/person/day. The trend since 2017 suggests we are seeing an increase in residential water use.



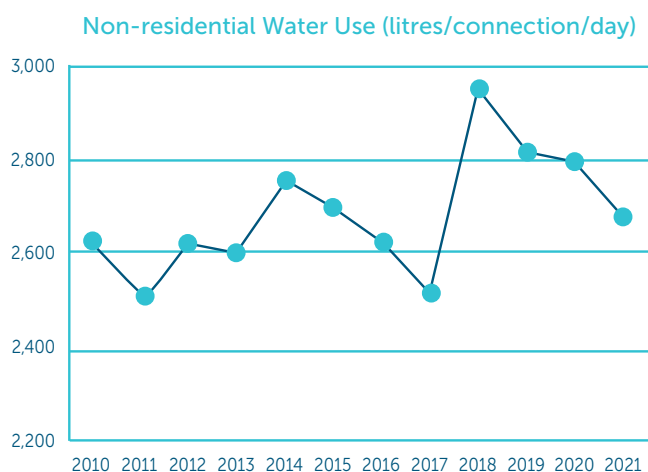
Rural water use

A notable reduction in the rural water use trend has been observed over the past decade. The usage for the 2020/21 year was 1,969 litres/connection/day.



Non-residential water use

Non-residential water use per connection (when climate corrected) has dropped from the previous year to 2,677 litres/connection/day.



WATER CONSUMPTION BY TOWN/CITY (MEGALITRES) 2020/21

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	324	50.2	39	57.2	9	27.9	372	135.2	136.9	187
Balmoral	106	16.0	29	9.5	17	8.3	152	33.9	31.7	182
Balmoral Pipeline*	-	-	-	-	3	3.5	3	3.5	7.3	-
Camperdown	1,651	232.0	215	138.6	-	-	1,866	370.6	380.9	170
Camperdown Rural	-	-	-	-	405	383.7	405	383.7	439.5	-
Caramut	56	8.0	10	3.3	7	5.3	73	16.6	17.4	173
Caramut Pipeline*	-	-	-	-	12	2.0	12	2.0	2.4	-
Casterton	820	100.3	145	47.8	24	7.1	989	155.2	163.0	148
Cavendish	76	7.5	19	1.1	4	1.2	99	9.9	10.8	120
Cobden Rural	-	-	-	-	18	15.1	18	15.1	19.9	-
Cobden Urban	725	100.5	105	562.5	86	72.2	916	735.2	750.8	167
Coleraine	524	53.0	81	21.1	15	3.4	620	77.5	80.8	122
Coleraine Pipeline*	-	-	-	-	4	0.6	4	0.6	1.3	-
Darlington*	19	1.2	3	0.5	-	-	22	1.7	2.4	75
Dartmoor	128	14.7	19	2.0	-	-	147	16.7	17.7	138
Dunkeld	323	48.9	48	14.4	28	11.2	399	74.5	88.3	183
Glenthompson	99	7.9	24	1.7	8	0.7	131	10.3	12.2	96
Hamilton	4,817	686.7	645	206.4	42	18.8	5,504	912.0	957.7	172
Hamilton Pipeline*	-	-	-	-	37	17.9	37	17.9	17.4	-
Heywood	658	88.6	106	24.5	1	0.1	765	113.2	118.6	163
Konongwootong Pipeline*	-	-	-	-	66	49.8	66	49.8	40.1	-
Koroit	786	114.1	56	265.9	3	0.9	845	380.9	340.5	175
Lismore & Derrinalum	354	38.6	76	22.2	80	35.3	510	96.1	103.7	132
Macarthur	137	13.5	35	3.4	2	0.2	174	17.1	17.4	119
Merino	128	15.6	19	3.9	37	13.1	184	32.6	31.8	147
Mortlake	593	79.7	91	38.1	5	8.1	689	125.9	139.0	162
Noorat & Glenormiston	161	23.3	19	13.2	78	46.3	258	82.7	90.3	175
North Otway Pipeline*	-	-	1	1,103.3	456	362.0	457	1,465.3	1,493.7	-
Penshurst	271	31.3	49	15.2	1	0.0	321	46.5	51.9	139
Peterborough	348	26.2	15	9.5	10	9.4	373	45.1	42.2	91
Port Campbell	270	24.5	41	24.8	-	-	311	49.3	68.7	110
Port Fairy	2,188	276.4	225	255.2	4	0.4	2,417	532.0	551.3	152
Portland	5,211	703.9	690	570.7	6	0.9	5,907	1,275.5	1,317.5	163
Purnim	-	-	-	-	101	35.9	101	35.9	26.8	-
Sandford	59	7.0	4	0.2	29	7.0	92	14.2	18.2	143
Simpson	79	9.8	18	13.3	10	13.1	107	36.2	47.4	149
Tarrington	144	22.9	5	1.2	16	3.8	165	28.0	31.2	192
Terang	949	133.0	143	40.6	1	9.1	1,093	182.8	187.1	169
Timboon	429	54.1	81	26.7	111	48.5	621	129.3	150.8	152
Tullich Pipeline*	-	-	-	-	7	1.1	7	1.1	1.7	-
Warrnambool	15,173	2,228.6	1,592	997.9	21	21.7	16,786	3,248.2	3,412.3	177
Willaura Pipeline*	-	-	-	-	30	27.6	30	27.6	22.0	-
Totals	37,606	5,218	4,648	4,496	1,794	1,273	44,048	10,987	11,442	167

* Non-drinking water districts

TOTAL DRINKING AND NON-DRINKING WATER CONSUMPTION 2020/21

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	37,587	5,217	4,644	3,392	1,179	809	43,410	9,418	9,854
Non-Drinking Water	19	1	4	1,104	615	465	638	1,570	1,588
Totals	37,606	5,218	4,648	4,496	1,794	1,274	44,048	10,988	11,442

WATER CONSUMPTION BY SYSTEM (MEGALITRES)

System	2020/21 volume (ML)	Change	2019/20 volume (ML)	Change	2018/19 volume (ML)	Change	2017/18 volume (ML)	Change	2017/16 volume (ML)	Change
East Dilwyn	224	-12%	253	-13%	292	3%	284	11%	256	-20%
Grampians	1,118	-7%	1,197	-4%	1,251	3%	1,211	9%	1,116	-10%
Other	134	-8%	145	3%	141	16%	122	6%	115	-24%
Otway	7,294	-4%	7,567	-4%	7,889	-2%	8,056	14%	7,038	-9%
Tullich	281	-6%	300	-9%	328	10%	299	9%	275	-20%
West Dilwyn	1,937	-3%	2,007	-4%	2,084	1%	2,060	6%	1,937	-11%
Totals	10,988	-4%	11,469	-4%	11,985	0%	12,032	12%	10,737	-10%

NON-REVENUE WATER

	2020/21 (ML)	2019/20 (ML)
Leakage	1,347	1,393
Fire fighting	8	8
Other (including flushing)	28	56
Total	1,383	1,457

CORPORATE WATER CONSUMPTION

Due to the majority of employees working from home during the year, water use at our offices is at an all-time low. 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 ¹	117	3,530	116	1.0	33
15 Townsend St, Portland	6	278.4	32	5.4	116
66 Gray St, Hamilton	6	614.7	55	17.3	169
Total	129	4,423.1	203	3.5	104

¹ Rain water is used for flushing toilets and watering gardens at the Gateway Road office in Warrnambool.

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 2020/21	No. customers 2019/20	No. customers 2018/19	No. customers 2017/18	No. customers 2016/17
100ML to 200ML	3	2	3	1	2
200ML to 300ML	1	2	0	2	2
300ML to 400ML	1	1	2	1	1
400ML to 500ML	0	0	0	1	0
500ML to 750 ML	1	1	1	1	1
750ML to 1,000ML	0	0	0	0	1
Greater than 1,000ML	1	1	1	1	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	Comments
Saputo - Allansford	A water recovery program is in place.
Fonterra Australia Pty Ltd - Cobden	Fonterra manufacturing sites across New Zealand and Australia operate under a framework known as Integrated Work System (IWS) which is a lean manufacturing framework that covers 11 areas of focus including sustainability. Identifying opportunities to save water on site is a core business requirement to meet IWS and sustainability requirements, and projects that meet business case criteria are allocated to the relevant operational or capital works programs for implementation. Recent examples of water re-use/savings projects identified at the Cobden site include recovery of reverse osmosis water for secondary use in boilers, and detergent recovery.
Provico - Dennington	Have a high level of storm water capture on site.
Midfield Meat International Pty Ltd - Warrnambool	Aim to re-use 100 per cent of their water and closely monitor how much water is used and where it is used in their plant.
Bega Cheese Limited - Koroit	No major water efficiency programs are planned. Bega is investigating improvements to their monitoring equipment and data for better asset management which will support water consumption savings.
Sun Pharmaceutical Industries (Australia) Pty Ltd – Port Fairy	Water efficiency programs have mostly focused on rainwater collection for use in utilities and process.
Alcoa Portland Aluminium Pty Ltd - Portland	No information provided

Sewerage services

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

City/town	No. of customers 2020/21
Allansford	289
Camperdown	1,721
Camperdown Rural	2
Casterton	822
Cobden Urban	760
Coleraine	557
Dunkeld	280
Hamilton	4,903
Heywood	704
Koroit	798
Mortlake	603
Noorat & Glenormiston	2
Peterborough	312
Port Campbell	270
Port Fairy	2,223
Portland	5,640
Simpson	81
Terang	1,000
Timboon	438
Warrnambool	16,327
Total	37,732

SEWAGE TREATMENT PLANT DISCHARGE VOLUMES

City/town	2020/21 ML	2019/20 ML	Change
Camperdown domestic	334	449	-26%
Camperdown industrial	44	36	24%
Casterton	89	77	15%
Cobden	247	136	82%
Coleraine	30	39	-22%
Dunkeld	13	12	5%
Hamilton	360	570	-37%
Heywood	351	255	38%
Mortlake	185	149	24%
Peterborough	21	4	421%
Port Campbell	47	54	-13%
Portland	1,820	1,647	10%
Port Fairy domestic	709	628	13%
Port Fairy industrial	143	176	-19%
Simpson	28	17	64%
Terang	148	143	3%
Timboon	72	67	8%
Warrnambool	5,726	5,499	4%
Total	10,367	9,958	4%

Section 4: Our communities

Partnering for stronger communities

The COVID-19 pandemic and associated restrictions had a significant impact on much of our activity with many of our community programs and initiatives requiring substantial alterations to timing or delivery. However, by taking a nimble and innovative approach, we have continued to provide strong support to our communities.

The Ripple Effect

Our *Ripple Effect* grants program distributed \$43,211 in community grants across the region, comprising \$35,211 for 10 community projects, \$5,000 for seven school projects, and \$4,000 for one community group to support their work in international aid. We also provided \$40,000 to our region's two Catchment Management Authorities to support their work.

We also proudly supported the Great South Coast Food and Fibre Strategy, the Connect to Thrive expo, the National Thriving Communities Partnership initiative, a local young person at the local Deakin University campus via a scholarship, and provided sponsorship for the business-to-business online platform Great South Coast Localised.

Our *Ripple Effect* sponsorship program makes a range of merchandise available to local organisations including Wannon Water and Choose Tap branded water bottles, sports prize packs, shopping bags, back sacks, trigger nozzles and team sports bottle sets. A total of 4,570 items was issued at a cost of \$13,376 to Wannon Water, but with an estimated community value of \$59,300.

Educating our community

We have an important role in educating our community about the water cycle. Despite COVID-19 restrictions substantially impacting this program, we were still able to provide education directly to 200 children and adults across the region.

We also delivered a number of other initiatives including a National Water Week online learning festival in partnership with other Victorian water corporations, a Valuing Our Water photo competition, a national poster competition, and our annual *Water It, Grow It, Cook It* competition.

Community leadership

Our leadership role in Thriving Communities Partnership South West Victoria continued as we worked with nine other government, business and not-for-profit organisations. This year, the partnership delivered its feature activity, the Connect to Thrive expo, a series of online events that featured six regional initiatives supporting improved outcomes in the areas of health, access and inclusion, education and employment, and community strength. Presenters were provided with coaching support to maximise the impact of their pitches at the expo. Fifty people attended to listen and discover how they can get involved and provide support. Feedback from the participants and presenters was positive, with much learnt and many new connections formed.

We contributed to a Regional Leaders' Forum, the development of the Great South Coast Social Futures, and the Rural and Regional Liveability Initiative.

Our support and involvement in programs supporting the development of young people in the region continued. This included participation in initiatives such as Beyond the Bell, the Future Leaders of Industry Program, South West Emerging Leaders Program and the Warrnambool Community Investment Committee.

Corporate volunteering

Unfortunately the pandemic resulted in our face-to-face corporate volunteering with our partner, Warrnambool and District Food Share, being put on hold for the majority of the year. While the program recommenced in March, the ever-changing landscape of restrictions and work from home impacted employee engagement and participation in the program which is understandable. Volunteering does remain an option for employees and food share is very appreciative of the volunteering support we are able to provide.

Our employees continue to be supported to voluntarily donate blood during work hours as part of the Australian Red Cross Lifeblood Teams program. In all, 71 blood donations were made by members of the Wannon Water team, saving 213 lives.



RIPPLE EFFECT COMMUNITY GRANTS PROGRAM

Organisation	Description	Outcomes	Total grant	2020/21 allocation
COMMUNITY GRANTS (UP TO \$5000)				
Heywood Men's Shed - Heywood Men's Talk Group	Helping Today's Generation	New computer purchased for training purposes for members and a new rainwater tank was purchased and installed on site.	\$5,000	\$5,000
The Basalt to Bay Landcare Network	Building Agriculture Biodiversity Stewardship	Five remote-sensor camera kits purchased allowing landholders to record biodiversity on their farms. More than 6,500 images have been captured on six properties including night time footage of a Lathams Snipe which the landholder had not observed for 20 years.	\$5,000	\$5,000
Portland Community Garden	Portland Community Garden kitchen water supply	The garden now has access to safe and quality drinking water connected to the town water supply.	\$2,156	\$2,156
Brophy Family and Youth Services	Youth Alliance - Random Acts of Kindness	Raised the profile of young people and their contribution to make communities more inclusive through acts of kindness to people facing difficulty. Increased networking opportunities with Youth Alliance members and community groups.	\$1,500	\$1,500
Warrnambool Toy Library	From Building Blocks to Strong Community Connections	Toy library updated with high quality toys that are accessible to all families, resulting in high borrowing rates and new members.	\$4,000	\$4,000
Warrnambool and District Community Hospice	The Hospice Dandelion Project - online bereavement and loss forum	Forum held with 80 people accessing online bereavement literacy resources focused on grief. More than 18,000 people reached on social media in May and June 2021, raising awareness towards death, grief and bereavement.	\$4,955	\$4,955
Timboon Senior Citizens Club	Timboon Senior Citizens defibrillator unit	Provided access to a defibrillator at the club.	\$1,000	\$1,000
Western District Health Service	Live4Life: When we can't find the sun we find each other	Youth-led mental health promotion activities across Southern Grampians secondary schools and the local community including first aid training and care packs delivered to 273 Year 8 students.	\$5,000	\$5,000
Portland Card Making Group	Greeting card making	Increased social activity and connection for group participants.	\$600	\$600

Organisation	Description	Outcomes	Total grant	2020/21 allocation
Camperdown & District Community House	Camperdown & District Food Bank: emergency food relief for Corangamite	Provided emergency food relief to vulnerable Corangamite residents and supported more than 400 people with food hampers, personal hygiene packs and Christmas appeal hampers.	\$5,000	\$5,000

SCHOOL GRANTS (UP TO \$1000)

Woodford Primary School	Indigenous story telling outdoor classroom	Garden and outdoor room developed into an interactive, educational indigenous garden allowing children to connect with the local Aboriginal community.	\$1,000	\$1,000
St John's Lutheran Primary School	Together We Grow	Fruit orchard established to help students learn about healthy eating and access free fruit at school. The produce is used for cooking classes and to support families experiencing difficulty due to COVID-19 impacts	\$400	\$400
South Warrnambool Kindergarten	Indigenous garden	New garden established, providing a hands-on experience for children. The project extends the children's and their families' knowledge of local indigenous cultures.	\$800	\$800
Portland Bay School	Bike rack	Bike rack installed at the front of the school to encourage a larger number of students and parents to ride to school.	\$800	\$800
Hamilton North Primary School	Learning about sustainability	Water conservation promoted through a drip watering system.	\$500	\$500
St Joseph's School Coleraine	Water Wise veggie beds	Water conservation system installed for six raised vegetable garden beds.	\$500	\$500
Warrnambool College	U Wing garden project	Student-led garden project upgraded an outdoor area using concrete pipes as planters.	\$1,000	\$1,000

INTERNATIONAL AID (UP TO \$4000)

PR Open Heart Appeal	Aapghari water supply, Nepal	The project connected 50 families to a clean and reliable water supply.	\$4,000	\$4,000
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Organisation	Description	Outcomes	Total grant	2020/21 allocation
CATCHMENT MANAGEMENT AUTHORITY GRANTS				
Glenelg Hopkins CMA	Waterway health and beautification works on the Grange Burn river system - Hamilton	The site was cleaned, graded and mulched in preparation for the planting of 2,800 native trees, shrubs and grasses. The community has played an active role in the delivery of this project	\$60,000	\$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			\$143,211	\$83,211

Aboriginal values

We continue to listen, learn and better understand the context for Aboriginal and Torres Strait Islander peoples living on Gunditjmara and Eastern Maar Country. Through this ongoing knowledge, we are in a better position to recognise and support self-determination of Aboriginal cultural values and economic inclusion into the future.

Throughout 2020/21, we increased employee understanding of Aboriginal and Torres Strait Islander cultures, histories, knowledge and rights within our organisation through the development of our Reflect Reconciliation Action Plan and through the information and stories we share on our intranet. Employees participated in National Reconciliation Week activities, including learning Peek Whurrong language in an online session while parents and children were working and learning from home. Through Wata Waetnanda, we were actively involved in organising the 2021 National Reconciliation Week opening ceremony event for the Warrnambool community.

We worked with Peek Whurrong elders to develop the Connecting to Country Knowledge Map which was launched at National Reconciliation Week. The map creates an opportunity for cultural learning, to reawaken language, for connection to water, and to understand and care for the Country we live, work and play on. It also brings worlds together through storytelling. It is hoped it becomes a travelling map for cultural learning in the community and that knowledge continues to be added to it. We've been working with Traditional Owners to understand the names and cultural values of our water sources and systems with the aim of including this information in the meeting rooms across our offices.

More of our employees are taking the opportunity to acknowledge Country in their meetings and share their learnings and stories with colleagues to extend our collective understanding of our shared history. Members of our Board and Executive team were also able to join

the Glenelg Hopkins Catchment Management Authority (CMA) Board cultural awareness day on Country.

Our communities are also creating an environment for change and Wannon Water is proud to support community-led initiatives including:

- South Warrnambool Kindergarten and Woodford Primary School both received grants through our Ripple Effect program to develop indigenous-themed garden and learning spaces to improve connections with the local Aboriginal communities.
- The Leadership Great South Coast program Indigenous War Memorial Mural project which created a large-scale mural on the Heywood Water Tower to serve as a conversation piece highlighting the significant sacrifices made by all our Gunditjmara service men and women.

On Eastern Maar Country, we continued work with the Framlingham Aboriginal Trust, First Peoples – State Relations and others to support initiatives to re-establish robust water and sewerage 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 29 buildings and 14 field connections. We have benefitted from increased cultural knowledge of the area and we thank the community for sharing their knowledge and Country with us.

On Gunditjmara Country we undertook significant engagement with the Heywood community to develop a business case to improve health and economic outcomes as part of the Great Tasting Water project. We also received a draft cultural heritage management plan for our Casterton site, known to have significant cultural values.

In conjunction with DELWP, we conducted a series of Great South Coast Integrated Water Management (IWM) forums and practitioner workshops which created the opportunity to look at cultural flows for waterways.

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

- Harrington Road low level water main

- Hopkins Point river crossing
- Port Campbell sewer pump station emergency storage
- Wangoom Road water servicing (feeder main).

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 currently in the process of being prepared and will be included in future reporting periods on completion of the plans.

Social procurement

We are fully committed to supporting the government's directions under the Social Procurement Framework (SPF) and we recognise that we play a key role in advancing social and sustainable outcomes for Victorians.

In 2020, we developed our first Social and Sustainable Procurement Strategy to enable a strategic, organisation-wide approach to how we

will deliver social and sustainable outcomes through our procurement in accordance with the Social Procurement Framework and beyond.

In that strategy, we prioritised four SPF objectives which were chosen based on their high degree of alignment with our strategic direction.

We also developed a Social and Sustainable Procurement Buyers' Guide to raise employee awareness of our strategy.

Social procurement priorities	Outcomes sought	Performance indicators
Supporting the sustainability of Victorian social enterprises, disability enterprises and Aboriginal business sectors	Procurement from Victorian social enterprises, disability enterprises and Aboriginal businesses.	Increasing direct spend by Wannon Water with Victorian social and disability enterprises businesses Increasing direct spend by Wannon Water with Victorian Aboriginal business sector businesses
Championing and delivering women's equality and safety	Suppliers can demonstrate their contribution to improving gender equity and women's safety in our community.	Increasing number of contracts assessed against the Supplier Code of Practice categories of family violence and gender diversity.
Provide opportunities for disadvantaged Victorians	Job-readiness and employment for: <ul style="list-style-type: none"> • Long-term unemployed • Disengaged youth • Single parents • Migrants and refugees • Workers in transition • Aboriginal youth. 	Increasing number of contracts assessed against the Supplier Code of Practice categories of workforce and wellbeing, gender equity, supply chain, disability support, reconciliation with Aboriginal and Torres Strait Islander Australians.
Developing and sharing knowledge of human rights and supply chain risks	Increase awareness of supply chain risks with respect to human rights for Wannon Water and our suppliers.	Increasing number of contracts assessed against the Supplier Code of Practice categories of workforce and wellbeing and supply chain. Participation in Victorian water sector supply chain risk and human rights project.

Achievements

Supporting the sustainability of Victorian social enterprises, disability enterprises and Aboriginal business sectors

- Used social and disability enterprises to deliver catering, vehicle cleaning and grass cutting services.
- Started tracking expenditure with Victorian social enterprises and Aboriginal business sectors and introduced a social procurement opportunity assessment as part of our procurement planning.

Championing and delivering women's equality and safety

- Included family violence clauses within several contracts with responses that tenderers have identification and management practices in place for their employees, and that training programs are in place to identify and manage customers who may be encountered when delivering the contractual works.
- Included the Wannon Water Supplier Code of Practice in a number of tenders which allows tenderers to self-assess internal processes relating to family violence and gender equity.

Provide opportunities for disadvantaged Victorians

- Increased the number of contracts assessed against the Wannon Water Supplier Code of Practice categories of workforce and wellbeing, gender equity, supply chain, disability support, and reconciliation with Aboriginal and Torres Strait islander Australians.
- 31.48 per cent (\$12.76 million) of our total non-employee expenditure was spent with suppliers in our service region.

Developing and sharing knowledge of human rights and supply chain risks

- Participated as an active member in the VicWater social procurement working group.
- Participated in the Modern Slavery Working Group, completed a pilot project and presented at the OzWater conference on the subject of modern slavery.
- The VicWater project delivered an assessment toolkit for all Victorian water corporations to use in assessing and managing supply chains risks for tendered works.

While the four prioritised SPF objectives guide our procurement delivery, we are committed to pursuing any opportunities to advance social and sustainable outcomes for Victorians. We will report on our progress against the SPF objectives in subsequent annual reports.

Case study

Wannon Water and modern slavery

The Australian Government passed the *Modern Slavery Act 2018* in response to growing international awareness about supply chains that can exploit people involved in the production of goods and services. Under the Act, Australian corporations with an annual consolidated revenue of more than \$100 million are required to produce an annual public statement detailing their actions to address and mitigate risks of modern slavery.

Although Wannon Water does not fall within this threshold, we have been proactively working with our industry partners to learn more about the risks of modern slavery in our supply chains, share information, and understand potential opportunities to improve our practices. We are one of very few corporations involved in this activity that does not fall within the mandatory reporting threshold.

As part of this pilot project, we retrospectively applied a draft toolkit developed by VicWater to our existing contract for corporate facility cleaning services that was signed in 2019. The draft toolkit included:

- A tool for determining risks of modern slavery in our supply chains as part of the procurement planning phase
- Tender schedules for prospective suppliers to complete that ensure modern slavery supply chain risks are assessed as part of the tender assessment phase.

Observations from our pilot project:

- Our supplier agreed to work collaboratively with us to assess the risk of modern slavery and provide information about their modern slavery documentation and management systems developed since the introduction of the Act.
- The supplier has processes in place to meet compliance required under the Act
- That the supplier is in a development phase as the Act was only introduced in 2018.
- That a small number of opportunities for improvement were noted which have been discussed with the contractor and followed up for progress in performance monitoring meetings
- That the tools may also be used to examine both modern slavery supply chain risks and potential risk of wage theft.

Enhancing recreational outcomes

Our *Water for Community* rebate recognises and supports the mental, physical and social health benefits created through green public open spaces and indoor and outdoor sporting facilities.

The rebates are applied to eligible not-for-profit organisations responsible for paying the water bill for properties such as parks and gardens, sporting and recreational grounds, swimming pools, median strips, roundabouts, cemeteries and boat ramps.

In 2020/21, we provided \$143,988 in rebates to 231 customers.

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.

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.

Integrated solutions have been a focus of our work with councils this year, with a number of projects underway across the region.

We 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 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.

We supported Corangamite Shire with the detailed design and development of the 12 Apostles Trail from Timboon to Port Campbell, a high-quality, off-road cycling and walking path. The majority of the 19-kilometre route is on our water main alignment which provided a clear path for the construction of the trail.

In conjunction with Warrnambool City Council, we developed an online data sharing portal to better coordinate construction works and reduce the impact on our communities. The aim is to complete water and sewerage works before any roads are upgraded or resurfaced. Other councils are watching with interest.



Section 5: Our environment

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. This matter will be further explored as part of the planned Urban Water Strategy engagement for 2021.

DROUGHT RESPONSE

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

Good inflows were received into all our 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.

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.

Integrated solutions

Sometimes, one agency can't do things on their own and integrated planning is required. We continued to play a leadership role with DELWP in supporting the Great South Coast IWM Forum. Established in 2018, members of the forum include local government, the catchment management authority, and Traditional Owner representatives from across the region. The forum has committed its best endeavours to achieving 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 five collaborative projects across the region:

THE GREAT SOUTH COAST URBAN WATER ATLAS

A project spanning five councils, the atlas supports a GIS-based process that shares data on water consumption, identifies potential water sources, and provides opportunities to build greater climate resilience. A process for ongoing data sharing was developed with commitment from the responsible agencies.

ADAPTIVE WASTEWATER FOR SMALL TOWNS

This project tackles the issue of inadequate domestic wastewater systems in unsewered towns. An adaptive, neighborhood-scale cluster approach for wastewater treatment in Penshurst has progressed to the next phase. In collaboration with key agency stakeholders, a pilot proposal was developed and will be taken back to community for input and refinement in 2021.

THE GREAT SOUTH COAST URBAN DRAINAGE COMMUNITY OF PRACTICE

This group consists of drainage engineers, asset managers, sustainability officers and river health officers from councils, CMAs and Wannon Water. The group met several times, forming peer-to-peer relationships and identifying opportunities to coordinate water management and deliver better value for our communities.

ALBERT PARK CENTRALISED ROOF WATER HARVESTING

This project will retrofit roof water harvesting infrastructure to community buildings on the north-west side of the Albert Park precinct for transfer to our Warrnambool Water Treatment Plant. Establishing this new, very local catchment for water supply will reduce extractions from the environment for potable use and reduce stormwater flows with associated flooding and stream health impacts. A cross-agency project team was established, construction of the trunk main has commenced and design of building connections is well underway.

FRAMEWORK FOR URBAN LAND DEVELOPER ENGAGEMENT IN IWM

This project aims to facilitate developer uptake of integrated water planning for greenfield developments. We've led discussions with local government and developers to draft a project proposal that will have relevance for regional development across the state.

Water resource management

URBAN WATER STRATEGY

Our current *Urban Water Strategy 2017-2065* is consistent with the government's *Water for Victoria* plan and was prepared in consultation with customers, local councils, industry, businesses, other water agencies and traditional owner groups. It 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.

When it was developed in 2016-17, the strategy reflected the advice of our major customers and allowed for a rapid growth in their total demand to 2022. They comprise mainly milk and food processors who use 25 per cent of the total volume of water we supply. However, the increase in demand has not been as great as anticipated during 2020/21 and appears to have plateaued.

The strategy showed that our groundwater systems would have sufficient supply to meet projected demand for the next 50 years. Of our surface water systems, Glen Thompson required some work to allow higher flows to be transferred from the Willaura System and this work was completed and successfully trialed in late 2020. No other augmentation works were 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.

A major review of the Urban Water Strategy has commenced with the reassessment of water supply availability in the face of climate change and a reassessment of the water demand. Augmentation options have been reviewed and further community engagement will take place in 2021. The revised strategy will be finalised in 2022.

WARRNAMBOOL ROOF WATER HARVESTING SCHEME

Wannon Water's Roof Water Harvesting Scheme 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 is expanding with construction of subdivisional works to collect water from lots within each new stage of the Northern Edge subdivision. The number of houses connected to the system now exceeds 300. 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 2020/21, this innovative system harvested a total of 45 megalitres of water from the roofs of connected houses – an increase on the 41 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. Nine sheds are now connected and others are under construction. One megalitre was harvested in 2020/21 but when fully developed, this first stage is expected to harvest 25 megalitres a year.

Water recycling

Volumes of recycled water totalled 1,569 megalitres in 2020/21, representing 15 per cent of the overall available supply of treated effluent.

The bulk of the available supply of recycled water goes to ocean outfall at the Warrnambool, Port Fairy and Portland sewage treatment plants. More than 50 per cent of the total volume of recycled water is specifically discharged from the Warrnambool Sewage Treatment Plant. It has limited use for recycling due to the high salt content coming from industrial customers. Discharge of this flow into the ocean is deemed fit for purpose due to its salty nature.

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

Recycled water was reused for agriculture on Wannon Water farms over the irrigation season. We also reused 115 megalitres at the Warrnambool Sewage Treatment Plant screening plant and in the solids removal process, offsetting the use of drinking water for this site.

Support for industry

We work with local industry to improve water management outcomes and, where possible, provide recycled water solutions removing the need for the use of drinking water.

Our Brine Receiving Facility in Warrnambool provides a local solution for receiving salty trade waste from large industries and moving this waste to the Warrnambool Sewage Treatment Plant 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 and sustainable manner.

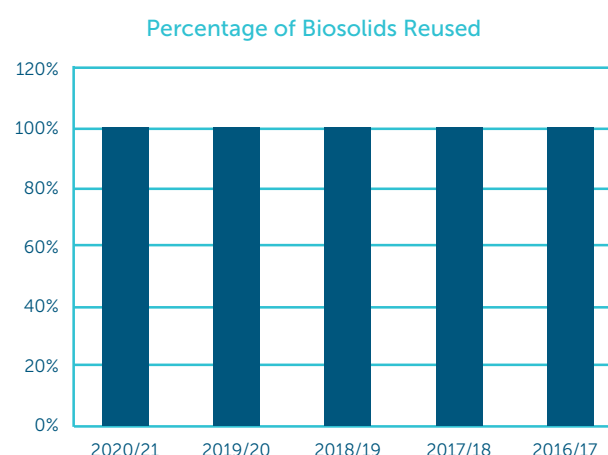
Biosolids reuse

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

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 3,864 dry tonnes to farm land.



Mitigating and adapting to climate change

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 *Water for Victoria*.

Our Carbon Neutrality Action Plan outlines the key initiatives we've implemented including a wind turbine at the Portland Sewage Treatment Plant, solar panel systems at facilities in Warrnambool and Hamilton, and a carbon offset project. Future projects may include expanding our tree planting programs and our renewable energy projects.

Energy is a significant operational cost for our business so these initiatives will not only help the environment, but deliver future savings for our customers.

Greenhouse gas emissions

We produced 23,887 tonnes of greenhouse gas emissions in 2020/21, 10 per cent less than the previous financial year, and a level consistent with achieving our 2025 goal.

Energy-efficient technology upgrades led to reduced energy use at our Port Fairy Sewage Treatment Plant. There were changes to emissions factors for

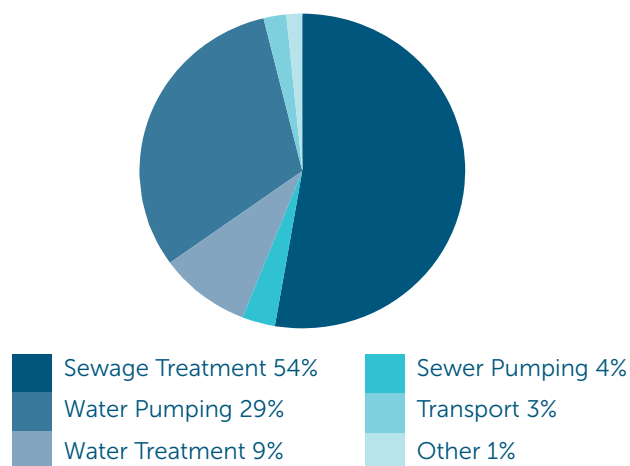
2020/21 specified by the Federal Government. Fugitive emissions from wastewater treatment were 25 per cent (1,825 tCO₂-e) lower than they would have otherwise been under the previous methodology. However more recent updates to international reporting guidelines (yet to flow through to the Australian guidelines) mean this reduction is expected to be temporary. It's worth noting that we would have met our 2020/21 corporate target using the previous methods.

Water treatment emissions also reduced by 3 per cent where a relatively wet summer season resulted in reduced water pumping from our major water supply catchments.

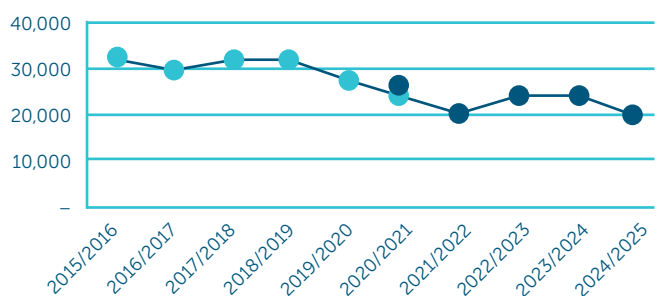
The vehicle fleet recorded a reduction in emissions, mainly as a result of efficiencies from new works management software, and travel that was postponed due to the pandemic. Office energy use also reduced again due to a drop in office and depot use during the pandemic.

Our Portland wind turbine and our solar energy projects produced 2.487GWh of renewable electricity during the year. These projects also produced emissions offsets, but these were not required to be surrendered to achieve our result.

Sources of greenhouse gas emissions



Net greenhouse gas emissions (tonnes of CO₂ equivalent)



Emission by activity (t CO ₂ -e)	2020/21	2019/20	2018/19	2017/18	2016/17
Water treatment	9,331	9,621	12,055	12,502	10,158
Sewage treatment	13,607	16,014	17,233	16,992	17,459
Transport	631	657	707	715	706
Other (including office energy use)	318	364	495	465	557
Reductions / offsets	0	0	0	0	0
Total	23,887	26,656	30,490	30,674	28,880

Performance indicator	Greenhouse gas emissions in tonnes of CO ₂ -e (tonnes)		Variance % (tonnes)	Commentary
	2020/21 projected	2020/21 result		
Water treatment and supply	N/A*	9,331		Our renewable energy systems and energy efficient upgrades reduced our electricity usage. The result also reflects a reduction in emissions from postponed activity during the COVID-19 pandemic, and a reduction in the Victorian grid emissions factor and a change to the fugitive emissions factor for wastewater and water treatment.
Sewage collection, treatment and recycling	N/A*	13,607		
Transport	N/A*	631		
Other	N/A*	318		
Total emissions	25,433	23,887	-6.07% (1,546)	Sequester program – a considered decision was made not to surrender carbon offsets in this year.

*NOTE: The 2020/21 projection is only available for the total emission figure, not individual areas.

ELECTRICITY USE

Total electricity use	2020/21 result (MWh)	2019/20 result (MWh)
Water supply	9,604	9,379
Sewage treatment	8,688	9,538
Other	324	356
Total	18,616	19,275

Performance Indicator	MWh		Commentary
	2020/21 Renewable electricity used	2019/20 Renewable electricity used	
Solar	578	606	Solar PV projects
Hydroelectric			
Wind	1909	1,407	Portland wind turbine
Biogas	0	0	
Greenpower	0	0	
Other	0	0	
Total	2,487	2,013	
Percentage renewable electricity	13.36%	10%	

Other statutory obligations

Regional Catchment Strategies 2013-2019

During engagement for the 2018-2023 Price Submission, our customers said they valued our work to protect the natural environment. Acknowledging this, 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.

We established a three-year project with the GHCMA to work with community groups and landholders to undertake priority riparian restoration works on the Grange Burn in Hamilton and the Merri River in Warrnambool. The focus in year one has been implementing works along the Grange Burn with site preparation and planting completed, improving the recreational opportunities and environmental values of the waterway.

Work also continued with the CCMA and Deakin University to identify priority projects in the Gellibrand River catchment, a strategic regional waterway. The final report will provide a robust basis for future joint investment and partnerships to enhance aquatic health and land management practices.

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 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 2), issued under the Victorian Waterway Management Strategy framework. These obligations include 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)

During the year we managed 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. We have been proactive in transitioning to the updated obligations under the new *Environment Protection Act* which will take effect from 1 July 2021.

Section 6: Our people

Performance culture

We continue to prioritise the capability and experiences of our people to support a thriving performance culture. We know a happy, supported and engaged workforce will help deliver on stronger communities, business excellence and value for customers. In 2020/21 we had an additional focus on:

- Gender diversity, Aboriginal inclusion and accessibility
- Zero Harm
- Resilience and navigating change
- Learning and development.

Employee engagement

Employees who feel aligned to their work, their team and our strategic direction contribute strongly and have a direct impact on our overall performance. To help measure this, we participate in the Victorian Public Sector Commission's People Matter Survey which provides an engagement index and job satisfaction measures.

The Wellbeing Check People Matter Survey held in late 2020 showed Wannon Water had a 73 per cent engagement index - up from 72 per cent in 2019, and 1 per cent higher than our industry benchmark.

Employment and conduct principles

We comply with the *Public Administration Act 2004*. Employees are selected based on ability, knowledge and skills in a fair and open process that ensures equal opportunity. Promotion and advancement of qualified individuals within Wannon Water is based on these same principles.

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

Responding to change

The COVID-19 pandemic provided an opportunity for us to demonstrate organisational agility with guidance from our Future Workforce Planning Strategy. Although the pandemic presents a major and ongoing challenge for all businesses, our previous investments in people, flexible work practices, and technology helped support us through a new way of working.

Nearly 100 per cent of our corporate workforce was able to transition to work from home following lockdowns and restrictions. We continued to respond to government directions and support the health and wellbeing of our employees and the community.

We must also recognise our outdoor employees who adapted to new measures to ensure safe work practices without compromising the delivery of essential water and sewerage services.

Learning and development

We recognise that the ongoing investment in our people is linked to our success. As such, we continued to implement our Learning and Development Framework to support our commitment to:

- Technical development
- Job satisfaction, motivation and engagement
- Career and personal development
- Recognising and encouraging employee performance
- Effective succession and resource planning
- Identifying and developing high-potential employees
- Inclusion, diversity and respect.

Elevate, our new human resource information system, was launched and has increased opportunities for employees to self-select their learning and development needs, and support effective management of role requirement and compliance-related training.

Internal secondments continue to increase, making up 21 per cent of total appointments this year. These allow us to respond to changing resourcing requirements and they provide strong experiential development opportunities for employees.

We recorded 5,748 hours (27 hours per employee) of formal employee learning and development. External opportunities were severely limited and down on previous years due to the pandemic, however we developed and provided a number of internal sessions to support teams in navigating new ways of working. This included six sessions of our People Manager Program which aims to improve and support those employees who manage people.

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

- International Water Centre Leadership Program
- Leadership Great South Coast Program

- JMW
- Victorian Water Industry Network Operators Program
- Water Services Association of Australia (WSAA) Young Utility Leaders Program
- Six-month internal Board Observers Program
- Women Leaders' Institute's Women in Leadership Executive Program
- WSAA Utility Young Leaders.

We continue to develop initiatives such as our high potential framework that support succession planning and our ability to meet the needs of our employees now and into the future.

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 deliver a skilled workforce and boost regional prosperity.

We remain committed to providing employment opportunities for local students who want to develop their skills and pave a career in South West Victoria.

Our engineering scholarship continues and will be offered again in 2021, and we continued our partnership with regional employment and training providers to offer a 12-month traineeship program. Three trainees took part in the program, working in the Communications & Engagement, People & Wellbeing and Service Delivery branches.

Our involvement in local education and employment pathway initiatives includes:

- Portland Future Leaders of Industry program
- Grampians Future Leaders of Industry program (seed funding commitment)
- South West Emerging Leaders Program
- Career information sessions for secondary school groups
- Westvic Staffing Solutions Industry Connection Program
- Neil Porter Legacy Careers Education Program.

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 feels valued.

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

- Championed inclusion and diversity to support people to love working at Wannon Water
- Provided feedback to help implement inclusion and diversity activities
- Supported the development of an Accessibility Inclusion Action Plan and a Reconciliation Action Plan
- Provided feedback on the success and challenges of implementing the Inclusion and Diversity Management Plan and additional work plans.

The NOW! (Network of Wannon Water Women) group enables Wannon Water women to enhance their networking, collaboration, access to professional development, and their support for each other as well as women and girls in our region. The NOW! group had limited activity due to the impacts of the pandemic.

Our Inclusion and Diversity Management Plan has an ambitious target of increasing the percentage of females who occupy positions that manage teams to 40 per cent by 2023. While we had additional female members join the senior management team and we have made positive increases on our overall gender numbers, the figure remains stable. The following table outlines our progress against this target:

Workforce Inclusion and Management Plan initiative	2023 target	2020/21	2019/20	2018/19
Females who occupy positions that manage teams	40%	24%	24%	22%

We remain 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 annually when employers are assessed on a range of benefits and conditions, such as paid parental leave, pay equity and flexible work arrangements.

For the 33 positions filled in 2020/21, the statistics showed:

- 33 per cent of applicants were female
- 42 per cent of shortlisted candidates were female
- 52 per cent of the final appointments were female.

We were part of a Workplace Gender Audit Case Study submitted to the Department of Premier and Cabinet. This was the second phase of a broader pilot project to help refine a new gender auditing tool to support the introduction of the Gender Equality Legislation 2020 that came into effect on 31 March 2021.

We will also continue to explore employment pathways and partnerships for our region's Aboriginal people. This includes traineeships, work placements and sponsorships. 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 2021 People Matter survey results showed that 1 per cent of our workforce identifies as Aboriginal or Torres Strait Islander.

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, resulting in a large-scale mural being painted on our Heywood Water Tower.

We participated in the local Wata Waetnanda group to champion indigenous outcomes in our region, including supporting and participating in community-based National Reconciliation Week activities. The development of a Reconciliation Action Plan has also been a key focus this year.



Workforce statistics

The number of ongoing full-time equivalent employees in the reporting period reduced by one, with the total all-employee head count decreasing by two. The primary contributing factor was the number of current vacancies at the time of reporting.

Employees have been correctly classified in workforce data collection.

	30 June 2021							30 June 2020						
	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	136	135	129	5	133	2	2	140	138	131	6	135	3	3
Female	75	64	40	26	57	9	7	73	62	38	30	59	5	3
Self-described	0	0	0	0	0	0	0	0	0	0	0	0	0	0
AGE														
15-24	10	10	8	0	8	2	2	12	11	9	0	9	3	2
25-34	35	33	28	4	30	3	3	35	33	29	4	31	2	2
35-44	63	58	47	13	56	3	2	62	57	46	15	56	1	1
45-54	64	61	54	8	60	2	1	64	61	54	9	60	1	1
55-64	36	34	29	6	33	1	1	38	36	29	8	35	1	1
65+	3	3	3	0	3	0	0	2	2	2	0	2	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	7	0	7	1	1	8	8	8	0	8	0	0
Band 4	54	51	45	6	49	3	2	55	51	45	8	50	2	1
Band 5	52	47	37	13	46	2	1	53	48	38	11	45	4	3
Band 6	35	33	27	6	31	2	2	33	31	24	8	30	1	1
Band 7	27	26	23	4	26	0	0	27	26	22	5	26	0	0
Band 8	14	13	11	2	12	1	1	20	19	15	4	18	1	1
Senior Manager	15	15	13	0	13	2	2	11	11	11	0	11	0	0
EXECUTIVES														
General Manager	5	5	5	0	5	0	0	5	5	5	0	5	0	0
Managing Director	1	1	1	0	1	0	0	1	1	1	0	1	0	0
TOTAL EMPLOYEES	211	199	169	31	190	11	9	213	200	169	36	194	8	6

- 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 collected annually
- Employees are classified as a band (Band 1 to 8) under the Wannon Water Enterprise Agreement 2020. 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.

Zero Harm

Leadership

We are serious about improving the safety of our employees, contractors and our community. We are committed to a Zero Harm approach to our work and activities every day.

Zero Harm looks to bring Occupational Health & Safety (OH&S), health and wellbeing, and environmental 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.

To support Zero Harm leadership, our senior management team participated in three workshops delivered by Leading Safety from New Zealand who specialise in Health and Safety leadership.

Key safety initiatives

MANAGEMENT SYSTEM

The strength of the OH&S management system is reflected by our strong safety culture.

We successfully achieved certification to the new ISO 45001 standard for our Occupational Health and Safety System. The work to achieve this status has brought our policies and procedures in line with international best practice.

RISK MANAGEMENT SOFTWARE

New risk management software has been introduced, including a new safety app, allowing our employees to report hazards, incidents and complete audits. This increased employee awareness of the importance of reporting issues to prevent incidents and allows for real time incident management to ensure that we respond quickly if an injury or incident occurs. Contractor reporting can also be carried out through this tool, allowing us to monitor our contractors' safety more efficiently.

CHEMICAL MANAGEMENT SOFTWARE

An app to assist our employees with the management of chemicals has been rolled out, helping them to select products that have less impact on human health and the environment.

COVID- 19

The COVID-19 pandemic continues to impact on the way our employees work. With many continuing to work from home, we continue our investment in ergonomic assessments, Employee Assistance Program (EAP) support and IT equipment and software to support their changed circumstances and needs.

In April 2021, we became the first large employer in South West Victoria to be accredited under the Healthy Achievement Workplaces Program. This demonstrates our high level of commitment to provide a healthy workplace especially in the areas of mental health, physical health, smoking, drug and alcohol use and healthy eating.

To support this, a new Health and Wellbeing Management Plan was developed and we introduced 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 including:

- Partnering with South West Healthcare to deliver stress management and resilience training
- Annual employee health checks and flu immunisations
- An active EAP, supported by both male and female practitioners, delivered face-to-face or via Telehealth pending COVID-19 restrictions
- Completing the Healthy Workplace Achievement Program
- Employee sessions on a range of topics including nutrition, superannuation and investment.

Training

We adapted our approach to deliver and invest in safety and compliance training for our workforce. Eleven courses delivered to employees included:

- Height safety
- Asbestos refreshers
- Confined space entry
- Trenching and shoring
- Breathing apparatus
- Mobile plant training
- Manual handling
- Drain cleaning
- Safe driver training
- Gas pipeline awareness
- Height safety
- Safety leadership.

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.

	Claims	2020/21	2019/20	2018/19	2017/18	2016/17
Number of Lost Time Standard Claims		4	3	3	3	1
Number of Lost Time Standard Claims per 100 FTE		2.01	1.50	1.52	1.49	0.49
Average cost per claim		\$12,615	\$12,025	\$10,756	\$9,783	\$8,240
	Incidents					
No. of Incidents		68	118*	97*	41	42
Rate per 100 FTE		34.17	59.00	49.23	20.29	20.79

**NOTE Increase reflects the new multi-classification reporting of incidents to support improved safety outcomes. The 2016/17, 2017/18, and 2018/19 incident rate per 100 FTE figures have been adjusted slightly due to the discovery of a small calculation error.*

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 \$2.94 million for the reporting period – a decrease of \$3.81 million on the previous year. The difference compared to the prior year relates primarily to a decrease in government funding. In 2020/21, government funding reduced following the completion of major capital works at the 12 Apostles Visitor Centre near Port Campbell. Finance costs decreased compared to the prior year following a reduction in borrowings due to delays in a large capital project. Depreciation expense remained steady, and while there were additional costs incurred attributable to the COVID-19 pandemic, these were offset by cost savings also attributable to the impacts of the pandemic.

Net profit before tax was \$5.40 million more than our budget. Total revenue was 2.6 per cent (\$1.95 million) more than budget due to both higher than anticipated trade waste revenue and gifted assets from developers. Expenditure was \$3.45 million under budget. Under-expenditure occurred in the areas of contractors and consultants, travel and training costs, attributable to changes in our operating environment in 2020/21 due to the pandemic. Depreciation expense was also under budget by 2.5 per cent.

Wannon Water generated cash flows of \$27.73 million from operating activities. We were able to repay borrowings of \$7 million during the year with investments of \$23.34 million made in capital infrastructure.

In 2020/ 21 we completed our five yearly asset revaluation in conjunction with the Valuer-General Victoria (VGV). This resulted in an 18 per cent increase in the accounting value of our infrastructure assets.

The table below provides the high level financial results in 2020/21 compared with the previous four years.

Financial Result	2020/21 (\$'000)	2019/20 (\$'000)	2018/19 (\$'000)	2017/18 (\$'000)	2016/17 (\$'000)
Core business revenue	68,816	70,704	72,016	71,681	69,832
Capital revenue	3,255	2,335	724	448	1,049
Government contributions	2,506	6,283	1,277	919	552
Other revenue	2,588	2,723	2,661	3,914	3,079
Total revenue	77,165	82,045	76,678	76,962	74,512
Operating expenditure	46,405	46,790	46,192	45,307	43,173
Depreciation and amortisation expenditure	24,685	24,999	21,746	21,761	21,959
Finance costs	1,394	1,800	2,289	2,630	3,212
Other expenditure	1,738	1,703	3,315	3,072	3,050
Total expenditure	74,222	75,292	73,542	72,770	71,394
Net result before tax	2,943	6,753	3,136	4,192	3,118
Current assets	20,809	21,269	20,679	20,586	17,922
Non-current assets	953,750	824,546	815,808	748,044	751,796
Total assets	974,559	845,815	836,487	768,630	769,718
Current liabilities	24,694	24,271	22,336	14,999	20,049
Non-current liabilities	184,860	150,584	147,540	135,786	134,743
Total liabilities	209,554	174,855	169,876	150,785	154,792
Net cash flows from operations	27,732	35,533	30,892	26,306	23,943
Payments for property, plant and equipment (including infrastructure)	23,341	32,049	26,333	21,424	21,112

Revenue and expenses

OUR REVENUE

Consistent with our price and growth projections, overall water and sewerage service charges increased by just 0.2 per cent from the previous year (as they also did in 2019/20), reaffirming our commitment to deliver affordable pricing for our customers. Revenue from water usage decreased by 5.9 per cent in 2020/21. This was driven by reduced usage compared to the prior year by both non-residential (down 7.1 per cent) and rural (down 8.5 per cent) customers. Residential water usage remained stable, but usage prices decreased for all residential customers in 2020/21. Total water usage for 2020/21 was 10.99 gigalitres, which was 4.2 per cent less than the prior year and 5.5 per cent less than budgeted.

Trade waste volume charges and revenue from agreements with third parties increased by \$1.24 million in 2020/21 due to a new agreement with a major trade waste customer in the region. All other sources of trade waste revenue, decreased by 4 per cent compared to the prior year.

Government funding for capital projects reduced from \$6.28 million, to \$2.51 million in 2020/ 21, following the completion of major capital works at the 12 Apostles Visitor Centre.



Sewerage service charges	36%
Volumetric water usage charges	28%
Fixed water service charges	14%
Trade waste charges	11%
Government grants and contributions	5%
Other income	3%
Gifted assets	3%

OUR EXPENSES

Total expenses decreased by \$1.07 million (1.4 per cent) compared to the previous year, and were \$3.45 million under budget (4.4 per cent).

As for our customers and community, and across the state, 2020/21 was a challenging operating environment for Wannon Water, which is reflected in the operating costs for the year. While additional costs were incurred in responding to the pandemic and supporting customers, we also saw cost savings in areas, as our employees worked from home and the usual travel across our region and state was restricted.

Employee benefits were up just 0.8 per cent on the prior year, but 2.8 per cent less than budget (\$0.42 million).

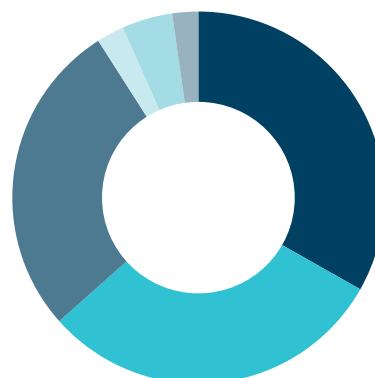
Depreciation/amortisation expense is the largest single expenditure item for Wannon Water. In 2020/21 this was 2.7 per cent under budget, attributable to timing differences in the capitalisation of assets.

We saw cost increases in relation to treatment associated with the operation of the Warrnambool Sewage Treatment Plant, lagoon desludging (which occurs at irregular intervals) and responding to the pandemic. This was offset by cost savings in relation to consultancies, travel, training and our environmental levy contribution.

Larger expenditure items such as electricity and chemicals were consistent with the prior year and on or under budget. The customer efficiency rebate decreased

by \$0.48 million in line with our approved price path for the regulatory period, as it was built into our tariff structure via reduced water usage prices.

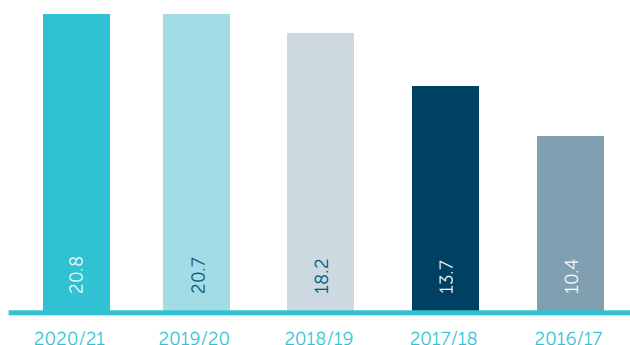
Borrowing costs compared favourably to the prior year (\$0.40 million) and to budget (\$0.26 million) as total borrowings decreased during the year. Borrowing were less than anticipated for 2021 due to delays in the construction of the Warrnambool Sewage Treatment Plant upgrade.



Depreciation and amortisation	33%
Supplies and services	31%
Employee benefits	28%
Environmental contribution levy	4%
Borrowing costs	2%
Net loss on disposal of assets	2%

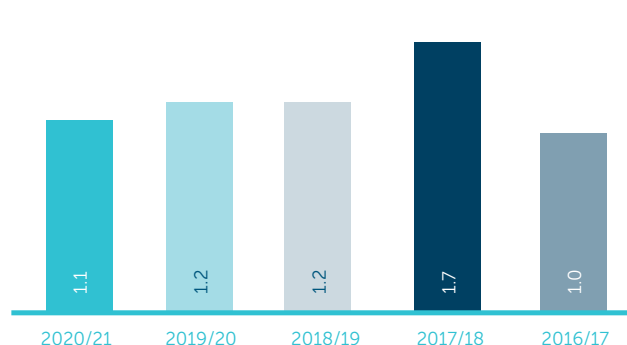
Summary of financial performance indicators

Cash Interest Cover (times)



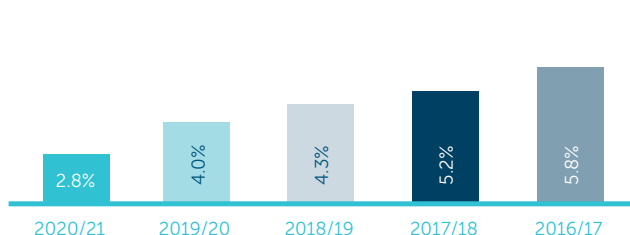
The result is consistent with last year. The continued strong result is attributable to a decrease in borrowing costs. The ratio shows that cash received from operating activities is 20.8 times that of net interest costs paid.

Current Ratio (times)



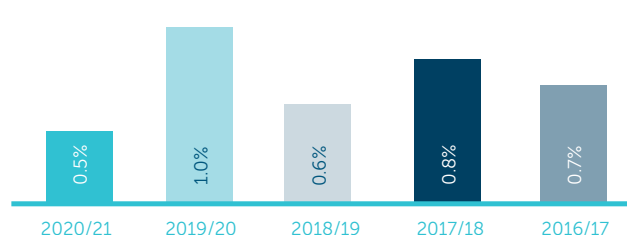
The ratio measures how comfortably payment of short-term liabilities can be covered by Wannon Water's short-term assets. A ratio result greater than 1.0 times indicates that Wannon Water's short-term assets are greater than its short-term liabilities. An increase in current liabilities attributable to higher payables at the end of the year and income received in advance, decreased the ratio slightly compared to the prior year.

Gearing Ratio



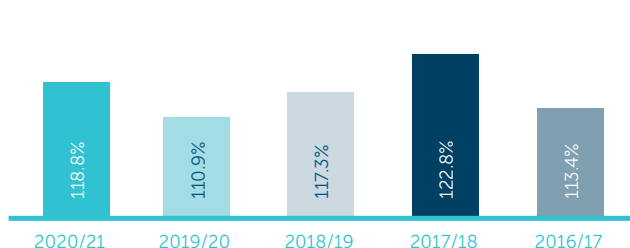
Total debt reduced by \$7 million during 2020/21 as a result of positive cash flows and lower than budgeted capital expenditure. The decline in the ratio total is a favourable result, as a low ratio provides a positive indication of Wannon Water's long-term liquidity.

Return on Assets



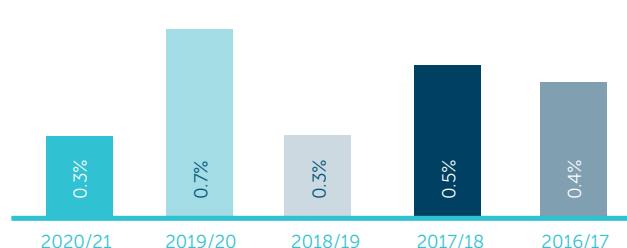
Indicates how much profit Wannon Water has generated from every dollar in assets owned. The ratio is low, as assets owned are significant in value and Wannon Water does not aim to generate large profits. Reduced profit in 2020/21 compared to the prior year, due to a reduction in capital funding, saw a decline in the ratio for the year, but was a better result than the target for the year.

Internal Financing Ratio



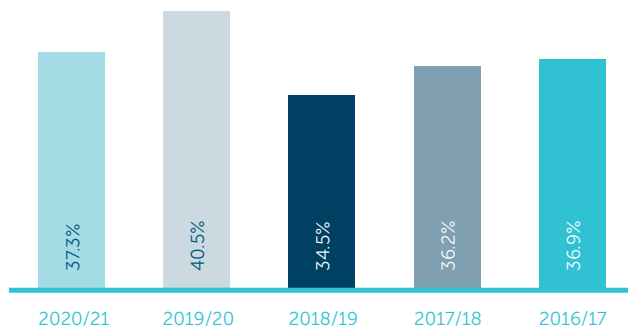
The ratio measures the portion of capital works paid for from operating cash flows. The 2020/21 result indicates that all capital works payments were funded by cash received from operating activities. While both net operating cash flows and capital payments reduced in 2020/21, capital payments reduced in a greater proportion due to the delay in the construction of the Warrnambool Sewage Treatment Plant.

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 Wannon Water does not aim to generate large profits. Reduced profit compared to the prior year, due to a reduction in capital funding, saw a decline in the ratio in 2020/21.

EBITDA Margin



This indicator measures Wannon Water's operating profitability and its ability to generate an accounting surplus. The decline in the result is driven by a decrease in our net result, however the positive result indicates that Wannon Water's profit (before interest, tax, depreciation and amortisation) for the year contributes to funding operations and asset renewal.

Capital expenditure

We completed \$22.69 million of capital works (of which \$2.98 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)	2020/21 expenditure (\$ million)	Future commitments (\$ million)
Port Campbell 12 Apostles Visitor Centre – sewer and water servicing	9.49	2.06	0.0
Warrnambool – sewers and access points (annual renewal and rehabilitation program)	1.78	1.78	0.0
Warrnambool – water main replacements (annual renewal and rehabilitation program)	1.36	1.36	0.0
Hamilton Water Treatment Plant – new clear water storage	2.03	1.32	0.0
Hamilton Biosolids Facility – new drying area	4.57	0.93	0.0
Brierly Basin – floating solar installation	1.10	0.68	0.42
Wollaston Road – sewer pump station west	0.80	0.57	0.0
Warrnambool Sewage Treatment Plant – media replacement	1.12	0.54	0.39
Bald Hill, Dunkeld and Casterton basins – floating covers	1.14	0.51	0.63
Harrington Road – feeder main	0.54	0.51	0.03
Warrnambool Sewage Treatment Plant – upgrade	40.24	0.49	34.29*
Recycled water irrigator replacements	0.45	0.45	0.0
Warrnambool Water Treatment Plant – UV installation	1.21	0.36	0.79
Sewer pump station renewals	0.34	0.34	0.0
Port Campbell – sewer pump station emergency storage	1.17	0.34	0.28
Camperdown Biosolids Facility – refurbishment	3.87	0.31	0.0
Upgrade EOL SCADA hardware	0.30	0.30	0.0
Port Fairy Sewage Treatment Plant – industrial switchboard replacement	0.29	0.29	0.0
Water pump station renewals	0.27	0.27	0.0
Albert Park – roofwater harvesting extension	0.77	0.26	0.51
Port Campbell Sewage Treatment Plant – pipeline and irrigator	0.47	0.26	0.21

*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 2020/21 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

The COVID-19 pandemic and associated restrictions had a significant impact on much of our activity during 2020/21. With high levels of uncertainty due to the restrictions and impacts on some sections of the regional economy, and mental health and wellbeing, the ongoing nature of the pandemic presents a major and ongoing challenge for all businesses. The provision of essential water and sewerage services remains our primary priority during this time. We are committed to the COVID-19 National Hardship Principles, including supporting all our customers who may have difficulty paying their bill. Our previous investments in people, flexible work practices, and technology has laid a solid foundation that supports our workforce to deliver for our customers and stakeholders. We do not expect to experience any significant financial impacts as a result of the pandemic.

The upgrade of the Warrnambool Sewage Treatment Plant, the largest capital project in the corporation's history, is expected to begin following regulatory approvals. Funding of this significant project will see total borrowings increase during the construction period. Wannon Water has the capacity to finance the anticipated increase in borrowings.

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
27 September 2021



Section 8: Our Board

Board Directors

Wannon Water's Board comprises eight independent non-executive Directors and one executive Director (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
- Guiding and measuring implementation of the strategy
- Setting the risk appetite
- Establishing and leading the culture
- 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 June 2021 in accordance with Section 3.2 of the Minister's Statement of Obligations. The review was conducted internally, and included a review of progress on actions arising from previous years' reviews.

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

JACINTA ERMACORA – BOARD CHAIR

B. SW, M. SS (Pol & Mgt), FAICD

Appointed 1 October 2015

Jacinta has a background in social work and policy development and brings experience in consumer advocacy, sexual assault advocacy and primary health reform. Jacinta also brings governance experience in natural resource management, local government, water industry and education to the Wannon Water Board table.

Her interests include strengthening economic and social development in the south-west region, policy development in collaboration with communities, and achieving organisational diversity and inclusion. Jacinta is a founding member of the Victorian Women in Water Directors Network. She 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 Community Committee.

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 previously worked in the position of deputy secretary of the Department of Sustainability and Environment (DSE) and has held executive roles in DSE, its predecessors, and Parks Victoria for 25 years. Ken was also a senior project manager at the Victorian Planning Authority.

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 an independent 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, director of the Institute of Water Administration, chair of the VicWater Safety Executive Group, a director of the Great South Coast Group and a director of Beyond the Bell Great South Coast.

Andrew is a member of the Strategic Issues Committee.

DR SUSAN BRUMBY

RN, DipFarm M'ment, GCertHELT, GDipWomensSt, GCertSciCommun, MHM, PhD, GAICD

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 Commander 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

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 member of Southern Grampians Audit and Risk Committee and chair of Aberlea Aged Care Inc.

Mick stood down as chair of the Audit & Risk Management Committee in May 2021 and continued as a member of the committee. Mick is also a member of the Strategic Issues Committee and the Executive Remuneration Committee.

DR 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.

He is a graduate of the Australian Institute of Company Directors and holds 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.

DR HELEN SCARBOROUGH

B. Ec., M.Ec, PhD, GAICD

Appointed 1 October 2017

Helen has held various academic roles at Deakin University for more than 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.

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

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



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 including an ongoing rolling program of direct engagement, customer surveys, community consultation and project-based customer committees.

BOARD MEETINGS ATTENDED

	Attended	Eligible to attend
Jacinta Ermacora	10	10
Susan Brumby	10	10
Michael Crutchfield	9	10
Andrew Jeffers	10	10
Ken King	10	10
Mick Murphy	10	10
Adrian Panow	10	10
Helen Scarborough	10	10
Sarah-Jane Walsh	8*	10

Note: The Board approved leave of absence for Sarah-Jane Walsh from 20 November 2020 to 31 December 2020.

Board committees

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

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

Information on these committees, including the purposes of each major committee and the extent to which the committee has achieved its purpose, is available to the public on request.

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 ShineWing Australia, and the external auditor.

As at 30 June 2021, the committee comprised non-executive independent Directors Helen Scarborough (Chair), Mick Murphy, Sarah-Jane Walsh, Adrian Panow and independent external members Shannyn Martin and Joseph Dalessandro.

AUDIT & RISK MANAGEMENT COMMITTEE MEETINGS ATTENDED

	Attended	Eligible to attend
Helen Scarborough (Chair)	5	5
Mick Murphy	5	5
Adrian Panow	5	5
Sarah-Jane Walsh	4	5
Shannyn Martin	5	5
Joseph Dalessandro	5	5

Note: All members are independent

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 2021, 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 2021, 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 manual that seeks to ensure high standards of ethical behaviour through policies supported by specific awareness and compliance programs. The governance manual 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 conflicts of interest

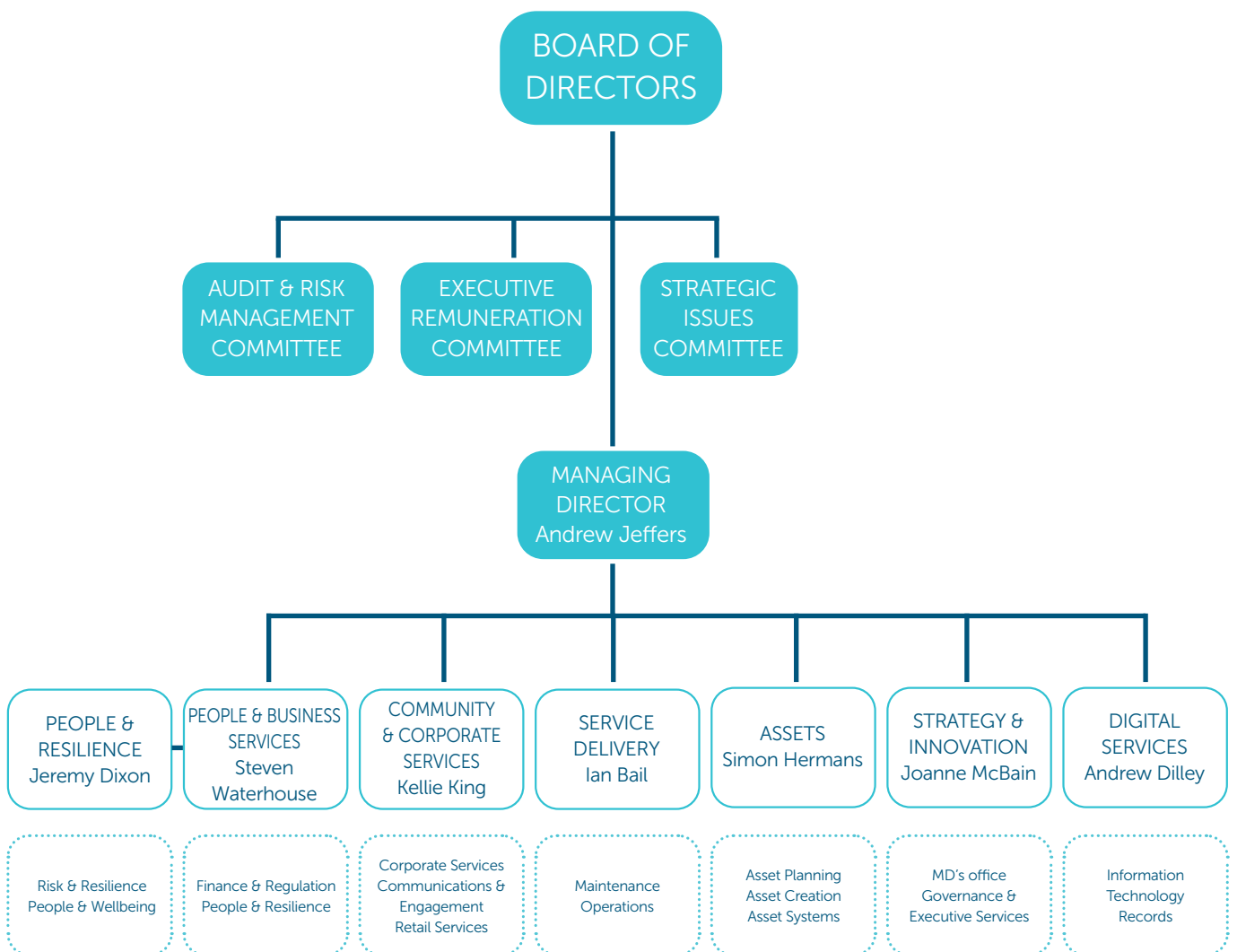
Directors and managers completed declarations of pecuniary interest and addressed any potential conflicts of interest during the reporting period.

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 2021



Section 9: Corporate information

Legislative compliance

PUBLIC INTEREST DISCLOSURES 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 PID 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: www.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 (Fol) 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 (OVIC) 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 \$30.10 (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

Fol statistics/timeliness:

During 2020/21, Wannon Water received four Fol requests. All four applications were received from the general public.

We made four decisions during 2020/21 and all were made within the statutory time period. The average time taken to finalise requests was 13.3 days.

No requests were subject to complaint/internal review by OVIC.

The table below outlines the outcome of each of the requests.

FoI statistics/timelines

Full access granted	4
Partial access granted	0
Withdrawn	0
Not proceeded with	0
No documents	0
Outside the Act	0
Not yet finalised	0

Further information:

Further information regarding the operation and scope of FoI can be obtained from the Act, regulations made under the Act, and ovic.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 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 competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

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

LOCAL JOBS FIRST

The *Local Jobs First Act 2003*, was introduced in August 2018.

Wannon Water is required to apply the Local Job First (LJF) policy in all projects valued at \$1 million or more in regional Victoria. The Major Project Skills Guarantee (MPSG) applies to all construction projects valued at \$20 million or more, although Wannon Water did not enter into contracts of this value during the reporting period.

Contracts commenced during 2020/21

Wannon Water commenced four contracts totalling \$4.37* million where Local Industry Development Plans (LIDP) were required. All projects are in regional Victoria.

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

- An average of 95.90 per cent of the total value for the three contracts
- An average retention or creation of 3.91 full-time equivalent jobs per contract.

** Estimated value based on projected sewer renewal annual program*

Contracts completed during 2020/21

Two contracts were completed to which LJF applied.

The outcomes were:

- Average local content of 97.68 per cent
- Average retention or creation of 7.73 employees.

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

During the reporting period, four businesses prepared LIDP associated with the above contracts.

MAJOR CONTRACTS

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

CONSULTANCY EXPENDITURE

Consultants costing less than \$10,000

Wannon Water engaged 17 consultancies where the total fees payable to the consultants were less than \$10,000. Total expenditure on these consultants was \$85,039 (excluding GST).

Consultants costing more than \$10,000

Fourteen consultancies were engaged with a total value of \$908,796.

Consultant	Purpose of consultancy	Total project fee (exc. GST) \$'000	Expenditure 2020/21 (exc. GST) \$'000	Future expenditure (exc. GST) \$'000
Capire Consulting	Stakeholder engagement services	86.78	86.78	0
CEE Consultants	Ocean outfall reporting	40.78	40.78	0
Decentralised Water Consulting	Small town wastewater options	90.75*	70.75	10.10*
ESS Earth Sciences	Dam safety - seismic monitoring	73.89	10.77	63.12
GHD	Dam safety management	1,291	201.43	146.54
Inside Infrastructure	Asset management planning	97.36	50.61	46.75
Jaguar Consulting	Water quality benefit analysis	14.09	14.09	0
Planit Consulting	Contract superintendent and civil engineering design	183.17*	96.99	20.00*
RM Consulting Group	Wastewater farm management	49.46	49.46	0
Safety Systems	Asbestos audits and reports	21.50	21.50	0
SED Advisory	Small town wastewater options	13.31	12.10	0
Sitec	Contract superintendent and civil engineering design	39.00*	29.36	9.64*
The CSE Group	Civil engineering design	77.00	27.70	49.30
Tonkin Consulting	Contract superintendent and civil engineering design	246.47*	196.47	50.00*

* Estimated fee based on ongoing construction phase activities, monitoring activities or dependent on outcome of business case.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

For the 2020/21 reporting period, Wannon Water had a total ICT expenditure of \$7,553,402 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
6,648	-	905	905

* "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.

Asset Management Accountability Framework (AMAF)

Wannon Water's target maturity rating is 'competence', meaning systems and processes are fully in place, consistently applied and are systematically meeting the AMAF requirement, including a continuous improvement process to expand system performance above AMAF minimum requirements.

Status

Not Applicable
Innocence
Awareness
Developing
Competence
Optimising
Unassessed

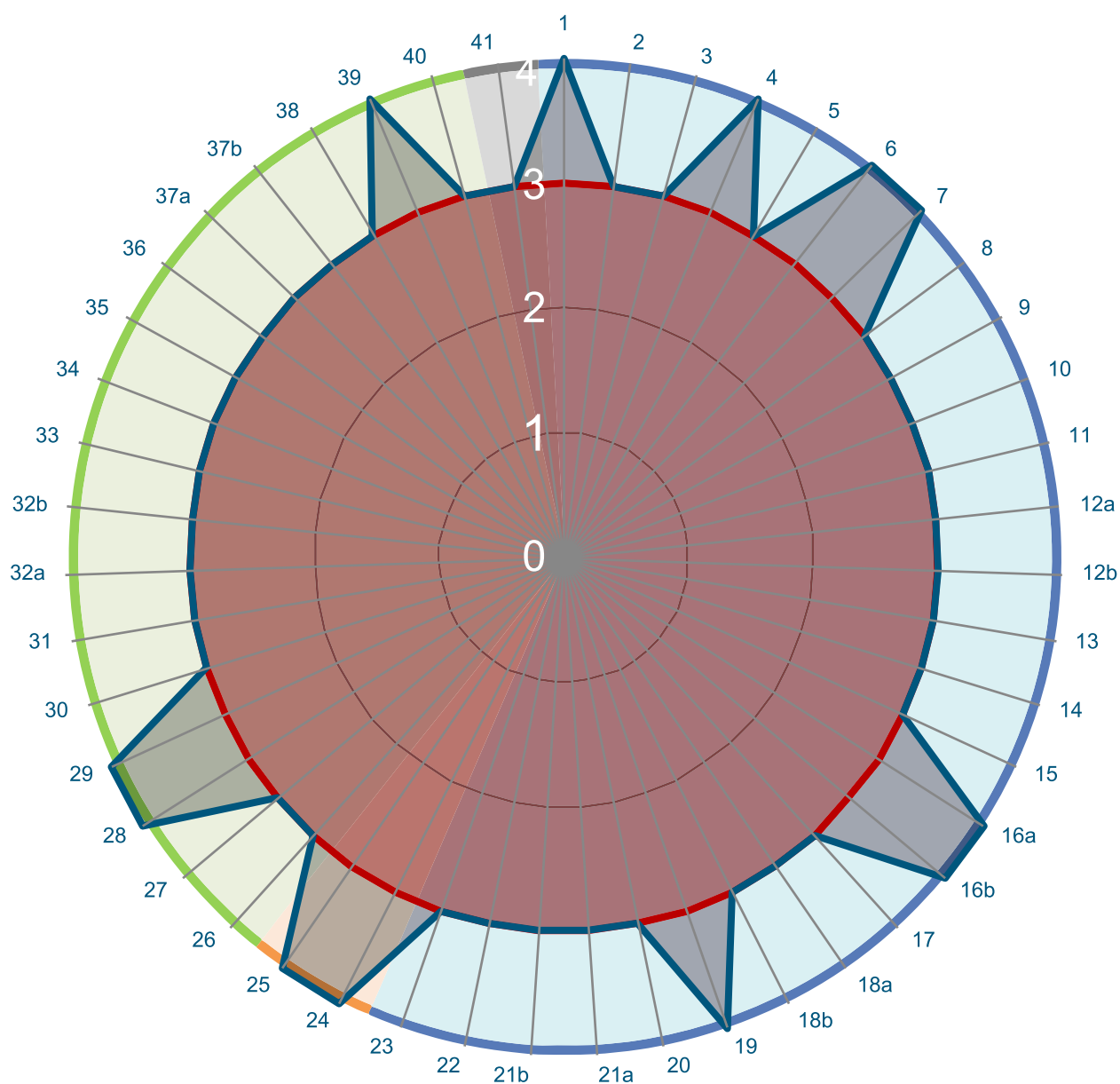
Scale

N/A
0
1
2
3
4
U/A

Compliance and maturity rating tool

Asset management maturity

Target Overall



Leadership and accountability (requirements 1 to 19)

Wannon Water has met or exceeded its target maturity level in this category.

Planning (requirements 20 – 23)

Wannon Water has met its target maturity level in this category.

Acquisition (requirements 24 and 25)

Wannon Water has exceeded its target maturity level in all of this category.

Operation (requirements 26-40)

Wannon Water has met or exceeded its target maturity level in this category.

The water authority has met most of its disposal (requirement 41)

Wannon Water has met its target maturity level in this category.

Section 10: Our performance indicators

FINANCIAL PERFORMANCE INDICATORS

KPI Number	Key Performance Indicator	2019/20 Result	2020/21 Result	2020/21 Target	Variance to Prior Year	Notes	Variance to Target	Notes
F1	Cash interest cover Net operating cash flows before net interest and tax / net interest payments	20.7 times	20.8 times	15.1 times	0.5%		37.8%	1b
F2	Gearing ratio Total debt / total assets x 100	4.0%	2.8%	6.8%	-30.0%	1a	-58.8%	2b
F3	Internal financing ratio Net operating cash flow less dividends / net capital expenditure x 100	110.9%	118.8%	47.2%	7.1%		151.7%	3b
F4	Current ratio Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	1.2 times	1.1 times	1.5 times	-8.3%		-26.7%	4b
F5	Return on assets Earnings before net interest and tax / average assets x 100	1.0%	0.5%	-0.1%	-50.0%	2a	600.0%	5b
F6	Return on equity Net profit after tax / average total equity x 10	0.7%	0.3%	-0.4%	-57.1%	3a	175.0%	6b
F7	EBITDA margin Earnings before interest, tax, depreciation and amortisation / total revenue x 100	40.5%	37.3%	32.3%	-7.9%		15.5%	7b

Notes:

- 1a Total debt reduced by \$7 million during the year as cash flows from operating activities were used to fund capital works and repay debt. An independent asset revaluation process resulted in total assets increasing in value. The combination of lower debt and higher total assets improved the Gearing ratio compared to the prior year.
- 2b Total debt was expected to increase considerably during the year as the Warrnambool STP Upgrade project was expected to commence construction. This did not occur and subsequently the increase in total debt has not occurred. This had a positive effect on the Gearing ratio.
- 1b Cash inflows for one off capital contributions and trade waste exceeded expectations, whilst net interest payments were 13% lower than expectations during the year, which positively impacted the ratio outcome.
- 3b The significant positive variance is due to the delay in the commencement of the Warrnambool STP Upgrade project, resulting in considerably less capital expenditure than planned. The higher than expected cash flows from operating activities also contributed this positive ratio outcome.
- 4b Amounts owing to the Corporation for services (current assets) were lower than expected at the end of the year. Amounts payable to suppliers (current liabilities) were higher than expected at the end of the year. The combination resulted in a lower than expected current ratio outcome compared to target.
- 2a/3a The prior year Earnings before net interest and tax and Net profit after tax, included one-off grant funding revenue. As one-off contributions, these inflate earnings and profit results in the year received. Similarly, ratio results are also inflated. Earnings before net interest and tax and Net profit after tax in 2020-21 have reduced, due to reduced revenues, and impacted the year on year ratio outcomes. The revaluation of assets at 30 June 2021 also reduced returns, due to an increase in asset values and revaluation reserves.
- 5b/6b Earnings before net interest and tax and Net profit after tax results in 2020-21 were positively impacted by higher than expected trade waste revenue and gifted assets from developers, and lower than expected expenditure predominantly due to changes in our operating environment throughout the pandemic. These positive outcomes resulted in better than expected Return on assets and Return on Equity ratio outcomes compared to target.
- 7b Earnings before interest, tax, depreciation and amortisation results in 2020-21 were positively impacted by higher than expected revenue and lower than expected expenditure. These positive outcomes resulted in better than expected EBITDA ratio outcomes compared to target.

WATER AND SEWERAGE SERVICE PERFORMANCE INDICATORS

KPI Number	Key Performance Indicator	2019/20 Result	2020/21 Result	2020/21 Target	Variance to Prior Year	Notes	Variance to Target	Notes
WS1	Unplanned water supply interruptions No. of customers receiving 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	158.0 Minutes	138.5 Minutes	80.0 Minutes	-12.3%	4a	73.1%	8b
WS3	Restoration of unplanned water supply Unplanned water supply interruptions, restored within 5 hours / total unplanned water supply interruptions x100	94.1%	91.0%	98.0%	-3.3%		-7.1%	9b
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	100%	95.1%	99.0%	-4.9%		-3.9%	
SS2	Sewer spills interruptions No. of residential sewerage customers affected by sewerage interruptions, restored within 5 hours	100%	96.2%	99.0%	-3.8%		-2.8%	

Notes:

- 4a The number of significant interruptions in 2020/21 was similar to 2019/20, however the favourable variance compared to the prior year is due to both a general reduction in interruption times as well as a reduction in the number of customers impacted by significant interruptions.
- 8b The unfavourable variance to target is due to 17 interruptions in 2020/21, which had significant repair times. These interruption times were significant due to both the extensive works required on mains, and the contractor support required on site. The proactive maintenance program and investment in asset renewal continues to be a focus, to reduce both the frequency and severity of interruptions.
- 9b The unfavourable variance to target is due to the extended repair times for interruptions that required contractor support or were complex in nature. Wannon Water continues to focus on proactive maintenance and investment in asset renewal, to reduce the frequency and severity of unplanned events.

CUSTOMER RESPONSIVENESS PERFORMANCE INDICATORS

KPI Number	Key Performance Indicator	2019/20 Result	2020/21 Result	2020/21 Target	Variance to Prior Year	Notes	Variance to Target	Notes
CR1	Water Quality Complaints No. of complaints per 1000 customers	3.0	4.7	3.8	46.9%	6a	23.7%	10b
CR4	Billing and account complaints No. of complaints per 1000 customers	0.6	1.0	1.7	66.7%	7a	-41.2%	11b

Notes:

6a/ 10b Water quality complaints increased in the 2020/21 year by 77 complaints, resulting in an unfavourable variance compared to both the prior year and to target. Throughout the year there were minor unrelated events that resulted in colour and taste issues across the region between January and March. In June, Wannon Water project works resulted in increased complaints, which was resolved via flushing mains. Wannon Water continues to implement improvement initiatives to further reduce complaints including flushing programs and improvements in operations.

7a/ 11b There were a total of 43 billing and account complaints reported in the 2020/21 year, compared to 28 complaints in the prior year, resulting in an unfavourable variance. The Customer Service team continues to perform at a high level and have been supporting customers where needed, throughout the Covid-19 pandemic, as demonstrated by the favourable variance to target for the year.

ENVIRONMENTAL PERFORMANCE INDICATORS

KPI Number	Key Performance Indicator	2019/20 Result	2020/21 Result	2020/21 Target	Variance to Prior Year	Notes	Variance to Target	Notes
E1	Effluent re-use volume (end use)	17.8%	15.1%	20.0%	-15.2%	8a	-24.5%	12b
E2	Total net CO2 emissions Net tonnes CO2 equivalent	26,657	23,887	25,443	-10.4%	9a	-6.1%	13b

Notes:

8a/ 12b The unfavourable variance to target and prior year, is attributable to the lower than anticipated usage across agriculture, urban and industrial sectors. Demand for recycled water outside the agriculture sector remains low in the region. Wannon Water continues to work with recycled water agreement holders to ensure water is utilised and available throughout the year, especially in high demand periods.

9a/ 13b The favourable variance to target and prior year is due to the reduced emissions at Wannon Water's treatment plants in 2020/21. In particular, an upgrade of the energy efficient technology at the Port Fairy Sewerage Treatment Plant led to reduced energy use. Emissions reductions were also the result of reduced energy consumption throughout the Covid-19 pandemic, including reduced travel and reduced use of Wannon Water offices and depots.

CERTIFICATION

Certification of Performance Report for 2020/21

We certify that the accompanying Performance Report of Wannon Region Water Corporation in respect of the 2020/21 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 2020/21 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

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



J A Ermacora
Chair



A R Jeffers
Managing Director



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

Dated this 27th day of September 2021

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 2021, which comprises the:</p> <ul style="list-style-type: none">• financial performance indicators• water and sewerage service performance indicators• customer responsiveness performance indicators• environmental performance indicators• certification of performance report.
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In my opinion, the performance report of the Wannon Region Water Corporation for the year ended 30 June 2021, presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the *Financial Management Act 1994*.

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
28 September 2021



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 2021

	Notes	2021 \$'000	2020 \$'000
Revenue			
Revenue from contracts with customers	2.1	73,073	73,891
Government grants and contributions	2.2	2,506	6,283
Interest income		72	77
Other Income	2.3	1,514	1,794
Total revenue and income from transactions		77,165	82,045
Expenses			
Direct operational expenses	3.2	(10,701)	(10,860)
Repairs and maintenance expenses	3.3	(3,096)	(2,874)
Operating expenses	3.4	(8,950)	(8,885)
Depreciation	4.1.1, 6.2	(23,543)	(23,946)
Employee benefits	3.1.1	(21,210)	(20,686)
Interest expense	6.1.2	(1,394)	(1,870)
Environmental contribution	8.2	(3,167)	(3,306)
Amortisation	4.2	(1,142)	(1,053)
Total expenses from transactions		(73,203)	(73,480)
Net result from transactions (net operating balance)		3,962	8,565
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	9.2	(1,359)	(1,703)
Net gain/(loss) on financial instruments	9.2	(14)	(41)
Other gains/(losses) from economic flows	9.2	354	(68)
Total other economic flows included in net result		(1,019)	(1,812)
Net result before income tax		2,943	6,753
Income tax expense	8.1.1	(894)	(2,077)
Net result for the period		2,049	4,676
Other economic flows - other comprehensive income <i>Items that will not be reclassified to net result</i>			
Change in asset revaluation surplus	9.1	132,411	-
Income tax relating to these items	9.1	(40,415)	-
Total other economic flows - other comprehensive income		91,996	-
Comprehensive result		94,045	4,676

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

BALANCE SHEET
AS AT 30 JUNE 2021

	Notes	2021 \$'000	2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6.3	2,461	4,648
Receivables	5.1	6,625	5,239
Contract assets	5.2	9,516	9,385
Inventories		764	696
Assets held for sale	4.3	200	-
Other financial assets	5.5	11	-
Other non-financial assets	5.6	1,232	1,301
Total current assets		20,809	21,269
Non-current assets			
Receivables	5.1	7,361	8,452
Infrastructure, property, plant and equipment	4.1	937,420	806,573
Intangible assets	4.2	7,030	7,422
Right of use assets	6.2	1,939	2,099
Total non-current assets		953,750	824,546
TOTAL ASSETS		974,559	845,815
LIABILITIES			
Current liabilities			
Payables	5.3	5,614	4,982
Contract liabilities	5.4	3,554	4,062
Lease liabilities	6.2	70	167
Interest bearing liabilities	6.1	10,000	10,000
Other financial liabilities	5.5	338	-
Employee benefits provision	3.1.2	5,118	5,060
Total current liabilities		24,694	24,271
Non-current liabilities			
Interest bearing liabilities	6.1	17,000	24,000
Lease liabilities	6.2	1,961	1,984
Employee benefits provision	3.1.2	451	461
Deferred tax liabilities	8.1.2	165,448	124,139
Total non-current liabilities		184,860	150,584
TOTAL LIABILITIES		209,554	174,855
NET ASSETS		765,005	670,960
Equity			
Contributed capital		441,165	441,165
Reserves	9.1	285,363	194,197
Accumulated surplus		38,477	35,598
TOTAL EQUITY		765,005	670,960

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 2021

	Notes	Contributed capital \$'000	Reserves \$'000	Accumulated surplus/ (deficit) \$'000	Total \$'000
Balance at 1 July 2019		441,165	194,643	30,476	666,284
Net result for the year		-	-	4,676	4,676
Other comprehensive income		-	-	-	-
Transfer (to) / from accumulated funds on disposal		-	(446)	446	-
Closing balance at 30 June 2020		441,165	194,197	35,598	670,960
Net result for the year		-	-	2,049	2,049
Other comprehensive income		-	91,996	-	91,996
Transfer (to) / from accumulated funds on disposal		-	(830)	830	-
Closing balance at 30 June 2021		441,165	285,363	38,477	765,005

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 2021

	Notes	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts			
Service and usage charges		69,016	70,224
Goods and Services Tax received from the ATO		4,262	4,895
Government contributions received		185	77
Capital charges received		3,029	8,826
Developer Contributions		866	877
Other Receipts		2,802	3,048
		80,160	87,947
Payments			
Payments to suppliers and employees		(47,508)	(46,562)
Goods and Services Tax paid to the ATO		(470)	(727)
Interest and other costs of finance paid		(1,283)	(1,819)
Environmental contribution		(3,167)	(3,306)
		(52,428)	(52,414)
Net cash inflow from operating activities	6.3.1	27,732	35,533
Cash flows from investing activities			
Payments for new infrastructure, property, plant and equipment		(11,602)	(18,239)
Payments for renewal/ upgrade infrastructure, property, plant and equipment		(11,739)	(13,810)
Proceeds from sale of infrastructure, property, plant and equipment		567	883
Investment - Zero Emissions Water (ZEW)		(11)	-
		(22,785)	(31,166)
Cash flows from financing activities			
Repayment of borrowings		(7,000)	(1,692)
Principle payment of lease liabilities		(120)	(164)
Derivative Payments		(14)	-
		(7,134)	(1,856)
Net cash outflow from financing activities		(7,134)	(1,856)
Net (decrease) / increase in cash and cash equivalents		(2,187)	2,511
Cash and cash equivalents at start of the financial year		4,648	2,137
Cash and cash equivalents at the end of the financial year	6.3	2,461	4,648

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

1. BASIS OF PREPARATION

Introduction

Wannon Region Water Corporation (the Corporation) 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.

The Corporation is Victoria's second largest regional urban water corporation by area, covering 23,500 square kilometres and a total population of approximately 100,000. Our region, South West Victoria extends from the Otway Ranges to the South Australian border, and from the ocean to south of the Grampians.

The Corporation provides 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 so decided, 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.

1.1 Basis of preparation

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

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

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

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

Functional and presentation currency

Items included in this financial report are measured using the currency of the primary economic environment in which the Corporation operates ('the functional currency'). The financial statements are presented in

Australian dollars, which is the Corporation's functional and presentation currency.

Classification between current and non-current

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

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.

Comparative information

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

Accounting estimates

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

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

Significant judgement and estimation area

Note number

Accrued water usage charges	5.2
The fair value of land, buildings, infrastructure, plant and equipment	7.3
Estimation of useful life	4.1.4
Impairment of assets	4.1.4
Employee benefit provisions	3.1.2
Actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount	3.1.2
Determining whether the performance obligations are sufficiently specific so as to determine whether the arrangement is within the scope of AASB 15 <i>Revenue from (AASB 15) or AASB 1058 Income of not-for-profit entities (AASB 1058)</i>	2
The timing of satisfaction of performance obligations	2
Determining transaction price and amounts allocated to performance obligations	2
For leases, determining whether the arrangement is in substance short-term arrangement	6.2
Calculation of deferred tax assets and deferred tax liabilities	8.1.2
Estimating discount rate when not implicit in the lease	6.2
Other financial assets and liabilities	5.5

Controlled Entities

These financial statements cover the Corporation as an individual reporting entity.

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

COVID-19

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

The consequential impacts on the Corporation have included, but are not limited to:

- ensuring a strong response and putting provisions in place to continue to provide essential water and sewerage services for the Corporation's customers;
- support for employees transitioning to working from home;
- uplifting the Corporation's IT network capability to support remote working; and,

- supporting customers experiencing financial difficulties through arrangements such as the Corporation's hardship program, more time to pay arrangements and payment plans.

For the year ended 30 June 2021, the Corporation recognised a net profit of \$2,049,091. The Corporation's net current assets as at 30 June 2021 were \$(3,884,891). The Corporation has \$2,460,747 of resources comprising cash and cash equivalents and other highly liquid assets at the date of authorisation of these financial statements.

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

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

Further COVID-19 related disclosures have been added to this financial report to reflect management's judgements and assessments. There can be found in notes 5.1.2, 7.3.2, 9.3

Compliance information

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

2. FUNDING DELIVERY OF OUR SERVICES

Introduction

The Corporation's key source of funding comes from the delivery of water and sewerage services.

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

2.1 Revenue from Contracts with Customers

		2021 \$'000	2020 \$'000
Revenue from service, usage and trade waste charges	2.1.1	68,816	68,904
Developer contributions	2.1.2	3,255	4,189
Other revenue	2.1.3	1,002	798
Total revenue from contracts with customers		73,073	73,891

2.1.1 Revenue from service and usage and trade waste charges

Service charges			
Sewer		27,645	27,696
Water		10,580	10,443
Total service charges		38,225	38,139
Usage charges			
Water		21,657	23,008
Trade waste		8,862	7,626
Recycled Water Charges		72	131
Total usage charges		30,591	30,765
Total revenue from service and usage and trade waste charges		68,816	68,904

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

Type of Service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Service charges (trade waste and recycled water, water and sewerage)	Service charges are recognised as revenue when the services have been provided or service charge has been made. Service charges are billed in advance and recognised evenly throughout the financial year to reflect continuous service being provided to customers. Service charges are based on fixed fee for access to water, recycled water and sewerage disposal. The charges are payable within 14 days.	Revenue is recognised over time as service is provided.
Usage charges, disposal charges - water and sewerage	Water usage and sewer disposal charges are recognised as revenue when water is consumed by customers, and sewerage waste is disposed by customers. Meter reading is undertaken progressively during the year and are billed quarterly in arrears. An estimation of usage and disposal charges is made at the end of each accounting period for connection where meters were not read as at balance date. This is calculated by determining the level of billable service provided multiplied by the cost of each service. The charges are payable within 14 days. At balance date, any portion of service charges that is billed in advance and the performance obligation is not satisfied, is recognised as contract liabilities (refer Note 5.4). The charges for fully satisfied performance obligations that are unbilled at year end that are estimated and contract assets are recognised (refer Note 5.2).	Revenue is recognised over time as service is provided.
Trade waste disposal charges	Revenue related to trade waste disposal is based on the volume of waste disposed by customers.	Revenue is recognised at a point in time
Recycled water charges	Recycled water charges are recognised as revenue over time as the performance obligation is satisfied. The Corporation measures these charges based on the prices and the volume of water consumed by customers. The charges are payable within 14 days.	Revenue is recognised over time as service is provided

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

2.1.2 Developer contributions

	2021 \$'000	2020 \$'000
New customer contributions	1,130	2,335
Developer contributed assets	2,125	1,854
Total developer contributions	3,255	4,189

Type of Service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Developer contributed assets	<p>Developer contributed assets arise when developers pay for the cost of construction of new infrastructure assets and subsequently gift these assets to the Corporation to maintain in perpetuity. Depending on the type of developer application, this can result in the performance obligation being satisfied:</p> <ul style="list-style-type: none"> when the 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 sewerage services when no Statement of Compliance is required to be issued. <p>Revenue is recognised at the fair value of the gifted assets by assessing the value of the works using schedule of rates.</p>	Revenue is recognised at a point in time.
New customer contributions	<p>New customer contributions represent non-refundable upfront charges applicable when customers request to build or develop 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. Depending on the type of new customer contributions application, this can result in the performance obligation being satisfied at a point in time when the Corporation satisfies its performance obligation. This will vary depending on the type of application submitted by the customer. As a result, a performance obligation can be satisfied when:</p> <ul style="list-style-type: none"> the Statement of Compliance is issued to the customer, or the customer is connected to the Corporation's infrastructure network for the provision of water and sewerage services when no Statement of Compliance is required to be issued; or the customer receives consent from the Corporation to proceed with their application <p>The rates applied to calculate the new customer contributions are regulated by the Essential Services Commission</p>	Revenue is recognised at a point in time.

2.1.3 Other revenue

	2021 \$'000	2020 \$'000
Information statements	371	277
Connection and inspection fees	348	279
Other Fees and Charges	283	242
Total other revenue	1,002	798

Type of Service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Information Statements	Provided when requested and includes special meter reading and asset location plan. The Corporation uses pricing principles to calculate these charges and these are payable in 14 days.	Revenue is recognised over time as services is provided
Connection and inspection fees	Connection provides for the attendance of Corporation personnel to the site to complete connection to the main. This also includes parts and consumables to complete connection. Inspections provide for the attendance to Corporation personnel to site. The Corporation uses pricing principles to calculate these charges and these are payable in 14 days.	Revenue is recognised over time as services is provided
Other Fees and Charges	Revenue is recognised when the Corporation has completed its performance obligations. Fees and charges represent a variety of services provided by the Corporation such as processing of application fees and making new connections or alterations to the corporation's network. The Corporation uses pricing principles to calculate the price of individual services rather than direct regulation by the Essential Services Commission. The charges are payable within 14 days.	Revenue is recognised over time as services is provided

2.1.4 Timing of recognition of revenue from customers

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

	Services charges - water \$'000	Usage charges - water \$'000	Services charges - sewer \$'000	Trade waste \$'000	Recycled water charges \$'000	Developer contributions \$'000	New customer contributions \$'000	Other revenue \$'000	Total revenue with customers \$'000
2021									
At a point in time				8,862		2,125	1,130		12,117
Over time	10,580	21,657	27,645		72			1,002	60,956
TOTAL	10,580	21,657	27,645	8,862	72	2,125	1,130	1,002	73,073
2020									
At a point in time				7,626		1,854	2,335		11,815
Over time	10,443	23,008	27,696		131			798	62,076
TOTAL	10,443	23,008	27,696	7,626	131	1,854	2,335	798	73,891

2.2 Government grants & contributions

	2021 \$'000	2020 \$'000
Income recognised as revenue from contract with customers		
Other specific purpose grants	2,506	6,283
Total government grants and contributions	2,506	6,283

The Corporation has determined that all grant income is recognised as revenue from contracts with customers in accordance with AASB 15, as all grants were enforceable, with sufficiently specific performance obligations.

This is recognised based on the consideration specified in the funding agreement and to the extent that it is highly probable a significant reversal of the revenue will not occur. The funding payments are normally received in advance or shortly after the relevant obligation is satisfied.

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

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

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

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.3 Other income

Cost recoveries	702	837
Miscellaneous	381	664
Rental Income	379	293
ZEW Settlement Income	52	-
Total other income	1,514	1,794

Type of Service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Cost recoveries	Corporation costs on-charged to third party for works completed.	Revenue is recognised over time as services is provided
Miscellaneous	Includes; receipt of septic tank disposal, special meter reading, infrastructure processing and construction / audit fees, biosolids sales and various sundry revenue.	Revenue is recognised over time as services is provided
Rental Income	Lease income from leasing of investment properties which are operating leases are recognised on a straight-line basis over the lease term.	Revenue is recognised over time as services is provided
ZEW Settlement Income	ZEW settlement income relates to the Corporation's investment in Zero Emissions Water Limited (ZEW). The Corporation recognised compensation settlements received during the reporting period due to delays in reaching the commercial operational date. Refer note 5.5 for further details on the arrangement between the Corporation and ZEW.	Revenue is recognised over time as compensation is received.

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.

3.1. Expenses incurred in delivery of services

		2021 \$'000	2020 \$'000
Employee benefit expenses	3.1.1	(21,210)	(20,686)
Direct operating expenses	3.2	(10,701)	(10,860)
Repairs and maintenance	3.3	(3,096)	(2,874)
Operating expenses	3.4	(8,950)	(8,885)
Total expenses incurred in delivery of services		(43,957)	(43,305)

3.1.1 Employee benefits - comprehensive operating statement

Employee benefits			
- Salaries and wages		(17,356)	(16,851)
- Annual leave		(1,527)	(1,504)
- Long service leave		(574)	(583)
- Termination benefits		(10)	(38)
- Employer superannuation contributions		(1,621)	(1,588)
- Defined benefit superannuation expense		(122)	(122)
Total employee benefit costs		(21,210)	(20,686)

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

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

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

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

3.1.2 Employee benefits provision in the balance sheet

Provision is made for benefits accruing to employees in respect of annual leave, 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.

	2021 \$'000	2020 \$'000
Current provisions:		
Annual leave		
Annual leave - unconditional and expected to settle within 12 months	1,426	1,339
Long service leave		
Long service leave - unconditional and expected to settle within 12 months - measured at nominal value	438	424
Long service leave - unconditional and expected to settle after 12 months - measured at present value	2,747	2,780
On-costs		
Unconditional and expected to settle within 12 months - measured at nominal value	57	56
Unconditional and expected to settle after 12 months - measured at present value	361	365
Other leave		
Other leave - unconditional and expected to settle within 12 months	89	97
Total current provision for employee benefits provision	5,118	5,060
Non-current provisions:		
Long service leave - conditional - measured at present value	399	407
Long service leave on costs - conditional - measured at present value	52	53
Total non-current provisions for employee benefits provision	451	461
Aggregate carrying amount of employee benefits provision		
Current	5,118	5,060
Non-current	451	461
Total provision for employee benefits provision	5,569	5,521
Reconciliation of movement in on-cost provision		
Opening balance	474	449
Additional provision recognised	28	94
Amounts utilised during period	(35)	(60)
Effect of changes in the discount rate	3	(9)
Closing balance	470	474
Current	418	421
Non-current	52	53

Wages, salaries, annual leave and sick leave

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

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

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

On-costs

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

Long service leave

Long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL (representing seven or more years of 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 as an economic flow included in the net result.

3.1.3 Superannuation

Superannuation contributions

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

The Corporation makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (Vision Super).

The Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Operating Statement when they are made or become due.

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

Scheme	Type of scheme	Rate (%)	2021 \$'000	2020 \$'000
State Superannuation Fund	Defined Benefits	9.5	34	37
Vision Super	Defined Benefits	9.5	88	85
Vision Super	Accumulated Fund	9.5	1,128	1,145
Other	Accumulated Fund	9.5	493	433
Total contributions			1,743	1,700

There were no contributions outstanding and loans issued from or to the above schemes as at 30 June 2021.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2022 is \$87,738.

Accumulation

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

Defined benefit plan

The Corporation does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

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

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

A triennial actuarial review for the Defined Benefit category as at 30 June 2020 was conducted and completed by the due date of 31 December 2020.

The vested benefit index (VBI) of the Defined Benefit category of which the Corporation is a contributing employer was 104.6%. The financial assumptions used to calculate the VBI were:

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

As at 30 June 2021, an interim actuarial investigation is underway as the Fund provides lifetime pensions in the Defined Benefit category.

Vision Super has advised that the VBI at 30 June 2021 was 109.7%. The financial assumptions used to calculate this VBI were:

Net investment returns	4.8% pa
Salary information	2.75% pa
Price inflation (CPI)	2.25% pa

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2020 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

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 2021, this rate was 9.5% of members' salaries (9.5% in 2019/ 20).

This rate is expected to increase in line with any increases in the SG contribution rate and was reviewed as part of the 30 June 2020 triennial valuation.

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 Wannon 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.

The 2020 triennial actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Wannon Water is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. A full investigation was conducted as at 30 June 2020.

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

	2020 (Triennial) \$m	2019 (Interim) \$m
A VBI Surplus	\$100.0	\$151.3
A total service liability surplus	\$200.0	\$233.4
A discounted accrued benefits surplus	\$217.8	\$256.7

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 2020.

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 as at 30 June 2020.

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 2020.

Wannon Water was notified of the 30 June 2020 VBI during August 2020 (2019: August 2019).

The 2021 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2021 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2021. Wannon Water was notified of the 30 June 2021 VBI during August 2021 (2020: August 2020).

3.2 Direct operational expenses

	2021 \$'000	2020 \$'000
Electricity	(4,120)	(4,074)
Licences	(2,128)	(2,300)
Other goods and services	(1,158)	(1,159)
Consultancies and contractors	(1,210)	(1,147)
Chemicals	(916)	(943)
Testing and sampling	(889)	(960)
Goods and equipment	(280)	(277)
Total direct operational expenses	(10,701)	(10,860)

Expense	Description	Recognition policy
Electricity	Retail and network charges incurred with energy providers to supply electricity to treatment plants, pump station and offices/ depots.	Accruals basis. Recognised in the Comprehensive Operating Statement
Licences	Licences required by regulators or to support the operations of the organisation, including licences to access groundwater, EPA licencing and software licences	Accruals basis. Recognised in the Comprehensive Operating Statement
Other goods and services	Generally represents the day to day running costs incurred in normal operations	Accruals basis. Recognised in the Comprehensive Operating Statement
Consultancies and contractors	Individuals or organisations that are formally engaged to provide works or services, for or on behalf of, the Corporation. Consultants are primarily engaged to perform discrete tasks for the Corporation that facilitates decision making.	Accruals basis. Recognised in the Comprehensive Operating Statement
Chemicals	Costs incurred for the purchase and delivery of chemicals to the Corporations Treatment Plants for the purpose of treating water to be supplied to customers and the treatment of sewage discharged by customers.	Accruals basis. Recognised in the Comprehensive Operating Statement
Testing and sampling	Costs incurred with third party providers for the testing of water and sewer samples, to ensure quality of the Corporations water supply and compliance with regulations.	Accruals basis. Recognised in the Comprehensive Operating Statement
Goods and equipment	Costs incurred on a regular basis to support the operations of the Corporation, including consumables at depots and offices, minor tools and cleaning goods.	Accruals basis. Recognised in the Comprehensive Operating Statement

3.3 Repairs and maintenance expenses

	2021 \$'000	2020 \$'000
Preventative maintenance	(1,088)	(986)
Corrective maintenance	(1,037)	(821)
Other maintenance costs	(365)	(513)
Reactive maintenance	(606)	(554)
Total repairs and maintenance expenses	(3,096)	(2,874)

Expense	Description	Recognition policy
Preventative maintenance	Contractors and materials incurred to carry out maintenance at predetermined intervals or according to prescribed criteria and intended to reduce the probability of failure or the degradation of the functioning of an item.	Maintenance that does not enhance the performance of the asset is expensed as incurred, on an accruals basis.
Corrective maintenance	Contractors and materials incurred to carry out maintenance after fault recognition and intended to put an item into a state in which it can perform a required function.	Maintenance that does not enhance the performance of the asset is expensed as incurred, on an accruals basis.
Other maintenance costs	Contractors and materials incurred on a regular basis as part of repeated simple maintenance activities	Maintenance that does not enhance the performance of the asset is expensed as incurred, on an accruals basis.

Reactive maintenance	Contractors and materials incurred to carry out maintenance without delay after a fault has been detected to avoid unacceptable consequences.	Maintenance that does not enhance the performance of the asset is expensed as incurred, on an accruals basis.
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3.4 Operating expenses

	2021 \$'000	2020 \$'000
Consultancies and contractors	(5,627)	(4,555)
Other goods and services	(1,365)	(2,389)
Customer efficiency rebate	(1,015)	(1,505)
Goods and equipment	(446)	(298)
Electricity	(144)	(138)
Initial recognition – expense from derivative financial instruments	(353)	-
Total operating expenses	(8,950)	(8,885)

Expense	Description	Recognition policy
Consultancies and contractors	Individuals or organisations that are formally engaged to provide works or services, for or on behalf of, the Corporation. Consultants are primarily engaged to perform discrete tasks for the Corporation that facilitates decision making.	Accruals basis. Recognised in the Comprehensive Operating Statement
Other goods and services	Generally represents the day to day running costs incurred in normal operations	Accruals basis. Recognised in the Comprehensive Operating Statement
Customer efficiency rebate	Rebate provided to residential customers offsetting the water use component of a bill, declining over time, as residential water use prices decrease.	Accruals basis. Recognised in the Comprehensive Operating Statement
Electricity	Retail and network charges incurred with energy providers to supply electricity to treatment plants, pump station and offices/ depots.	Accruals basis. Recognised in the Comprehensive Operating Statement
Goods and equipment	Costs incurred on a regular basis to support the operations of the Corporation, including consumables at depots and offices, minor tools and cleaning goods.	Accruals basis. Recognised in the Comprehensive Operating Statement
Initial recognition – expense from derivative financial instruments	Expense from derivative financial instruments relates to the Corporation's investment in Zero Emissions Water Limited (ZEW). Refer Note 5.5 for further details on the arrangement between the Corporation and ZEW. The Corporation pays or receives the difference between the floating electricity price and the fixed price set under the agreement for the units of energy supplied into the National Electricity Market by the solar farm. The future settlements of Contract for Difference (CfD) are classified as derivative financial instruments. The Corporation has initially recognised the CfD derivative financial instrument and is measured at fair value based on the best available information.	Accruals basis. Recognised in the Comprehensive Operating Statement

The initial recognition expense represents the fair value of the expected future settlements at the initial recognition, currently in a liability position. The initial recognition of the CfD derivative is treated as a "transaction" for the purposes of annual financial statements on the basis that it is an interaction between two entities by mutual agreement in respect to which no cash flows take place on effective date. Refer to Note 7.3 for more information about the judgements and assumptions used in measuring fair value determination of derivative financial instruments.

(Gain)/Loss on the fair value of financial instruments

(Gain)/Loss on the fair value of derivative financial instrument represents the movement in the fair value of the financial instrument compared to initial recognition. This net gain/loss reflects a positive/negative fair value movement in the Corporation's electricity derivative in the PPA as a result of lower floating electricity prices. Any gain/loss is recognised as an other economic flow included in net result.

Accruals basis. Recognised in the Comprehensive Operating Statement

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.

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
2020-21							
Opening net book amount - 1 July 2020	34,014	27,697	391,593	313,706	6,222	33,341	806,573
Additions	-	-	-	-	-	22,506	22,506
Developer contributed assets	-	-	504	1,622	-	-	2,126
Revaluations	(1,628)	4,083	113,708	15,836	412	-	132,411
Disposals	-	(82)	(216)	(1,207)	(421)	-	(1,926)
Transfers between categories - Additions ¹	65	296	4,921	13,528	1,663	(21,087)	(614)
Transfers to assets held for sale	(200)	-	-	-	-	-	(200)
Depreciation expense	(17)	(873)	(11,789)	(9,092)	(1,685)	-	(23,456)
Closing net book amount	32,234	31,121	498,721	334,393	6,191	34,760	937,420
Gross Book Value	32,234	31,121	498,721	334,393	20,987	34,760	952,216
Accumulated depreciation	-	-	-	-	(14,796)	-	(14,796)
Net book value as at 30 June 2021	32,234	31,121	498,721	334,393	6,191	34,760	937,420
2019-20							
Opening net book amount - 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
Revaluations	-	-	-	-	-	-	-
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 net book amount	34,014	27,697	391,593	313,706	6,222	33,341	806,573
Gross Book Value	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)
Net book value as at 30 June 2020	34,014	27,697	391,593	313,706	6,222	33,341	806,573

¹ Amount transferred to intangibles. Refer to Note 4.2

4.1.2 Initial recognition and subsequent measurement

Infrastructure, property, plant and equipment

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

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

Items with a useful life of more than two years or that are considered to be an attractive item are recognised as an asset. All other assets acquired are expensed.

The accounting policy relating to right-of-use assets have been disclosed in note 6.2

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

Revaluation of infrastructure, property, plant and equipment

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

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

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

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

4.1.3 Accounting for revaluation movements

Infrastructure, property, plant and equipment

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

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

Revaluation 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.

4.1.4 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.

The accounting policy relating to right-of-use assets have been disclosed in section 6.2

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	Estimated useful lives	Asset class	Estimated useful lives
Sewer Infrastructure		Water Infrastructure	
Electrical	4 - 84 years	Bores	4 - 107 years
Lagoons	5 - 120 years	Electrical	4 - 84 years
Manholes	7 - 147 years	Mechanical	1 - 73 years
Mechanical	1 - 73 years	Meters	5 - 80 years
Pipes	1 - 147 years	Pipes	1 - 147 years
Pumps	5 - 90 years	Pumps	5 - 90 years
Embankments	Indefinite	Reservoirs	4 - 300 years
Plant and Equipment		Service basins	4 - 300 years
Furniture and fittings	4 - 20 years	Tanks	4 - 103 years
Motor Vehicles	3 - 22 years	Towers	4 - 103 years
Other plant & equipment	2 - 20 years	Embankments	Indefinite
		Land, Land Improvements and Buildings	
		Buildings	10 - 105 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.

There has been no change in the estimated remaining useful lives for the year, and therefore no financial impact on depreciation calculated in the Comprehensive Operating Statement, compared to the prior year.

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

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

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

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

	2021 \$'000	2020 \$'000
Net gain/ (loss) on disposal		
Land	-	368
Buildings	(82)	(71)
Infrastructure	(1,423)	(1,986)
Motor vehicles	189	2
Office equipment	(43)	(15)
Intangibles	-	(1)
	(1,359)	(1,703)

4.2 Intangible assets

	2021 \$'000	2020 \$'000
(a) Classes of intangibles		
Computer software - at cost	11,160	10,546
Less: Accumulated amortisation	(9,016)	(7,874)
	2,144	2,672
Bulk water entitlement - at cost	4,750	4,750
Large-scale generation certificates (LGC) - at cost	136	-
Total intangibles	7,030	7,422

(b) Movements during the reporting period

	Large-scale Generation Certificates \$'000	Software \$'000	Bulk water entitlement \$'000	Total \$'000
2020-21				
Opening net book amount at 1 July 2020	-	2,672	4,750	7,422
Disposals	-	-	-	-
Transfers between categories - additions ¹	-	614	-	614
Additions	136	-	-	136
Amortisation expense	-	(1,142)	-	(1,142)
Closing net book amount at 30 June 2021	136	2,144	4,750	7,030
2019-20				
Opening net book amount at 1 July 2019	-	2,390	4,750	7,140
Disposals	-	(1)	-	(1)
Transfers between categories - additions ¹	-	1,337	-	1,337
Amortisation expense	-	(1,054)	-	(1,054)
Closing net book amount as at 30 June 2020	-	2,672	4,750	7,422

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

Recognition and measurement

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

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets is met, internally generated intangible assets are recognised at cost. Service concession assets are initially measured at current replacement cost in accordance with the cost approach to fair value in AASB 13 Fair Value Measurement.

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- an intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Service concession intangible assets recognised applying AASB 1059 are subsequently measured at fair value (current replacement cost).

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

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

Impairment of intangible assets

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

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

4.3 Assets held for sale

	2021 \$'000	2020 \$'000
Freehold land held for sale	200	-

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, as their carrying amount will be recovered principally through a sale transaction, rather than through continuing use. The Corporation considers that the sale is highly probable, the asset is available for immediate sale in its present condition and the sale is expected to be completed within 12 months from the date of classification. Assets are not depreciated or amortised while they are classified as held for sale. Assets classified as held for sale are classified as current assets.

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.

5.1 Receivables	2021 \$'000	2020 \$'000
Current		
<i>Contractual</i>		
Tariffs and charges	2,349	1,448
Other receivables	2,897	2,641
Loans to third parties	1,156	1,013
Schemes/ Receivables	48	53
Less: Allowance for expected credit losses	(231)	(217)
	6,219	4,938
<i>Statutory</i>		
GST input tax credit receivable	406	301
Total current receivables	6,625	5,239
Non-current		
<i>Contractual</i>		
Loans to third parties	7,083	8,117
Schemes / Receivables	278	335
Total non-current receivables	7,361	8,452
Total receivables	13,986	13,691

Receivables consist of:

Receivable	Initial measurement	Subsequent measurement
Contractual receivables (other receivables and schemes)	Recognised at fair value plus any directly attributable transaction costs. The Corporation holds contractual receivables with the objective of collecting the contractual cash flows	Classified as financial instrument and measured at amortised cost using the effective interest method, less any impairment.
Contractual receivables (tariffs and charges)	Measured at transaction price, unless they contain a significant financing component, when they are recognised at fair value. The Corporation does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year.	Classified as financial instrument and measured at amortised cost less any expected credit loss.
Statutory receivables	Recognised at fair value plus any directly attributable transaction costs.	Amortised cost less any expected credit loss.
Loans to third parties	Recognised at fair value plus any directly attributable transaction costs. The Corporation holds contractual receivables with the objective of collecting the contractual cash flows	Classified as financial instrument and measured at amortised cost using the effective interest method, less any impairment.

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

5.1.1 Impairment of contractual receivables

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

On that basis, the loss allowances as at 30 June 2021 was determined as follows for receivables - service and usage charges and other receivables:

30 June 2021	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	0.3%	0.6%	2.4%	10.0%	12.7%	21.0%	
Gross carrying amount – receivables from service and usage charges, tenant ('\$000)	38	74	13	27	64	46	262
Gross carrying amount – receivables from service and usage charges, owners ('\$000)	273	642	163	96	242	671	2,087
Gross carrying amount – other receivables ('\$000)	4,011	35	7	5	13	30	4,101
Loss allowance ('\$000)	(12)	(4)	(4)	(13)	(41)	(157)	(231)

30 June 2020

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)	192	17	94	77	177	663	1,220
Gross carrying amount – other receivables ('\$000)	3,650	12	26	9	10	-	3,707
Loss allowance ('\$000)	(32)	-	(12)	(16)	(29)	(128)	(217)

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 3.9% 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.

5.1.2 Reconciliation of the expected credit loss allowance

	Notes	2021 \$'000	2020 \$'000
Opening balance 1 July		217	176
Expected credit losses from transactions		26	69
Expected credit losses written off	9.2	(12)	(28)
Net provision movements including expected credit losses recovered		14	41
Balance as at 30 June		231	217

The expected credit loss allowance is calculated based on debtor days and we then apply an expected default rate based on historical expected credit losses and forward looking estimates. We have also considered impacts from specific management actions, our observable customer behaviours so far and how the pandemic may impact our industry in particular. To date the Corporation has not experienced any significant impacts on debt collection due to Covid-19. While receivables past due have increased compared to the prior year, collections have been consistent. Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

5.2 Contract assets

	2021 \$'000	2020 \$'000
Current		
Accrued tariffs and charges	9,516	9,385
Total current contract assets	9,516	9,385

Contract asset	Description	Recognition
Contract assets relating to tariffs and charges - Accrued revenue	Accrued revenue is recognised for water and sewerage usage as well as other works and services that have been provided to customers at balance date but not yet billed. Usage charges are all recognised as revenue when the service 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	Usage charges are all recognised as revenue when the service or other goods have been provided. The contract assets are transferred to contractual receivables when the rights become unconditional. This usually occurs when the Corporation issues a bill to the customer.

5.3 Payables

Current		
Contractual		
Trade creditors	3,514	3,275
Contract retentions	746	648
Contract deposits	632	432
Other Payables	72	63
Accrued loan interest	2	3
Accrued expenses - employment benefits	648	561
Total current payables	5,614	4,982

Payables for supplies and services have an average credit period for 30 days. The terms and conditions of amounts payable to the Government and agencies vary according to the particular agreements and as they are not legislative payables, statutory payables are not classified as financial instruments.

5.3.1 Ageing analysis of contractual payables

	\$'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
2021						
Supplies and Services	3,514	3,514	3,378	117	19	-
Other payables	2,100	2,100	122	224	1,753	1
Total	5,614	5,614	3,500	341	1,772	1
2020						
Supplies and Services	3,275	3,275	3,190	85	-	-
Other payables	1,707	1,707	644	178	884	1
Total	4,982	4,982	3,834	263	884	1

5.4 Contract liabilities

	2021 \$'000	2020 \$'000
Current		
Customers paid in advance	3,383	3,640
Unearned income	171	422
Total current contract liabilities	3,554	4,062

	Unearned Income \$'000	Customers paid in advance \$'000	Total \$'000
Carrying amount as at 1 July 2019	328	2,700	3,028
Add: developers contribution received for performance obligations yet to be completed during the year	398		398
Add: payments received in advance for provision of goods and services		8,661	8,661
Less: revenue recognised in the reporting period for the completion of performance obligations	(305)	(7,721)	(8,026)
Closing balance at 30 June 2020	422	3,640	4,062
Add: developers contribution received for performance obligations yet to be completed during the year	64		64
Add: payments received in advance for provision of goods and services		4,435	4,435
Less: revenue recognised in the reporting period for the completion of performance obligations	(314)	(4,692)	(5,006)
Total contract liabilities at 30 June 2021	171	3,383	3,554

Contract liabilities	Description	Recognition
Contract liabilities relating to developer contributions - Unearned income	Payments received for developer contributed assets, new customer contributions and application fees in the reporting period, where the performance obligations are outstanding at balance date.	Recognised as revenue, once it has performed the performance obligations associated with the payments
Contract liabilities relating to tariffs and charges - Customers paid in advance	Payments received in advance of the provision of goods or services or performance obligation yet to be performed by the Corporation to settle the terms of receipt of income	Recognised as revenue, once it has performed the performance obligations associated with the payments
Contract liabilities relating to other income - Customers paid in advance	Payments received for other goods and services (e.g. rental), where the performance obligations are outstanding at balance date.	Recognised as revenue, once it has performed the performance obligations associated with the payments

5.5 Other financial assets and liabilities

	2021 \$'000	2020 \$'000
Other financial assets		
Investment in Zero Emissions Water (ZEW) Ltd	11	-
Total other financial assets	11	-
Other financial liabilities		
Derivative Financial Instrument	338	-
Total other financial liabilities	338	-

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

On 30 October 2018, ZEW entered into an 11-year Power Purchasing Agreement (PPA) with a solar farm energy generator whereby 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 resulted in an extension of the target commercial operation date to 1 October 2020 and a compensation settlement to ZEW for the delay. The Corporation's share of the settlement was \$20,467 which has been recognised in the Statement of Comprehensive Income as other income in the 2020-21 financial year (refer to Note 2.3).

Further extensions were granted until 31 January 2021 as a result of delays in commissioning ZEW's section of the solar farm which delayed the meeting of the conditions precedents. The Corporation share of the settlement for these further delays was \$31,255 which was recognised in the Statement of Comprehensive Income as other income in the 2020-21 financial year.

Along with the settlement funds, the Corporation was also able to purchase 966 replacement LGC's at the PPA price which have been recognised as intangible assets (refer note 4.2).

On 22 January 2021, the conditions precedent in

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

Agreement, via the CfD derivative. The financial impact of the Members' Agreement with ZEW has resulted in increased revenue and expenses, and the recognition of a derivative financial instruments and LGCs as intangible assets.

The Members' Agreement specifies that ZEW may call on the Corporation to make a loan available to ZEW amounting to \$72,020. The loan, if requested by ZEW, would meet the definition of a financial asset as it gives rise to a contractual right for us to receive cash from ZEW at the end of the loan term. At 30 June 2021, ZEW had requested and received a loan payment of \$11,000. As this loan is concessional, it has been treated as an investment in ZEW and measured at amortised cost.

5.6 Other non-financial assets

	2021 \$'000	2020 \$'000
Current		
Prepayments	1,232	1,301
Total current other non-financial assets	1,232	1,301
Total other non- financial assets	1,232	1,301

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

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.

6.1 Interest bearing liabilities

Current		
Loans from Treasury Corporation of Victoria (TCV)	10,000	10,000
Lease Liabilities	70	167
Total current interest bearing liabilities	10,070	10,167
Non-current		
Loans from Treasury Corporation of Victoria (TCV)	17,000	24,000
Lease Liabilities	1,961	1,983
Total non-current interest bearing liabilities	18,961	25,983
Total interest bearing liabilities	29,031	36,150

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*.

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:

	Carrying amount \$'000	Nominal amount \$'000	Maturity dates				
			Less than 1 month \$'000	1-3 Months \$'000	3 months - 1 year \$'000	1-5 years \$'000	5+ years \$'000
30 June 2021							
Lease liabilities	2,031	2,086	6	12	52	254	1,707
Loans from Treasury Corporation of Victoria (TCV)	27,000	27,729	-	-	10,000	17,000	-
Total	29,031	29,815	6	12	10,052	17,254	1,707
30 June 2020							
Lease liabilities	2,150	2,247	14	28	125	667	1,316
Loans from Treasury Corporation of Victoria (TCV)	34,000	35,540	-	-	10,000	24,000	-
Total	36,150	37,787	14	28	10,125	24,667	1,316

6.1.2 Interest expense

	2021 \$'000	2020 \$'000
Borrowing costs		
Interest on loans - Treasury Corporation of Victoria (TCV)	1,037	1,453
Financial Accommodation Levy	289	347
Interest on lease liability	68	70
Total interest expense	1,394	1,870

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 Leases

The Corporation's leasing activities

The Corporation leases various properties and equipment. The lease contracts are typically made for varying lengths of years with an option to renew the lease after that date. Lease payments for properties are renegotiated in line with lease contracts to reflect market rentals.

Leases of IT equipment are either short-term and/or leases of low-value items. The Corporation has elected not to recognise right-of-use assets and leases for these leases.

Contracts may contain both leases and non-lease components. The Corporation allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and lease term. Where the Corporation obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that the entity will exercise a purchase option, the entity depreciated the right-of-use over its useful life. While the Corporation revalue its land and buildings that are presented within infrastructure property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Corporation.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Corporation. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by Corporation and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, the Corporation considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

Definition of a lease and non-lease components

For any new contracts entered into, 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:

- 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;
- Whether 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; and
- Whether the Corporation has the right to make 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, that lessee is required to separate out and account separately for non-lease components within the lease contract and exclude these amounts when determining the lease liability right-of-use asset amount.

Lease liability

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.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to comprehensive operating statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease of the Corporation's incremental borrowing rate. TCV/Department of Treasury's (DTF) calculator is used to determine the incremental borrowing rate.

The Corporation is exposed to future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities. This includes exposing arising from:

- variable lease payments;
- extension options and termination options; and
- residual value guarantees.

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.

Low-value assets comprise IT-equipment and photo copiers with individual values less than \$10,000 when new.

6.2.1 Right of Use Assets

The following tables are subsets of buildings, plant and equipment, and vehicles by right-of-use assets (see note 4.1).

	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Year ended 30 June 2020				
Carrying amount as at 1 July 2019 at cost				
Recognition of right-of-use asset on initial application of AASB 16	74	1,987	182	2,243
Depreciation expense	(9)	(82)	(53)	(144)
Carrying amount at end of year	65	1,905	129	2,099
Total as at 30 June 2020 represented by:				
Cost	74	1,987	182	2,243
Less: Accumulated depreciation	(9)	(82)	(53)	(144)
Carrying amount at end of year	65	1,905	129	2,099
Year ended 30 June 2021				
Carrying amount at beginning of year	65	1,905	129	2,099
Derecognition of right-of-use assets	-	-	(80)	(80)
Modification adjustments	-	7	-	7
Depreciation expense	(10)	(59)	(18)	(87)
Carrying amount at end of year	55	1,853	31	1,939
Year ended 30 June 2021				
Cost	74	1,994	102	2,170
Less: Accumulated depreciation	(19)	(141)	(71)	(231)
Carrying amount at end of year	55	1,853	31	1,939

6.2.2 Amounts recognised in the Comprehensive Operating Statement

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

	2021 \$'000	2020 \$'000
Interest on lease liabilities	68	70
Depreciation on ROU assets	87	145
Total	155	215

6.2.3 Amounts Recognised in the statement of cash flows

The following amounts are recognised in the Statement of Cash flows relating to leases

	2021 \$'000	2020 \$'000
Total cash outflows for leases	140	141

6.3 Cash flow information and balances

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

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

	2021 \$'000	2020 \$'000
Deposits at call	1,066	2,667
Cash at bank	1,395	1,981
Balance as per cash flow statement	2,461	4,648

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

Net result for the period after income tax	2,049	4,676
Add / (less) non-cash flows in net result		
Depreciation and amortisation	24,685	24,999
Interest Expense - Leases	68	-
Net loss on disposal of non-current assets	1,359	1,703
Infrastructure assets acquired at no cost	(2,125)	(1,854)
Initial recognition – expense from derivative financial instruments	353	-
Income Tax Expense	894	2,077
Changes in assets and liabilities		
Decrease (increase) in receivables	(287)	10,771
Decrease (increase) in contract assets	(131)	(9,385)
Decrease (increase) in inventories	(68)	(49)
Decrease (increase) in other non financial assets	69	2,307
Increase (decrease) in payables	987	(2,050)
Increase (decrease) in contract liabilities	(508)	4,062
Increase (decrease) in employee benefits	48	431
Increase (decrease) in other liabilities	338	(2,155)
Net cash inflow / (outflow) from operating activities	27,732	35,533

6.3.2 Financing Facilities

Unsecured loan facilities with various maturity dates through to 2020-21 and which may be extended by mutual agreement		
Amount used	27,000	34,000
Amount unused	19,000	23,592
Total	46,000	57,592

6.4 Commitments for expenditure

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

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

6.4.1 Total commitments payable

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
Nominal amounts 2021				
Capital expenditure commitments payable	9,994	-	-	9,994
Environmental contribution levy commitments	3,167	6,334	-	9,501
Other commitments payable	3,386	375	-	3,761
Total commitments (inclusive of GST)	16,547	6,709	-	23,256
Less GST recoverable				(1,250)
Total commitments (inclusive of GST)				22,006
Nominal amounts 2020				
Capital expenditure commitments payable	9,770	-	-	9,770
Environmental contribution levy commitments	3,167	9,501	-	12,668
Other commitments payable	3,573	2,246	-	5,819
Total commitments (inclusive of GST)	16,510	11,747	-	28,257
Less GST recoverable				(1,417)
Total commitments (inclusive of GST)				26,840

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.

7.1 Interest bearing liabilities

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	Financial Liabilities
Cash and deposits	Payables
Receivables	Supplies and services
Sale of goods and services	Amounts payable to government and agencies
Loans to third parties	Borrowings
Accrued investment income	TCV loans
Other receivables	
Term deposits	
Investment in Zero Emission Water (ZEW)	

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

Categories of financial instruments

Financial instrument	Initial measurement	Subsequent measurement
<p>Financial assets at amortised cost</p> <p>Financial assets include:</p> <ul style="list-style-type: none"> Loans and receivables cash and deposits; receivables; term deposits; and certain debt securities 	Fair value plus or minus any directly attributable transaction costs	<p>Amortised cost only using the effective interest rate method less impairment if both of the following criteria are met:</p> <ul style="list-style-type: none"> the asset is held within a business model whose objective is to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest
<p>Financial assets and liabilities at fair value through profit and loss</p> <p>Derivative instruments</p>	<p>Derivative financial instruments are classified as held for trading financial assets and liabilities. They are initially recognised at fair value on the date on which all contractual obligations under Conditions Precedent are met and on subsequent measurement. The initial expense recognised represents the fair value of the expected future settlements at initial recognition (refer note 3.4). Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in fair value of derivatives after initial recognition are recognised in the Statement of Comprehensive Income.</p>	<p>Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the consolidated comprehensive operating statement as an 'other economic flow' included in the net result.</p>
<p>Listed equity securities, managed investment schemes, and five-year government bonds</p> <ul style="list-style-type: none"> investment in ZEW 	Fair value through net assets.	Fair value through net assets
<p>Financial liabilities at amortised cost</p> <p>Financial liabilities include:</p> <ul style="list-style-type: none"> payables (excluding statutory payables); borrowings (including lease liabilities) 	Fair value, plus or minus any directly attributable transaction costs to initial recognition	Amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the profit and loss, over the period of the interest-bearing liability using the effective interest rate method.

Derecognition of financial assets and liabilities

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

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

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

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

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

Impairment of financial assets

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

The Corporation records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's Expected Credit Loss approach. Subject to AASB

9's impairment assessment includes the Corporation's contractual receivables, statutory receivables and its investment in debt management. Although not a financial asset, contract assets recognised applying AASB 15 (refer to Note 5.2) are also subject to impairment (however it is immaterial).

Equity instruments are not subject to impairment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

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

7.1.1 Financial instruments: Categorisation

	Notes	Cash and deposits \$'000	Financial assets / liabilities designated at fair value through profit / loss (FVTPL) \$'000	Financial assets at amortised cost (AC) \$'000	Financial liabilities at amortised cost (AC) \$'000	Total \$'000
2021						
Contractual financial assets						
Cash and deposits	6.3	2,461				2,461
Receivables						
Tariffs & charges	5.1			2,118		2,118
Scheme receivables	5.1			327		327
Accrued income	5.2			9,516		9,516
Other receivables	5.1			11,135		11,135
Investments and other contractual financial assets						
Investment in Zero Emissions Water (ZEW) Ltd	5.5		11			11
Total contractual financial assets		2,461	11	23,096	-	25,568
Payables						
Trade creditors	5.3				3,514	3,514
Contract Retentions	5.3				746	746
Contract Deposits	5.3				632	632
Other payables	5.3				72	72
Accrued expenses	5.3				650	650
Borrowings						
Loans from Treasury Corporation of Victoria (TCV)	6.1				27,000	27,000
Financial liabilities designated at fair value through profit or loss	5.5		338			338
Total contractual financial liabilities		-	338	-	32,614	32,952

	Notes	Cash and deposits \$'000	Financial assets / liabilities designated at fair value through profit / loss (FVTPL) \$'000	Financial assets at amortised cost (AC) \$'000	Financial liabilities at amortised cost (AC) \$'000	Total \$'000
2020						
Contractual financial assets						
Cash and deposits	6.3	4,648				4,648
Receivables						
Tariffs & charges	5.1			1,448		1,448
Scheme receivables	5.1			388		388
Accrued income	5.2			9,385		9,385
Other receivables	5.1			10,758		10,758
Total contractual financial assets		4,648	-	21,979	-	26,627
Payables						
Trade creditors	5.3				3,275	3,275
Contract Retentions	5.3				648	648
Contract Deposits	5.3				432	432
Other payables	5.3				63	63
Accrued expenses	5.3				564	564
Borrowings						
Loans from Treasury Corporation of Victoria (TCV)	6.1				34,000	34,000
Total contractual financial liabilities		-	-	-	38,982	38,982

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

	Net holding gain / (loss) \$'000	Total interest income / (expense) \$'000	Fee income / (expense) \$'000	Impairment loss \$'000	Total \$'000
2021					
Contractual financial assets					
Debt instruments mandatorily measured at fair value through profit/loss	(338)	-	-	-	(338)
Financial assets at amortised cost - other than on derecognition	-	-	-	(26)	(26)
Total contractual financial assets	(338)	-	-	(26)	(364)
Contractual financial liabilities					
Financial liabilities at amortised cost	-	(1,326)	-	-	(1,326)
Total contractual financial liabilities	-	(1,326)	-	-	(1,326)
2020					
Contractual financial assets					
Debt instruments mandatorily measured at fair value through profit/loss	-	-	-	-	-
Financial assets at amortised cost - other than on derecognition	-	-	-	(70)	(70)
Total contractual financial assets	-	-	-	(70)	(70)
Contractual financial liabilities					
Financial liabilities at amortised cost	-	(1,800)	-	-	(1,800)
Total contractual financial liabilities	-	(1,800)	-	-	(1,800)

7.1.3 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. As a whole, the Corporation's financial risk management program seeks to manage these risks and the associated volatility of its financial performance. The main purpose in holding financial instruments is to prudentially manage the Corporation's financial risks within the government policy parameters.

Risk management is carried out by Audit and Risk Management Committee under policies approved by the Board. The Audit and Risk Committee identifies, evaluates and hedges financial risks in close co-operation with the Corporation's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit risk

Credit risk is the risk of financial loss to the Corporation as a result of a customer or counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises principally from the Corporation's receivables.

The Corporation's exposure to credit risk is influenced by the individual characteristics of each customer. The receivable balance consists of a large number of residential and business customers which are spread across a diverse range of industries. Receivable balances are monitored on an on-going basis to ensure that exposure to bad debts is not significant. The Corporation applies the AASB 9 simplified approach to measuring

expected credit losses which uses a lifetime expected loss allowance for all receivables (refer to note 5.1).

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

Except as otherwise detailed in note 5.2, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowance for losses, represents the Corporations' maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Corporation is continuously monitoring and assessing its credit risk profile due to the current economic impacts affecting customers. As a result, the Corporation has adjusted the credit risk profile in assessing the expected loss allowance in 2020-21 (refer to Note 5.1.1).

The Corporation's other credit risk arises from in-the-money receipts due from the Contracts for Difference derivative under the ZEW PPA. The Corporation determines its maximum exposure to credit risk relating to the derivative financial instrument at reporting date as the sum of the nominal values of all forecasted net cash receipts where the floating price due by the proponent exceeds the fixed price payable by the Corporation over the remaining PPA term

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

Credit quality of financial assets

	Financial institution (triple-A credit rating) \$'000	Government agencies (triple-A credit rating) \$'000	Government agencies (triple-B credit rating) \$'000	Other (min triple-B credit rating) \$'000	Total \$'000
2021					
Financial assets					
Financial assets with loss allowance measured at 12-month expected credit loss:					
Cash and deposits (not assessed for impairment due to materiality)		2,461			2,461
Statutory receivables (with no impairment loss recognised)		406			406
Debt investment measured at amortised cost					-
Financial assets with loss allowance measured at lifetime expected credit loss:					
Contractual receivables applying the simplified approach for impairment		13,349			13,349
Total financial assets	-	16,216	-	-	16,216
2020					
Financial assets					
Financial assets with loss allowance measured at 12-month expected credit loss:					
Cash and deposits (not assessed for impairment due to materiality)		4,648			4,648
Statutory receivables (with no impairment loss recognised)		301			301
Debt investment measured at amortised cost					-
Financial assets with loss allowance measured at lifetime expected credit loss:					
Contractual receivables applying the simplified approach for impairment		12,377			12,377
Total financial assets	-	17,326	-	-	17,326

Climate related risk

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

The Corporation's responsibilities in relation to climate change risk requires both immediate action and long-term planning. Given the uncertainty around climate change and its impacts, long-term planning is complex.

The Corporation is primarily exposed to climate change risk through events including more intense rainfall, more bushfire weather, impacts on water quality post climate related events, changes in regulatory policy, changes to land-use and changes to urban, infrastructure and industrial systems.

The Corporation manages these risks by planning and through preparation and mitigation activities to minimise the risk associated with delivery of the Corporation's functions.

Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. The Corporation's policy is to settle financial obligations within 30 days and in the event of dispute make payments within 7 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.

The Corporation manages its liquidity risk by:

- close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements;
- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations;
- careful maturity planning of its financial obligations based on forecasts of future cash flows; and
- a high credit rating for the State of Victoria (Moody's Investor Services and Standard & Poor's triple-A, which assists in accessing debt market at a lower interest rate).

The Corporation's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. The carrying amount in table of contractual financial liabilities recorded in the financial statements, represents the Corporation's maximum exposure to liquidity risk.

Price risk

The Corporation uses the Contract for Difference derivative financial instrument to manage energy related commodities purchased in the normal course of business, and therefore entered into this PPA to minimise a portion of the price risk to the Corporation. The Corporation's sensitivity to price risk is set out in Note 7.1.3 - Fair value 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.

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.

Credit quality of financial assets	Weighted average interest rate %	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000
2021					
Financial instruments					
Cash	0.16%	2,461	-	2,461	-
Receivables	4.38%	23,096	13,491	-	9,605
Total financial assets		25,557	13,491	2,461	9,605
Financial liabilities					
Payables	0.00%	8,519	-	-	8,519
Loans from TCV	2.44%	27,000	27,000	-	-
Total financial liabilities		35,519	27,000	-	8,519
2020					
Financial instruments					
Cash	0.40%	4,648	-	4,648	-
Receivables	6.10%	22,774	13,239	-	9,535
Total financial assets		27,422	13,239	4,648	9,535
Financial liabilities					
Payables	0.00%	8,483	-	-	8,483
Loans from TCV	3.20%	34,000	34,000	-	-
Total financial liabilities		42,483	34,000	-	8,483

(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.

Interest rate risk sensitivity

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 Corporations' sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five-year period, with all variables other than the primary risk variable held constant. The Corporation cannot be expected to predict movements in market rates and prices.

Sensitivity analyses shown are for illustrative purposes only. A movement of 50 basis points up and down in market interest rates (AUD) is 'reasonably possible'.

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

Credit quality of financial assets	Carrying amount \$'000	Profit or Loss		Equity	
		-100 basis points \$'000	+100 basis points \$'000	-100 basis points \$'000	+100 basis points \$'000
2021					
Cash and deposits	2,461	(31)	31	-	-
Interest bearing liabilities	27,000	-	-	-	-
Total		31	(31)	-	-
2020					
Cash and deposits	4,648	(29)	29	-	-
Interest bearing liabilities	34,000	1	(1)	-	-
Total		28	(28)	-	-

As at 30 June 2021, if interest rates changed by +/- 100 basis points from the year end rates with all other variables held constant, the Corporations net result would have been \$0.03 million higher/lower (2019/20 \$0.03 million at +/- 100 basis points) as a result of higher/lower interest expense from variable interest rate borrowings.

Fair value financial liabilities

The fair value of derivative instruments is based on the discounted cash flow technique. The selection of variables requires significant judgement and assumptions in estimating the fair value of derivatives. In the absence of an active market, the fair value of the Corporation's

CfD derivative is valued using unobservable inputs such as future wholesale electricity prices provided by DELWP's independent advisor and comparable risk free rates of zero coupon government bonds obtained from the Reserve Bank of Australia. The assumptions underpinning the estimate of future wholesale electricity prices included factors influencing supply and demand fluctuations, and the economic impact of COVID-19. In addition, assumptions are applied to forecast the renewable energy generation volumes over the life of the derivative instrument.

To the extent that the significant inputs are unobservable, the Corporation categorises these derivatives as Level 3 within the fair value hierarchy.

Fair value measurement hierarchy for financial liabilities as at 30 June 2021

	Carrying amount at 30-Jun-21 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Derivative Financial Instrument (ZEW)	338	-	-	338

Reconciliation of level 3 fair value movements

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

2021	Derivative Financial Instrument \$000
Opening balance	-
Initial recognition of derivative financial instruments	353
Gains/(losses) recognised in profit or loss	-
Net cash settlements paid/(received)	(15)
Closing balance	338

Description of significant unobservable inputs to Level 3 valuations

2021	Valuation technique	Significant unobservable inputs	2021 range (weighted average)	Significant unobservable inputs
Derivative Financial Instrument (ZEW)	Income approach (discounted cash flow)	<p>Wholesale electricity price forecasts</p> <p>Discount rate – risk free rates of zero coupon government bonds</p> <p>Credit value adjustment – Australian Corporate Bond Spreads and Yields FNFSBBB10M</p>	<p>\$20.83/MWh to \$53.79/MWh (\$37.33/MWh)</p> <p>0.0185% to 1.7853% (0.6838%)</p> <p>136.34</p>	<p>An increase/ (decrease) in the wholesale electricity price forecasts of 10% would result in an increase/ (decrease) fair value by \$0.099 million.</p> <p>An increase/ (decrease) in the discount rate of 1% would result in an increase/ (decrease) fair value by \$0.015 million.</p> <p>An increase/ (decrease) in the credit value adjustment of 1% would result in an increase/ (decrease) fair value by \$0.015 million.</p>

7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

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

7.3 Fair value determination

This section sets out information on how the Corporation determined fair value for financial reporting purposes.

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

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through operating result or other comprehensive income;
- land, buildings, infrastructure, plant and equipment,
- investment properties

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

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

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values.

Fair value hierarchy

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

How this section is structured

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

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

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

7.3.1 Fair value of financial instruments measured at amortised cost

Credit quality of financial assets	Carrying amount 2021 \$'000	Fair value 2021 \$'000	Carrying amount 2020 \$'000	Fair value 2020 \$'000
Financial assets				
Receivables				
Loans to third parties	8,238	8,218	9,131	9,103
Financial liabilities				
Lease liabilities	2,031	2,086	2,150	2,247
Loans from TCV	27,000	27,729	34,000	35,540

7.3.2 Fair value determination non-financial physical assets

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 2021

	Carrying amount at 30-Jun-21 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land and land improvements at fair value				
Specialised land	32,234	-	-	32,234
Total of land and land improvements at fair value	32,234	-	-	32,234
Buildings at fair value				
Specialised buildings	31,121	-	-	31,121
Total of buildings at fair value	31,121	-	-	31,121
Water infrastructure at fair value				
Water reticulation & distribution	373,490	-	-	373,490
Water treatment plants	57,965	-	-	57,965
Water reservoirs & service basins	67,266	-	-	67,266
Total of water infrastructure at fair value	498,721	-	-	498,721
Sewer infrastructure at fair value				
Sewer reticulation	269,489	-	-	269,489
Sewer treatment plants	64,904	-	-	64,904
Total of sewer infrastructure at fair value	334,393	-	-	334,393
Plant, equipment and vehicles at fair value				
Vehicles	2,927	-	2,927	-
Plant and equipment	3,264	-	-	3,264
Total of plant, equipment and vehicles at fair value	6,191	-	2,927	3,264

	Carrying amount at 30-Jun-20 \$'000	Fair value measurement at end of reporting period using:		
		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 & distribution	279,129	-	-	279,129
Water treatment plants	53,741	-	-	53,741
Water reservoirs & 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

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period ended 30 June 2021.

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.

Although it is intended that asset valuations will be based on a five year cycle, FRD 103 Non financial physical assets requires entities to perform annual fair value assessments for each class of non financial physical assets to determine whether additional revaluations need to be undertaken between revaluation cycles. Management perform interim valuations if the annual fair value assessments indicate material changes in values.

Specialised land and specialised buildings

Land was valued by an agent on behalf of the VGV as at 30 June 2021. Fair value was determined using the market based direct comparison approach, although it is adjusted for the Community Service Obligation (CSO) to reflect the specialised nature of the land and it's continued use as a special purpose asset for the fulfilment of community service obligations.

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 is classified as Level 3 assets.

Buildings were valued by an agent on behalf of the VGV as at 30 June 2021. Fair value was determined as the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. Where there is no evidence of fair value because of the specialised nature of the asset, depreciated replacement cost (DRC) was used. DRC is the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Specialised buildings, those directly related to water and sewer infrastructure, were valued by an agent on behalf of VGV. Fair value was determined using the depreciated replacement cost method adjusted for associated depreciation. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 assets.

Vehicles

Vehicles are valued as level 2 assets, 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 2021. For all assets measured at fair value, the current use is considered the highest and best use.

Infrastructure assets

Infrastructure assets were valued by an agent on behalf of VGV as at 30 June 2021. The valuation methodology used was the depreciated replacement cost approach for assessing costs. This approach is appropriate for highly specialised assets where there is no active market.

Actual cost of construction data from across the Victorian water industry was used to formulate unit rates for the various different infrastructure asset classes.

This work was performed independently by Marsh Pty. Ltd. and was utilised where appropriate by KPMG when valuing the Corporation's infrastructure asset base. Data from a variety of information sources that could be applied broadly across the range of assets in each category, including capacity, height, material type, length and depth, was provided to the valuer to assist in applying the correct valuation methodology.

Water and sewer infrastructure assets are valued using the depreciated replacement cost method. This cost represents the replacement cost of the infrastructure/ 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.

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.

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

7.3.3 Reconciliation of level 3 fair value movements

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

	Specialised land \$000	Specialised buildings \$000	Water infrastructure \$000	Sewer infrastructure \$000	Plant and equipment \$000
2021					
Opening balance	34,014	27,697	391,593	313,706	3,290
Additions/ purchases	65	296	5,425	15,150	619
Revaluations	(1,628)	4,083	113,708	15,836	412
Transfers to assets held for sale	(200)	-	-	-	-
Disposals	-	(82)	(216)	(1,207)	(44)
Depreciation	(17)	(873)	(11,789)	(9,092)	(1,013)
Closing balance	32,234	31,121	498,721	334,393	3,264
2020					
Opening balance	34,196	28,728	397,244	314,703	3,607
Additions/ purchases	29	230	7,104	8,953	857
Revaluations	-	-	-	-	-
Disposals	(194)	(70)	(891)	(1,095)	(15)
Depreciation	(17)	(1,191)	(11,864)	(8,855)	(1,159)
Closing balance	34,014	27,697	391,593	313,706	3,290

Description of significant unobservable inputs to Level 3 valuations

2021 and 2020	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 plant	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

8. STATUTORY OBLIGATIONS

Introduction

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

8.1 Tax

8.1.1 Income tax

The Corporation is subject to the National Tax Equivalent Regime (NTER), pursuant to section 88(1) of the State Owned Enterprises Act 1992, which is administered by the Australian Taxation Office.

The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

	2021 \$'000	2020 \$'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	2,943	6,753
Income tax calculated @ 30% (2020: 30%)	883	2,026
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Non-deductible expenses	11	9
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	894	2,077

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.

Deferred tax assets

Amounts recognised in the comprehensive operating statement		
Prior and current tax losses	13,459	17,414
Provisions and accrued expenditure not deductible	2,671	2,537
	16,130	19,951
Movement		
Opening balance 1 July	19,951	25,298
Annual movement	(3,821)	(5,347)
Closing balance 30 June	16,130	19,951

Deferred tax liabilities	2021 \$'000	2020 \$'000
Amounts recognised in the comprehensive operating statement		
Depreciation and revaluation	(181,578)	(144,090)
	(181,578)	(144,090)
Movement		
Opening balance 1 July	(144,090)	(147,630)
Annual movement	(37,488)	3,540
Closing balance 30 June	(181,578)	(144,090)
Net deferred tax liabilities		
Deferred tax assets	16,130	19,951
Deferred tax liabilities	(181,578)	(144,090)
Net deferred tax liabilities	(165,448)	(124,139)

Unrecognised deferred liability/ tax asset

As at 30 June 2021, there were no deferred tax liability or deferred tax assets not recognised in the Financial Statements.

Tax losses

Gross Amount	44,864	57,943
Tax Effect	13,459	17,383

8.2 Environmental contribution

The Water Industry (*Environmental Contributions*) Act 2004 (the Act) amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water authorities. The 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 expense

Environmental contribution levy	3,167	3,306
Total environmental contribution levy	3,167	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.

9.1 Reserves

	Note	2021 \$'000	2020 \$'000
Land		2,006	3,839
Buildings		7,092	4,320
Infrastructure		276,265	186,039
Total reserves		285,363	194,198
Physical asset revaluation surplus			
Balance at beginning of financial year		194,197	194,643
Revaluation increments/(decrements)		91,996	-
Transfers to accumulated surplus		(830)	(446)
Balance at end of financial year		285,363	194,197

9.2 Other economic flows included in net results

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains (losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
- reclassified amounts relating to available-for-sale financial instruments from the reserves to net result due to a disposal or derecognition of the financial instrument.

This does not include reclassification between equity accounts due to machinery of government changes or 'other transfers' of assets.

Net gain / (loss) on non-financial assets			
Net gain / (loss) on disposal of infrastructure, property plant and equipment (including intangible assets)	4.1.5	(1,359)	(1,703)
Total net gain / (loss) on non-financial assets		(1,359)	(1,703)
Net gain / (loss) on financial instruments			
Impairment of:			
Loans and receivables		(14)	(41)
Net gain/(loss) on financial instruments		-	-
Total net gain/(loss) on financial instruments		(14)	(41)
Other gains/(losses) from economic flows			
Net gain/(loss) arising from revaluation of long service liability		354	(68)
Total other gains/(losses) from economic flows		354	(68)
Total other gains/(losses) from other economic flows		(1,019)	(1,812)

9.3 Events occurring after balance date

No matters or circumstances have arisen since the end of the reporting period, including the ongoing nature and impacts of the COVID-19 pandemic, have significantly affected or may significantly affect the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation in future financial years.

9.4 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the Financial Management Act 1994, the following disclosures are made regarding responsible persons for the reporting period as required by AASB 124 Related Party Disclosures. The names of persons who held the positions of Ministers and Accountable Officers in the Corporation are as follows:

Title	Name	Period of Appointment
Minister for Water	The Hon. Lisa Neville MP	1 July 2020 - 30 June 2021
Acting Minister for Water	The Hon. Richard Wynne	15 February 2021 - 30 June 2021
Chair	Ms Jacinta Ermacora	1 July 2020 - 30 June 2021
Deputy Chair	Mr Kenneth King	1 July 2020 - 30 June 2021
Director	Mr Michael Crutchfield	1 July 2020 - 30 June 2021
Director	Mr Mick Murphy, OAM	1 July 2020 - 30 June 2021
Director	Ms Sarah-Jane Walsh	1 July 2020 - 30 June 2021
Director	Dr Helen Scarborough	1 July 2020 - 30 June 2021
Director	Dr Susan Brumby	1 July 2020 - 30 June 2021
Director	Dr Adrian Panow	1 July 2020 - 30 June 2021
Managing Director / Accountable Officer	Mr Andrew Jeffers	1 July 2020 - 30 June 2021

Remuneration

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

Income band	2021 No.	2020 No.
\$0 - \$9,999	-	2
\$20,000 - \$29,999	1	6
\$30,000 - \$39,999	6	1
\$50,000 - \$59,999	1	1
\$310,000 - \$319,999	1	1
Total	9	11
Total remuneration	\$583	\$568

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: \$580,000 - \$590,000 (\$560,000 - \$570,000 in 2019/20)

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	2021 \$'000	2020 \$'000
Short-term employee benefits	1,271	1,225
Post-employment benefits	121	117
Other long-term benefits	30	29
Termination benefits	-	-
Total Remuneration	1,422	1,371
	No.	No.
Total number of executives	7	7
Total annualised employee equivalents	6.27	6.31

9.6 Related parties

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

Related parties of the Corporation include:

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

All related 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.

Key management personnel (as defined in ASB 124 Related Party Disclosures) includes the Portfolio Minister, all directors listed under responsible persons in note 9.4 and executive officers who have the authority and responsibility for planning, directing and controlling the activities of the Corporation directly, or indirectly, during the financial year.

Remuneration of Key Management Personnel

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

Compensation of KMPs	2021 \$'000	2020 \$'000
Short-term employee benefits	1,796	1,738
Post-employment benefits	172	165
Other long-term benefits	37	35
Termination benefits	-	-
Total Remuneration	2,005	1,939

Significant transactions with government-related entities

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

Entity Name	Brief description of main activity	2021 \$'000	2020 \$'000
Government-related entity receipts			
Department Environment, Land, Water and Planning (DELWP)	Smarter use of water in our cities and towns	-	318
Department Environment, Land, Water and Planning (DELWP)	Recreational Values Program delivery	87	-
Department Environment, Land, Water and Planning (DELWP)	Adaptive Wastewater for Small Towns	18	-
Department Environment, Land, Water and Planning (DELWP)	Climate Change Adaptation Strategy	12	-
Department Health and Human Services (DHHS)	Customer Rebates & administration fees	-	3,432
Department Health and Human Services (DHHS)	Terang Fluoride Project Funding	77	-
Department of Families, Fairness and Housing	Customer Concession Rebates	3,439	-
Department of Premier & Cabinet	Gender Equality Bill Implementation Pilot	-	68
Parks Victoria	12 Apostles Project Funding	-	5,050
Parks Victoria	Operations & Maintenance 12 Apostles site	115	-
State Revenue Office (SRO)	Not for Profit rebate	300	302
Treasury Corporation of Victoria (TCV)	Interest Revenue	11	27
Zero Emissions - Power Purchase Agreement	Compensation for project delay	52	125
Government-related entity receivables			
Department Health and Human Services (DHHS)	Terang Fluoride Project Funding	1,235	-
Department of Families, Fairness and Housing	Customer Concession Rebates	142	-
Parks Victoria	Operations & Maintenance 12 Apostles site	4	-
Parks Victoria	12 Apostles Project Funding	674	1,589
Government-related entity payments			
Department Environment, Land, Water and Planning (DELWP)	Environmental Contribution Levy	3,167	3,306
Department Environment, Land, Water and Planning (DELWP)	Native vegetation Credits	-	220
Department Health and Human Services (DHHS)	Safe Drinking Water Administration Levy	-	21
Department Treasury and Finance (DTF)	Financial Accommodation Levy	228	347
Environment Protection Authority (EPA)	Licences	178	168
Environment Protection Authority (EPA)	Works approval application fees	-	67
Environment Protection Authority (EPA)	Permit fees	3	-
GWM Water	Water Service and Supply charges	350	330
Southern Rural Water	Licences	73	73
State Revenue Office (SRO)	Payroll Tax	416	443
Treasury Corporation of Victoria (TCV)	Net borrowings during the year	7,000	1,695
Treasury Corporation of Victoria (TCV)	Borrowing Costs	1,037	1,393
Vic Roads	Vehicle permit fees	40	42
Zero Emissions - Power Purchase Agreement	Administration Fees and Large Scale Generation Certificates	48	-
Zero Emissions - Power Purchase Agreement	Investment	11	-
Government-related entity payables			
Department Health and Human Services (DHHS)	Safe Drinking Water Administration Levy	21	-
Department Treasury and Finance (DTF)	Financial Accommodation Levy	61	84

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 material related party transactions that involved key management personnel and their close family members.

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

9.7 Remuneration of auditors

	2021 \$'000	2020 \$'000
Victorian Auditor-General's Office		
Audit or review of financial statements	56	56
Other non-audit services		
Other non-audit services	109	133
Total remuneration of auditors	165	189

9.8 Ex gratia expense

Forgiveness or waiver of debt	17	31
Total ex gratia expenses	17	31

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

9.9 Australian Accounting Standards issued that are not yet effective

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

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

Topic	Key requirements	Applicable for annual reporting periods beginning on	Estimated impact
<i>AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	Amends AASB 101 to require a liability to be classified as current when companies do not have a substantive right to defer settlement at the end of the reporting period.	1 January 2023	The standard is not expected to have a significant impact on the public sector.
<i>AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>	<p>Amendments to existing accounting standards, particularly in relation to:</p> <p>AASB 1 - simplifies the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.</p> <p>AASB 3 - to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p>AASB 9 - to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.</p> <p>AASB 116 - to require an entity to recognise the sales proceeds from selling items produced while preparing infrastructure, property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset.</p>	1 January 2022	The standard is not expected to have a significant impact on the public sector.

AASB 137 Provisions, Contingent Liabilities and Contingent Assets - to specify the costs that an entity includes when assessing whether a contract will be loss-making

AASB 141 Investment Property - to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

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

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

We authorise the attached financial statements for issue on 27 September 2021.



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 27th day of September 2021

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 2021 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • 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 2021 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
28 September 2021



Paul Martin
as delegate for the Auditor-General of Victoria

Appendix 1

Disclosure Index

The 2020/21 annual report of Wannon Region Water Corporation is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of the corporation's compliance with statutory disclosure requirements.

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Legislation	Requirement	Page reference
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Appendix 2

Bulk entitlements

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 2020/21.

With regard to the reporting requirements for each of Wannon Water's Bulk Entitlements during 2020/21, 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 2020/21, 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, 43 megalitres were taken by the Hamilton Pipeline offtake and 41 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 2

Bulk Entitlement Order	Bulk entitlement volume (ML)	Volume extracted in 2020/21 (ML)	Percentage of bulk entitlement extracted in 2020/21 (ML)	Water in storage at 30 June 2021 (ML)	Water level at 30 June 2021 (m)	Reporting requirement clause
Otway System Conversion Order 1998	12,580	8,450	67%	2006	N/A*	Clause 12
Hamilton Conversion Order 1997	3,435	1,585	46%	2263	N/A*	Clause 12
Dunkeld System Conversion Order 1997	170	18	11%	93	9	Clause 13
Glenthompson Conversion Order 1997	94	0	0%	72	3	Clause 13
Coleraine, Casterton and Sandford Conversion Order 1997	885	65	7%	1,794	5	Clause 13
Wimmera and Glenelg Rivers – Wannon Water Conversion Order 2010	2,120	43				
(Hamilton) 41 (Balmoral) Willaura System – Wannon Water Conversion Order 2012	4%	5,937	N/A	Clause 13		
	58	37	64%	N/A	N/A	Clause 10

* Multiple storages

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	450
Bullawin	BEE026192 (911313)	1,102	0
Caramut	BEE021943 (924563)	50	25
Carlisle	BEE029488 (9016487)	1,800	5
Casterton	BEE022551 (885355)	1,000	372
Condah	4001451	N/A	N/A
Curdievale	904309	2,150	0
Darlington	BEE021827 (1082159)	10	2
Dartmoor	9016786	150	20
Heywood	900184	333	151
Koroit	BEE029066 (899038)	524	0
Macarthur	BEE021944 (4001451)	130	26
Mocamboro	BEE026109 (903701)	100	0
Mortlake	BEE030858 (907049)	335	21
Penshurst	BEE036146 (914444)	250	71
Port Campbell	BEE026252 (904309)	1,009	279
Port Fairy	890472	1,026	592
Portland	923621	6,222	1,507

Notes

Notes

Our Region





Wannon Water
PO Box 1158
Warrnambool Vic 3280

Telephone 1300 926 666
Email info@wannonwater.com.au

Customer Service Centres:

Hamilton 66 Gray Street
Portland 15 Townsend Street
Warrnambool 25 Gateway Road

    wannonwater.com.au

