



Annual Report

21/22

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 the Gunditjmara Peoples, the Eastern Maar Peoples, the Wotjobaluk, Jaadwa, Jadawadjali, Wergaia and Jupagalk Nations, and the Wadawurrung Peoples.

We acknowledge the Traditional Owner corporations of Gunditj Mirring Traditional Owners Aboriginal Corporation, Eastern Maar Aboriginal Corporation, Barengi Gadjin Land Council Aboriginal Corporation, and Wadawurrung Traditional Owners Aboriginal Corporation.

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: Our Project Manager Asset Creation Sophie Baulch is leading the installation of a new feeder main and water tower that will serve future customers in Warrnambool's north-east residential growth corridor.

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Section 1: Overview

2021/22 - A Snapshot

2,007
kilometres
water mains

32
million litres of
drinking water
provided to
customers
each day

30
million litres of
sewage & trade
waste treated
each day

14
water
supply
systems

\$963
million worth
of assets

\$1,203
average
residential bill
per 200kl/day

211
EFT
employees





\$83,200
in
Ripple Effect
grants

178
litres average
residential
consumption per
person per day
(climate corrected)

973
kilometres
sewer
mains

44,444
water
customers

34
towns
served

\$16
million worth
of capital
works

38,151
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 2022.



Jacinta Ermacora
Chair
Wannon Water
3 October 2022

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

Minister for Water	The Hon. Lisa Neville MP	1 July 2021 to 27 June 2022
Minister for Water	The Hon. Harriet Shing MP	27 June 2022 to 30 June 2022
Acting Minister for Water	The Hon. Richard Wynne MP	1 July 2021 to 22 August 2021

A message from the Chair and Managing Director

Our strategic direction, *beyond water for strong communities*, marked a significant step change in our thinking and culture when we launched it six years ago.

Guided by a clear set of values – people focused, respect, integrity, innovation and collaboration – we have become part of the essential fabric of South West Victoria, working closely with local councils and other agencies dedicated to making our communities healthy and resilient.

Our decision-making in 2021/22 continued to be influenced by the impacts of the pandemic and our will to deliver high quality water and sewerage services while keeping our employees and customers safe. At an individual level, it's been an extraordinary few years as people reflect and reassess their priorities. It's also prompted us to think more about our influential role and how we can support greater outcomes for our region as a whole. We have chosen to lead by example with a number of initiatives that commit us to a better future for everyone.

Making a difference in a changing world

Equality is achieved when people can access and enjoy the same rewards, resources and opportunities, regardless of their unique identity. Our Gender Equality Action Plan, adopted during the year, will help progress, promote, and advocate for gender equality within our organisation.

Our Reconciliation Action Plan aims to enhance understanding of Aboriginal culture, build respectful relationships and provide opportunities for increased participation. Wannon Water recognises, acknowledges, respects, and values the depth of knowledge and connection to Country of Aboriginal and Torres Strait Islander peoples. We live and work on the land and waterways that they have cared for and lived on for thousands of years.

Financial Inclusion Action Plans (FIAPs) were established as one of the responses by G20 countries to the global financial crisis with the aim of ensuring people have access to basic essential services to live healthy and fulfilling lives. We are the first organisation in Australia



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

to take our FIAP to the next level by adopting the first-ever Build FIAP for the next three years. It includes a leadership action to improve the quality of tap water for the Portland, Port Fairy and Heywood communities which will contribute to positive health outcomes and reduce the financial impacts on households and local industry.

Our community engagement work in recent years has also showed concern about water quality including taste, smell and hardness in these three towns where deep groundwater is the source of the drinking supply.

We already comply with the Australian Drinking Water Guidelines, but tap water consumption in these towns is currently below the state average and we want to do better. A business case is currently being prepared to demonstrate the viability of treating the water further to reduce salt levels, improving health outcomes and reducing the financial impacts on households and local industry.

Understanding our customers' needs

Over the past four years, we've been focusing on understanding what our customers want, need and expect from their water utility as part of our Wannon Water Engagement Cycle. It's like a big jigsaw puzzle, with all the pieces helping to create our next five-year Price Submission. In May, six people participated in a community panel, representing a diverse mix of age, genders, cultural backgrounds, locations and customer types. Our Board Directors joined the session to gain a richer understanding of the panel's deliberations and perspectives before the final submission is lodged in September 2022.

We also engaged with our customers to help inform our 50-year Urban Water Strategy which ensures that our long-term planning and investment in water and sewerage services is effective and efficient. Our research shows that we are in a reliable water resource position under current and medium climate conditions, with appropriate augmentation actions identified to increase water supply when needed in the surface water systems of the Otways, Grampians and Glenhompson.

Even though our supplies are secure, we are striving to be more efficient and sustainable with the water we already have. Our customers are also increasingly discussing a link between water and the impact of climate change. 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. Over the next five years, we will be committing to a series of actions to understand how we can assist our customers to be more water efficient and reduce our system losses.

Committing to a better environment

Protecting our environment is an important part of our Zero Harm mindset and going beyond water for strong communities also requires us to be a leader in the transition to a greener future. Therefore, in an ambitious move, we committed to reach net-zero emissions by 2030 - 20 years earlier than initially planned - through a range of innovative projects over the next eight years and without raising customer prices. We believe this is not just achievable, but is the right thing to do - for Wannon Water, for our customers, and for our community.

The upgrade of Warrnambool's Sewage Treatment Plant is a step closer, with tenders for the construction called in June. The project is our biggest-ever to date, will help us to continue to protect public health and the environment, and is vital to ensure we can meet the needs of future housing and economic growth in the region. The design was developed following several years of technical work, assessment of options, community engagement and regulatory approvals.

In parallel with this project, we will be developing a new Effluent Management Strategy for the plant in accordance with the development licence approved by the Environment Protection Authority. The strategy aims to identify alternatives for disposing of wastewater from the plant, which is currently discharged via an ocean outfall, and will be guided by a new reference group which includes community representatives and agency stakeholders.

In November, we launched a 12-month pilot program to monitor ocean water quality at Port Fairy's beaches in partnership with Moyne Shire Council. The trial is based on the Environment Protection Authority's summer Port Phillip Bay water quality monitoring program with bacteriological samples taken to assess if water quality is suitable for swimmers and other recreational users. It includes additional sampling near the Port Fairy ocean outfall mixing zone, where treated wastewater is released, and measures the impact of heavy rainfall, stormwater flows, high tides and algal blooms on ocean water quality.

Improving customer experience

Wannon Water delivers customer experiences every day. In fact, everything that we do as a business is about delivering products and services for the people who depend upon us. Customers have told us they value the interaction they have with us and this is reinforced through regular compliments about our employees and the service they provide.

However, if we want to maintain our reputation in a world of accelerating technology and increasing expectations, we need to do even better. In 2021/22, we established a CX Plus Project to guide a major update of our customer relationship management and billing system. This is expected to be launched in late 2023.

Delivering affordable services to our customers continues to remain a focus for us. Since 2013/14, household bills have reduced by 15 per cent (before inflation) with the average household bill declining by nearly \$200 during that time. We know that many people are now becoming increasingly concerned about cost-of-living pressures due to the continuing impacts of the pandemic, rising food and fuel prices and recent interest rate hikes. We have reviewed our customer support programs and encouraged people who are having trouble paying their bills to contact us for help so we can work with them to find the best solutions for their needs.

Thank you

To deliver so much in a year where the impacts of the pandemic were still very evident is a tribute to the hard work and commitment of our employees at all levels of the organisation. Our people have not just managed to keep services going, but also have improved performance in many ways. A remarkable achievement.



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 2021/22 (kilolitres)
Residential	37,984	5,487	47%	5,333	144
Business	4,654	4,807	41%	4,885	1,033
Rural	1,806	1,385	12%	1,413	767
Total	44,444	11,679	100%	11,631	263*

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

Growth

We provide water services to a total of 44,444 residential, commercial, industrial and rural customers across 34 customer zones. The total growth in the number of water customers was 0.9 per cent in 2021/22, with 396 new customers connected to a reticulated water service.

We provide sewerage services to a total of 38,151 residential, commercial and industrial customers across 16 sewerage systems. The total growth in the number of sewerage customers was 1.1 per cent in 2021/22, with 419 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:



2027 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	We continued to engage with customers and community through our annual customer survey and directly for specific projects. Investments were identified and incorporated into our next corporate plan and our five-year price submission.	✓
Deliver Integrated Water Management (IWM) projects outlined in the Great South Coast Strategic Directions Statement	Projects continued (Albert Park IWM Plan, Great South Coast Urban Water Atlas, Gellibrand Catchment – targeted interventions for water quality) and new projects were identified for funding, with three projects being successful.	✓
Implement the Customer Experience Strategy	Actions from the current strategy plan are on track. We conducted an intensive Customer Centricity Maturity Assessment to inform the next Customer Experience (CX) Strategy. A business case for CX investments for the next pricing period has been prepared.	✓
Design and commence delivery of the Customer Relationship Management and Billing System Project	The project has progressed substantially with the business case, tender outcome and budget approved by Board. A dedicated project team has operated throughout the year and the project will enter the next phase with the vendor now appointed.	✓
Deliver communications and education initiatives to build customer understanding of what we do	We completed the first 12 months of our new 18-month communications plan, delivering a range of sustained visual campaigns to build customer understanding including: 'Big Brown Bin' sewerage awareness (three videos reached 44,000 people and gained more than 34,000 views); 'Here for You' locals-serving-locals campaign; 'Water Whys' water literacy campaign; created education materials to support price submission and Urban Water Strategy engagement; Warrnambool Sewage Treatment Plant upgrade; Ripple Effect grants; and Port Fairy sewerage education. With Southern Rural Water, we delivered successful competitions for National Water Week and World Water Day and refreshed our online education resources for interested schools and community members.	✓

Design, deliver and review engagement for the Urban Water Strategy and our price submission

We designed and delivered a comprehensive engagement program to meet the needs of the Urban Water Strategy and price submission. It was aligned to meet the engagement requirements of both DELWP and the ESC, and included a wide range of surveys, focus groups, stakeholder interviews, small community roadshow visits and month-long Community Panel deliberative process.



Stronger communities

KEY PROJECT/INITIATIVE	COMMENT	STATUS
Enrol others in a compelling agricultural, water policy and strategy for our region	We continue to work with the Great South Coast Economic Futures Implementation Committee and the Realising the Water Opportunity Committee of the Food & Fibre Council. The latter has developed a case for water policy reform for South West Victoria which is aligned with our views (i.e. a South West Sustainable Water Strategy) and the Great South Coast Economic Futures. We have recently engaged a consultant to develop a request for quote for a feasibility study that identifies and describes two to three new, high-value agriculture or food initiatives that advance regional economic value and sustainability.	✓
Continue with the Warrnambool Sewage Treatment Plant upgrade	Work has continued, albeit delayed. All planned approvals were received and the project was tendered in June.	●
Implement Wannon Water's 'Build' Financial Inclusion Action Plan (FIAP)	The Build FIAP was launched in March 2022 through a Managing Director update, the FIAP Community of Practice led by Good Shepherd Australia New Zealand, a Director update, media release, radio coverage and social media.	✓
Connect with regional and national organisations through the Thriving Communities Partnership	We are founding partners of the National Thriving Communities Partnership and lead the south west chapter. The chapter has successfully sought funding and in-kind support to employ an executive officer in the coming year to guide its key strategic activities and a membership model.	✓
Deliver carbon emissions reduction projects that provide broad community value	We continued to make steady progress towards our carbon emission reduction goals. We have now received an updated Statement of Obligations (Emissions Reduction) that reflects our commitments. We are working to develop the Port Fairy Sewage Treatment Plant solar PV project and support proponents with hydrogen feasibility studies.	✓

Increase understanding and opportunities related to the circular economy	We increased our understanding of the circular economy and potential opportunities for our organisation, our region and the water industry. We participated in work at the national and state levels led by the Water Services Association of Australia (WSAA), VicWater and DELWP. We began several projects including Circular Roadmap, a system and place-based approach to building knowledge, understanding and a pathway for collective impact and innovation, alum use in the Victorian water sector, and the investigation of a regional organics facility.	✓
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Performance culture

KEY PROJECT/INITIATIVE	COMMENT	STATUS
Continued Zero Harm focus in our changing environment	We conducted training through Think Place for several internal committees including the Zero Harm Champions Group, Inclusion and Diversity Committee, Occupational Health and Safety Committee and the Employee Consultative Committee. We continued our involvement in WSAA and VicWater benchmarking exercises.	✓
Digitise our Learning and Development Framework through the Elevate system	The system has been integrated into the business and is continually reviewed for further enhancements.	✓
COVID-19 recovery, including new ways of working opportunities	We continued responding and adapting to ongoing changes to restrictions and COVID-19 impacts. We enhanced our hybrid meeting capability to enable an effective return to the workplace.	✓
Implement our reflect Reconciliation Action Plan (RAP)	The RAP was endorsed by Reconciliation Australia and progress is being made on the actions within the plan. We continue with a focus on relationship building.	✓
Implement <i>Gender Equality Act 2020</i> requirements	We developed our Gender Equality Action Plan and submitted it for approval. The Commission for Gender Equality in the Public Sector has reviewed our plan and deemed it compliant with the act.	✓
Implement our Accessibility Inclusion Plan	Implementation continues with a focus on facility audits, ensuring public information is accessible, and employment.	✓

Business excellence

KEY PROJECT/INITIATIVE	COMMENT	STATUS
Five-year strategic planning and engagement	Considerable work has occurred to develop our five-year price submission. We also completed our five-year review of our Urban Water Strategy. Both activities required increased levels of engagement with our customers and the community to help inform these key strategic documents.	✓
Increase unregulated revenue streams	Work has been limited as our focus and resources were allocated to other priorities as we continued to respond to the impacts of the COVID-19 pandemic. Opportunities continue to be explored.	●
Extracting greater value from our digital platforms and data	We continued delivering our Cyber Resilience Strategy, deploying a new employee awareness training tool and upgrading the web and email filtering application.	✓
Service design, system and business process improvement	We improved our internal systems through a new document management system, increased our hybrid meeting capability with a focus on positive user experience, and drafted a business case for a new Wannon Water website that will provide a better customer experience.	✓
Innovation and design program delivery	We completed an intensive innovation and design needs assessment to inform an Innovation and Design Program roadmap. Employees remain focussed on applying innovation and continuous improvement and have had to be particularly adaptive and innovative through the COVID-19 pandemic.	✓

Section 3: Our customers

Customer and community engagement

Feedback from customers is vital and helps us ensure that our services meet the expectations and priorities of our community.

We define engagement as a genuine process of working with people to build capacity, strengthen relationships and inform decisions. It's guided by our Community Engagement Framework, which incorporates the International Association of Public Participation's (IAP2) core values and approach.

We engage with customers on specific projects that may impact them. We also have an annual process of engaging with our community to help inform the development of each corporate plan and other longer-term planning. The 2021 engagement cycle aligned with a critical engagement period for us - the review and development of our 2022 Urban Water Strategy and our 2023-28 price submission.

A total 1,895 instances of engagement were recorded during the cycle which centred on three engagement modules: our prices, our services, and our resilient future. Focus groups, surveys and interviews were delivered online in response to COVID-19 restrictions. Our online portal, Engage & Explore, was a critical tool in this process. There was some face-to-face engagement during a Community Roadshow once restrictions were lifted. We adopted inclusive and sensitive approaches to engagement, ensuring the diversity of our customer groups could participate if they chose to.

A Stakeholder Perceptions Review was completed in 2021 and was compared to earlier reviews undertaken in 2015 and 2018. Senior representatives of 46 stakeholders and partners were surveyed and interviewed against 22 performance indicators. The review found that our overall performance has increased each time the survey was completed, with the 2021 headline result being an average rating of 4.31 out of a possible five.

Our Regional Advisory Forum oversees the annual engagement cycles. It met in May 2021 to advise on topics and methods, and in July 2022 to provide feedback on engagement findings and endorse draft price submission proposals arising from feedback throughout 2021 and earlier in the pricing period.

Deliberative engagement for the price submission was held in April through a Community Panel that reflected the diversity of our communities. The panel presented its recommendations to our Board to consider as part of the development of the price submission.

Key customer perception metrics on value for money, trust, reputation in the community, and overall satisfaction are researched by the Essential Services Commission (ESC) and us each year using multiple methodologies. There were no statistically significant shifts in these metrics for the year evident in the ESC research and our results align with the average results for other Victorian water corporations of similar size.

The 2021 Water Services Association of Australia customer perceptions research on these metrics showed statistically significant improvements in the results for value for money and reputation in 2021 (compared to their 2019 results). They ranked Wannon Water highest of all 34 water corporations surveyed for reputation in the community.

Like the ESC research, our customer value survey saw no global shifts of statistical significance for the key customer perception metrics. Agreement statement results for the 2022 survey were:

- Value for money: 6.8 out of 10
- Trust: 7.6 out of 10
- Reputation in the community: 7.4 out of 10
- Overall satisfaction: 7.8 out of 10.

Analysis of the key drivers for overall customer satisfaction reveals water quality is becoming increasingly more important in driving perceptions, particularly for those customers who have not had contact with Wannon Water in the preceding 12 months. A significant drop was observed in the number of "very satisfied" business customers, and the net promoter score fell from +19 to +10.

In addition to proactively engaging customers for feedback, we also analyse other customer feedback received during the year. A similar number of complaints were received in 2021/22 compared to the previous year, although there were more complaints on payment issues and fewer on water quality. The increase in payment issue complaints is likely to be due to the

introduction of a wider definition of what actually constitutes a complaint.

The culmination of engagement data throughout 2021/22 (including the incorporation the other data from the pricing period) led to the following insights that have informed our price submission to the ESC:

Final customer insights

Customers want bills kept affordable

Customers want more assistance for those finding it difficult to pay

Customers want a gradual increase in bill structure variability

Customers want current water and sewerage service levels to be maintained

Customers want us to focus on the environment for a sustainable future

Customers want greater equity of water quality across the region to improve health and local economies

Customer experience can be improved, especially using digital technology

Key considerations for price submission outcomes

Keep bills affordable, with gradual increases to pricing now rather than substantial jumps in pricing later

Improve access and support for customers finding it difficult to pay

Increase the variability of the bill, though do this gradually to avoid adverse impacts on some customer groups

Maintain existing levels of water and sewerage services

Prioritise and partner to care for the environment

Invest in water quality improvements (particularly in groundwater-sourced towns)

Invest in innovative ways to improve customer experience and digital access to information

Customer experience highlights

It's vital that our customers have a great experience when they deal with us. We need to be agile in a world of rapidly changing technology and expectations, and that became a focus for a new direction this year.

We used two maturity assessments established by WSAA to guide our latest Customer Experience Strategy. Together with customer engagement feedback, the outputs were used to develop a customer experience investment package for the next pricing period.

A Customer Support Review identified ways we could support customers who are finding it difficult to pay their bills. The review included an independent desktop review and benchmarking against other organisations. We also engaged with regional community service organisations and networks, customers currently having difficulty in paying their bills, and our own employees. The review found that customers are largely well supported once they come to us for support. It also outlined ways we could improve our proactive communications and outreach to ensure customers are made aware of the support that is available to them. The recommendations have been incorporated into wider customer experience strategy and investment planning.

Wannon Water launched the first 'Build' level Financial Inclusion Action Plan (FIAP) in Australia during the year. The FIAP extends on the success of our 'foundation' FIAP and outlines how we will continue to support financial wellbeing and resilience for our customers, employees, suppliers and the wider community.

Great customer experiences are supported through effective and efficient digital systems. We procured a new billing and customer relationship management system during the year following an innovative expression of interest process in partnership with Goulburn Valley Water, and an extensive tender process. Our Board approved the tender outcome, business case and budget in June, ready for the project to begin in 2022/23.

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 2021/22, owner-occupiers paid an average bill of \$1,092 based on our region's average annual residential consumption of 144 kilolitres. The annual bill for a residential customer with a consumption of 200 kilolitres was \$1,203.

Social sustainability

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

Community Service Obligations	2021/22 (\$)	2020/21 (\$)	2019/20 (\$)	2018/19 (\$)	2017/18 (\$)
Water and sewerage concessions	3,311,020	3,546,848	3,397,662	3,354,142	3,335,651
Not-for-profit organisation rebates	296,107	300,040	226,805	314,577	272,774
Utility Relief Grant Scheme payments	99,299	33,574	84,794	94,976	60,760
Water concessions on life support machines	970	1,277	1,442	1,859	2,280
Water for Community rebate*	179,886	143,988	179,951	194,354	N/A
Total	3,887,282	4,025,727	3,890,654	3,959,908	3,671,465

* 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 2022, instalment plans were in place for 2,784 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 2021/22	Total value 2021/22 (\$)	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 (\$)
High water usage allowances	373	240,997	338	157,404	353	186,842	346	203,471
Hardship rebates	151	33,339	177	56,376	180	52,868	184	54,234
Total	524	274,336	515	213,780	533	239,710	530	257,705

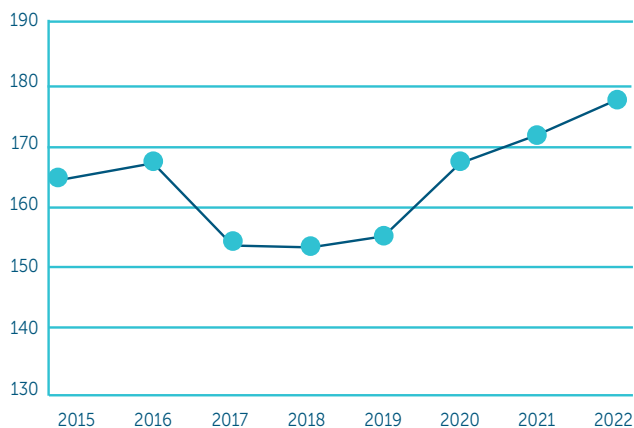
Water consumption

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 the long-term trend. The output of this is a correction factor which is then multiplied by the consumption for that year. This means when looking at the data below, water use can be more accurately compared as a behavioral trend rather than a climate-driven trend.

Residential water use

Residential use, once climate corrected, was 178.1 litres/person/day in 2021/22, which is higher than last year's usage of 171.1 litres/person/day. The trend since 2017 suggests we are seeing an increase in residential water use.

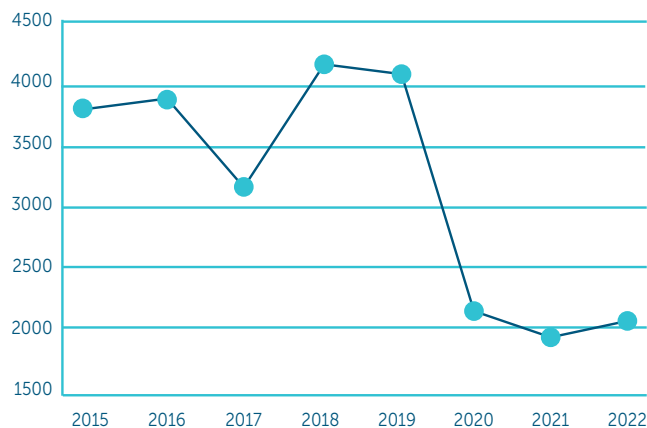
Residential Water Use (litres/person/day)



Rural water use

A notable reduction in the rural water use trend has been observed over the past decade. This has been particularly noticeable in the last three years. The usage for the 2021/22 year was 2099.6 litres/connection/day.

Rural Water Use (litres/connection/day)



Non-residential water use

Non-residential water use per connection (when climate corrected) has increased from the previous year to 2827.9 litres/connection

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



WATER CONSUMPTION BY TOWN/CITY (MEGALITRES) 2021/22

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	326	55.5	39	77.4	9	27.8	374	160.7	143.3	205
Balmoral	106	13.5	29	6.3	17	6.8	152	26.5	31.8	153
Balmoral Pipeline*	-	-	-	-	3	2.6	3	2.6	6.4	-
Camperdown	1,662	245.2	214	118.9	-	-	1,876	364.0	382.6	178
Camperdown Rural	-	-	-	-	408	436.3	408	436.3	437.2	-
Caramut	57	9.5	10	4.2	7	3.2	74	16.9	17.6	201
Caramut Pipeline*	-	-	-	-	11	2.6	11	2.6	2.4	-
Casterton	821	109.2	144	48.2	24	9.4	989	166.8	167.2	161
Cavendish	76	7.9	19	1.8	4	1.2	99	11.0	11.1	126
Cobden Rural	-	-	-	-	18	22.6	18	22.6	19.6	-
Cobden Urban	727	107.3	106	521.3	86	82.1	919	710.6	742.9	178
Coleraine	524	57.8	80	26.1	16	4.4	620	88.2	83.2	133
Coleraine Pipeline*	-	-	-	-	4	1.2	4	1.2	1.3	-
Darlington*	19	1.5	3	0.1	-	-	22	1.6	2.2	93
Dartmoor	131	13.9	19	3.3	-	-	150	17.1	18.2	128
Dunkeld	326	53.8	48	16.3	28	11.7	402	81.8	89.0	199
Glenthompson	99	9.0	24	1.2	8	0.6	131	10.9	12.2	110
Hamilton	4,837	750.4	647	258.0	43	19.1	5,527	1,027.5	978.6	187
Hamilton Pipeline*	-	-	-	-	36	10.7	36	10.7	16.1	-
Heywood	661	91.8	105	27.9	2	0.0	768	119.7	119.7	168
Konongwootong Pipeline*	-	-	-	-	66	71.8	66	71.8	48.3	-
Koroit	803	121.7	57	318.9	3	1.2	863	441.9	382.2	183
Lismore & Derrinalum	357	39.2	76	14.1	80	35.2	513	88.5	103.4	133
Macarthur	138	12.5	35	3.1	2	0.4	175	16.0	17.4	109
Merino	129	18.2	20	4.8	37	11.5	186	34.5	32.9	170
Mortlake	596	80.2	92	55.1	5	10.0	693	145.3	143.2	162
Noorat & Glenormiston	161	28.5	19	11.7	78	46.0	258	86.2	90.2	214
North Otway Pipeline*	-	-	1	1,100.4	461	397.4	462	1,497.8	1,553.3	-
Penshurst	271	35.2	49	22.2	1	0.0	321	57.4	53.9	157
Peterborough	351	24.9	15	9.4	10	12.0	376	46.2	44.2	85
Port Campbell	272	25.6	40	32.6	-	-	312	58.2	66.5	113
Port Fairy	2,203	275.8	225	245.1	4	0.4	2,432	521.3	546.4	151
Portland	5,282	725.0	693	607.0	6	1.5	5,981	1,333.5	1,331.8	166
Purnim	-	-	-	-	103	35.4	103	35.4	29.9	-
Sandford	59	8.4	4	0.3	29	8.4	92	17.1	17.6	172
Simpson	79	10.2	18	9.5	10	11.7	107	31.4	45.4	156
Tarrington	143	27.4	6	3.2	16	5.0	165	35.6	32.4	231
Terang	955	142.1	142	40.5	1	6.5	1,098	189.1	188.9	180
Timboon	436	56.5	78	35.8	112	59.1	626	151.3	150.9	156
Tullich Pipeline*	-	-	-	-	7	1.2	7	1.2	1.5	-
Warrnambool	15,377	2,329.1	1,597	1,182.2	21	10.1	16,995	3,521.4	3,445.3	183
Willaura Pipeline*	-	-	-	-	30	18.4	30	18.4	22.7	-
Totals	37,984	5,487	4,654	4,807	1,806	1,385	44,444	11,679	11,631	174

* Non-drinking water districts

TOTAL DRINKING AND NON-DRINKING WATER CONSUMPTION 2021/22

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	37,965	5,485	4,650	3,706	1,188	879	43,803	10,071	9,977
Non-Drinking Water	19	1	4	1,101	618	506	641	1,608	1,654
Totals	37,984	5,487	4,654	4,807	1,806	1,385	44,444	11,679	11,631

WATER CONSUMPTION BY SYSTEM (MEGALITRES)

System	2021/22 volume (ML)	Change	2020/21 volume (ML)	Change	2019/20 volume (ML)	Change	2018/19 volume (ML)	Change	2017/18 volume (ML)	Change
East Dilwyn	256	14%	224	-12%	253	-13%	292	3%	284	11%
Grampians	1,225	10%	1,118	-7%	1,197	-4%	1,251	3%	1,211	9%
Other	166	24%	134	-8%	145	3%	141	16%	122	6%
Otway	7,731	6%	7,294	-4%	7,567	-4%	7,889	-2%	8,056	14%
Tullich	309	10%	281	-6%	300	-9%	328	10%	299	9%
West Dilwyn	1,992	3%	1,937	-3%	2,007	-4%	2,084	1%	2,060	6%
Totals	11,679	6%	10,987	-4%	11,470	-4%	11,986	0%	12,032	12%

NON-REVENUE WATER

	2021/22 (ML)	2020/21 (ML)
Leakage	13,81	1,347
Fire fighting	6	8
Other (including flushing)	51	28
Total	1,438	1,383

CORPORATE WATER CONSUMPTION

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

Office location	Total full-time equivalent employees ¹	Office space (m ²)	Water consumption (kL)	kL/FTE	Water consumption by office space (L/m ²)
25 Gateway Rd, Warrnambool ¹	126	3,530	324	2.6	92
15 Townsend St, Portland	8	278.4	18	2.3	65
66 Gray St, Hamilton ²	6	614.7	234	39.0	381
Total	140	4,423.1	576	4.1	130

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

² A water leak was identified in a cistern in a part of the office that is no longer used. The urinal has been scheduled to be replaced. Further, pressure cleaning of hard surfaces was also undertaken during the year.

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 2021/22	No. customers 2020/21	No. customers 2019/20	No. customers 2018/19	No. customers 2017/18
100ML to 200ML	1	3	2	3	1
200ML to 300ML	4	1	2	0	2
300ML to 400ML	0	1	1	2	1
400ML to 500ML	1	0	0	0	1
500ML to 750ML	0	1	1	1	1
750ML to 1,000ML	0	0	0	0	0
Greater than 1,000ML	1	1	1	1	1
Total no. of customers	7	7	7	7	7

MAJOR CUSTOMER PARTICIPATION IN WATER CONSERVATION PROGRAMS

We encourage 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 to clean cleaning tanker trucks and for secondary use in site boilers, and stork driers. Fonterra is also running a leak identification campaign and has implemented a wide variety of cleaner production initiatives to minimise water use.
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. Midfield will complete an ultra-filtration plant trial in November 2022 that will hopefully allow them to re-use as much as possible.
Bega Cheese Limited - Koroit	Bega is investigating improvements to their monitoring equipment and data for better asset management which will support water consumption savings. The company is currently installing in-line monitoring systems in areas where there is high water usage to identify and prevent spikes.
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 2021/22
Allansford	293
Camperdown	1,736
Camperdown Rural	2
Casterton	820
Cobden Urban	765
Coleraine	558
Dunkeld	283
Hamilton	4,928
Heywood	709
Koroit	825
Mortlake	609
Noorat & Glenormiston	2
Peterborough	318
Port Campbell	274
Port Fairy	2,232
Portland	5,698
Simpson	81
Terang	1,007
Timboon	440
Warrnambool	16,571
Total	38,151

SEWAGE TREATMENT PLANT DISCHARGE VOLUMES

City/town	2021/22 ML	2020/21 ML	Change
Camperdown domestic	389	334	16%
Camperdown industrial	17	44	-61%
Casterton	90	89	1%
Cobden	226	247	-9%
Coleraine	28	30	-7%
Dunkeld	27	13	108%
Hamilton	668	360	86%
Heywood	412	351	17%
Mortlake	251	185	36%
Peterborough	8	21	-62%
Port Campbell	70	47	49%
Portland	2,021	1,820	11%
Port Fairy domestic	730	709	3%
Port Fairy industrial	122	143	-15%
Simpson	23	28	-18%
Terang	168	148	14%
Timboon	69	72	-4%
Warrnambool	5,664	5,726	-1%
Total	10,982	10,367	6%

Case study

Making the 'invisible visible'

We know from our community engagement work that, when many customers think about Wannon Water, they naturally think 'water'.

Promoting the value of our water services is easy. Our customers recognise the importance of water each time they fill a glass of water, wash the dishes, clean their hands, take a shower, or water their garden.

This year we were keen to educate them about the other side of the story because we all know that what goes in, must come out! For those customers in a town that has a sewerage network, one of the components of their quarterly bills is the sewerage service charge.

That's why we launched a quirky new campaign to make the "invisible visible" and highlight the importance of the sewerage service.

Our Big Brown Bin campaign focuses on the amount of sewage and wastewater that residential customers produce each week.

We estimated that the average family contributes 2,400 litres to the sewerage network on a weekly basis. This includes sewage from their toilets and wastewater from things like showers, baths, sinks and washing machines.

To make it relatable, we converted the figure to represent 80-litre rubbish bins, meaning the average family would produce 30 bins each week. Just imagine having to cart those out onto your nature strip ready for their weekly collection!

While the Big Brown Bin concept is just a bit of fun, the message is important.

At Wannon Water, we're more than just water. Our sewerage service helps protect public health and the environment and, as the campaign messaging states, we're here to take a load off our customers' minds.

The campaign featured a series of three short videos filmed in one of our customer's homes. They ran on our social media pages, reaching 41,000 people and achieving more than 13,500 views. The videos were also played around 250 times as part of a local cinema promotion.

We're planning a campaign follow-up in the next 12 months to outline what happens to sewage and wastewater once it leaves a property. The aim is to raise awareness about the impacts that non-biodegradable products, such as wet wipes, can have on private plumbing and the sewerage network.



Section 4: Our communities

Partnering for stronger communities

We are proud of our community partnership programs that deliver shared value for our customers, our communities and us. They are vital in meeting our commitment to go beyond water for strong communities.

The Ripple Effect

Our support program, known as the *Ripple Effect*, provides grants and sponsorship to eligible organisations planning projects or events that contribute to the themes in our community strategy:

- Regional prosperity
- Education, training and volunteering.
- Health and wellbeing
- Natural environment.

Grants program

Our annual *Ripple Effect* grants program helps community groups and schools run projects and activities, provides funding for international aid projects and supports catchment management authorities with environmental projects.

Organisation	Description	Outcomes	Total grant	2021/22 allocation
COMMUNITY GRANTS (UP TO \$5,000)				
Neil Porter Legacy	Elective classes for secondary school students aiming to give students exposure to industry and meet potential future employers	Students from years 9–12 toured workplaces, spoken with industry members and gained hands-on experience. This increased their ability to make informed career choices and improved industry connections with schools and teachers.	\$4,000	\$4,000
United Way Glenelg	Dolly Parton Imagination Library	In the first six months of taking part, 90% of children were being read to regularly and the number of parents reading to their child for between 11–20 minutes tripled. The longer families participated, parents had more interactions with their children while reading a book, increased reading session times, and read to their children more often each day.	\$5,000	\$5,000
Worn Gundidj	Yorakin Women's Program	Provided social inclusion and recreation activities for Indigenous women within the Warrnambool region, including art and yarning sessions that allowed for cultural education and the opportunity for women to showcase their creativity.	\$2,500	\$2,500



Loved & Shared	Establishing a premises	Purchased office equipment to support the establishment of a premises in Warrnambool for the charity which partners with community groups and services to distribute gifted nursery and children's goods to families to help them raise thriving children.	\$4,400	\$4,400
Hamilton-Coleraine Reserve - Railway Line Committee	Rail trail culverts	Improved access to the rail reserve with local volunteers installing the culverts.	\$2,500	\$2,500
Warrnambool Fire Brigade	Competition trailer	The trailer stores and transports safety equipment to competitions across the district.	\$2,500	\$2,500
Rotary Club of Cobden	Club storage shed extension	Extended the club's storage shed to house a large barbecue trailer that is available for community event hire.	\$3,000	\$3,000
Portland Citizen's Brass Band	Training band	Supported the purchase of six new instruments and other music equipment for the recently formed, volunteer-run training band.	\$4,000	\$4,000
Dennington Football Netball Club	Kitchen upgrade	Supported the purchase of a new dishwasher to assist volunteers in preparing and serving more than 150 weekly meals.	\$2,000	\$2,000
Tyrendarra Football Netball Club	Girls Just Wanna Have Fun - Back From COVID	Purchased 10 new netball dresses for loan to plus-sized women players, increasing inclusion and participation.	\$830	\$830
Terang and District Netball Association	Club equipment update	Updated netball equipment allowing for increased participation, with over 130 local children joining in the sport.	\$1,270	\$1,270

SCHOOL GRANTS (UP TO \$1,000)

Merri River School	Merri River revegetation	Removed unwanted and non-native species of flora and replaced them with native trees, shrubs and grasses which returned a 60-metre section of riverside to its pre-farming state. The project engaged a lot of students throughout the planting process, and with colouring and decorating the tree guards.	\$500	\$500
Cobden Technical School	Mental health wellbeing day	Provided a free healthy lunch to students and show bags with relevant information including how to look after their wellbeing and where they could access supports.	\$1,000	\$1,000
Wave Campus - Warrnambool College	Outdoor sensory learning space	Developed an outdoor classroom sensory space allowing students to use new equipment for self-regulation and improved wellbeing.	\$1,000	\$1,000
Good Shepherd College	Junior campus kitchen garden	Built a kitchen garden to support students with applied learning. The project was student-led and brought many applied educational benefits aligned with curriculum objectives.	\$1,000	\$1,000
Heywood Consolidated Primary School	Great Gorgeous Garden Challenge	Each class allocated a garden area around the school to maintain and improve with a weekly winning class, a term winning class and an end-of-year champion class. Instilled ownership and pride in the students by making them responsible for the grounds. Helped them to understand the impact plants have on the environment and to make informed decisions on what to plant and where to plant it.	\$1,000	\$1,000

INTERNATIONAL AID (UP TO \$4,000)

Days for Girls, Portland	Women's health project	A group of 30 volunteers made 354 sustainable hygiene kits distributed to girls/women living in the Philippines and Sri Lanka	\$2,000	\$2,000
Rotary Club of Warrnambool	Popondetta Secondary School in Oro Province, Papua New Guinea	Purchased a solar submersible pump to help provide a low cost, reliable source of clean water for a secondary boarding school's students and teaching and support personnel.	\$2,000	\$2,000

Organisation	Description	Outcomes	Total grant	2021/22 allocation
CATCHMENT MANAGEMENT AUTHORITY GRANTS				
Glenelg Hopkins CMA	Waterway health and beautification works on the Grange Burn river system – Hamilton. Scoping discussions for a new project on the Merri River – Warrnambool.	Established around 3,500 plants as part of the Grange Burn revegetation program. Identified significant flora and fauna values at the Woodend Road wetland in Warrnambool.	\$80,000	\$20,000
Corangamite CMA	Co-investment prioritisation for the Gellibrand Catchment	Delivered the final report of an investment framework for an environmental resources review with multiple agency stakeholders. It identifies a preferred investment strategy to enhance catchment health and reduce future water treatment costs. Deeper engagement opportunities were highlighted, including with Eastern Maar Traditional Owners to ensure cultural values are protected and enhanced through any management actions.	\$60,000	\$20,000
TOTAL			\$180,500	\$80,500

SPONSORSHIP PROGRAM

Members and students of 76 community groups, sporting clubs and schools benefited from our Ripple Effect sponsorship program. More than 5,000 items of merchandise including water bottles, sports prize packs, shopping bags, back sacks, trigger nozzles and team sports bottle sets were distributed across the region.

This year we reviewed the program to ensure it aligned with our Social Procurement Policy and the expectations of our customers. Two of our trainees led an important part of the review, collaborating with a group of Warrnambool students to consider the sustainability of our water bottles. The students researched eco-friendly alternatives, resulting in the launch of a newly designed aluminium bottle. A range of other new products have also been identified and will be tested in the next 12 months.

Community partnerships

As an organisation that services the whole of South West Victoria, we have a strong commitment to regional prosperity and strive to be influential community partners.

We continued our leadership role in Thriving Communities Partnership South West Victoria, working with nine other government, business and not-for-profit organisations. This year the partnership secured funding for an executive officer and other in-kind resources to further the chapter's reach and impact.

Other leadership roles have included the Regional Leaders Forum, Great South Coast Integrated Waste Management Forum, Great South Coast Food and Fibre's Realise the Water Opportunity Committee, Great South Coast Economic Future Implementation Committee, South West Victoria Alliance Board, the Key Worker Housing Project Steering Committee and Committee for Portland.

Education

Highlights of our education program included a refresh of our education branding and resources and the development of our new online Learning Centre.

Once again, our school incursion program was impacted by COVID-19 restrictions but we adapted so we could deliver it as effectively as possible. More than 200 students were engaged in pre-school sessions and more than 400 in primary school events.

We ran three competitions for National Water Week, World Water Day and a sustainability event, partnering with other water agencies and attracting more than 250 entries.

Our community education program will be a focus in the next 12 months. More than 200 people took part in sessions in 2021/22 and we would like to increase our presence across the region with topics targeted to particular audiences backed up with new resources and online tools.

Aboriginal values

We continue to listen, learn and better understand the context for Aboriginal and Torres Strait Islander Peoples living on Gunditjmarra 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 2021/22, we built relationships and increased employee understanding of Aboriginal and Torres Strait Islander cultures, histories, knowledge and rights within our organisation as we finalised our first Reflect Reconciliation Action Plan. The process provided valuable learnings to take forward in our relationship building and ways of working. The reflective nature of the plan has been an important context.

We've noticed that more employees have been acknowledging Country in their meetings and are sharing learnings with colleagues to extend our collective understanding of our shared history. We're looking forward to our employees being able to participate in cultural learning on Country as these options become available and COVIDsafe settings enable it. Employees participated in a Peek Whurrong language session as part of our Growth Week learning and development program in late 2021, and supported and attended National Reconciliation Week activities in the community in 2022.

In conjunction with DELWP, we conducted Great South Coast Integrated Water Management (IWM) forums and practitioner workshops and continued to liaise and learn with Aboriginal Water Officers at Gunditj Mirring Traditional Owner Aboriginal Corporation and Eastern Maar Aboriginal Corporation about water management.

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

- Worn Gundidj who received a grant through our Ripple Effect program to deliver the Yorakin Women's Program
- Wata Waetnanda who developed displays for National Reconciliation Week and National Sorry Day, hosted an opening ceremony, and hosted a film 'Servant or Slave'.

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 about 29 buildings and 14 field connections. The project was completed during the year and included the removal of old infrastructure that was no longer required. We have benefitted from increased

cultural knowledge of the area and we thank the community for sharing their knowledge and Country with us.

- We have been liaising with Eastern Maar Aboriginal Corporation on several opportunities in support of the priorities and goals outlined in their Country Plan 'Meerreengeeye ngakeepoorryeeyt'.

On Gunditjmarra County we were pleased to:

- Support Gunditj Mirring Traditional Owner Aboriginal Corporation's application and allocation of 2.5 gigalitres of unallocated water in the Palawarra (Fitzroy River) system.
- Be a project partner of the Indigenous War Memorial Mural on the Heywood water tower and celebrate its completion. This was an important project that provided support for truth telling, education, acknowledgement and economic benefit.

Recognising cultural heritage

We will incorporate traditional ecological knowledge into water planning and management through connection and engagement with Traditional Owners and by supporting the development of Aboriginal Waterway Assessments and strategic planning by representative organisations. We protect cultural heritage through Cultural Heritage Management Plans, Cultural Heritage Permits, contingency planning and training staff to recognise and understand cultural heritage values.

This year, we prepared one cultural heritage management plan for Port Campbell's second groundwater bore in accordance with the *Aboriginal Heritage Act 2006*. We appointed a cultural heritage consultant to prepare the plan and liaise with Registered Aboriginal Party applicants.


Any cultural heritage management plans currently being prepared will be included in future reporting periods once completed.

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. This provides a strategic, organisation-wide approach to how we deliver social and sustainable outcomes through our procurement and according to the SPF.

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



Social procurement priorities	Outcomes sought	Performance indicators
Support 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 with Victorian social and disability enterprises businesses Increasing direct spend with Victorian Aboriginal business sector businesses
Champion and deliver 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.
Develop and share 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

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

- We used social and disability enterprises to deliver catering, vehicle cleaning and grass cutting services with around \$23,000 spent with social enterprise business in 2021/22.
- We engaged 12 suppliers that have social benefit (i.e. led by a social mission for one of the five disadvantaged cohorts) with a spend value of \$370,000.
- While our direct spend with Aboriginal business has decreased, our indirect spend with Aboriginal business has increased with:
 - The engagement of a meter reading contractor who is an active member of Supply Nation
 - Our contracted cleaning services provider using a range of cleaning products and supplies from Wirrapanda Supplies.

Champion and deliver women's equality and safety:

- We included our supplier code of practice within two of our major contracts. Tenderers were able to self-assess internal processes relating to family violence and gender equity. The companies engaged have family violence identification and management practices in place for their

employees, and training programs are in place to identify and manage customers who may be experiencing family violence when delivering the contractual works.

Provide opportunities for disadvantaged Victorians:

- We created an all-ability position within the Corporate Services Branch and recruited an employee.
- We increased the number of contracts assessed against our supplier code of practice categories of workforce and wellbeing, gender equity, supply chain, disability support, and reconciliation with Aboriginal and Torres Strait Islander Australians.
- We are committed to creating employment opportunities for people in Victorian regions meaning 26.64 per cent (\$11.07 million) of our total non-employee expenditure was spent with suppliers in our service region.

Develop and share knowledge of human rights and supply chain risks

- We participated as an active member in the VicWater Social Procurement Working Group.

While the four prioritised SPF objectives guide the delivery of our procurement, we are committed to pursuing any opportunities to advance social and sustainable outcomes for Victorians.

Case study Western District Employment Access (WDEA)

For 30 years, WDEA Works has been reaching a helping hand out to its local communities, improving the lives of people through employment and connection.

Based in South West Victoria, WDEA Works is a community focused, not-for-profit organisation offering Workforce Australia employment services, disability employment services, training, wellbeing services, social enterprises, and National Disability Insurance Scheme programs and activities.

As part of our Accessibility Inclusion Action Plan, we partnered with WDEA to create an employment/labour hire all-ability position within the Corporate Services Branch. The role assists the functioning of our office, including stocking consumables in common amenities and supporting the upkeep of facilities and stock management.

Brendan Bourke has filled this role and brings a friendly and unique perspective to our workplace. Brendan loves spending his time outside while working at our Gateway Road corporate office.

Case study ARA Cleaning Services Pty Ltd

Our cleaning contractor, ARA Cleaning Services, uses a range of cleaning products and supplies from Wirrapanda Supplies, a firm that contributes 3 per cent of all sales profits to the Wirrapanda Foundation. The foundation aims to improve the quality of life for Aboriginal and Torres Strait Islander People across four pillars of education, employment, justice and sport.

ARA recognises the positive influence of good corporate citizenship and are committed to the sustainability of the communities in which they work and live. They support our community through a partnership with Very Special Kids, their RAP, and a close partnership with ARA Indigenous Services (formerly CMC Indigenous Services).



Enhancing recreational outcomes

During the year we developed our first Recreation Opportunities Strategy, identifying potential ways we could increase community health and wellbeing outcomes through access to our assets.

The project was funded through the DELWP Recreational Values Program, and included engagement with communities across our service region.

The approach and findings are expected to have broader relevance in the water sector and a toolkit has been developed for distribution to our peers. The project links strongly to Public Health and Wellbeing Plans prepared by local governments in our region and expands the Recreational Values of Water concepts contained in *Water for Victoria*.

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 2021/22, we provided \$179,886 in rebates to 237 customers.

The Water for Community program also helps to fund accessible water refill units in public spaces, supporting hydration for the community, and providing environmental and financial benefits. It aims to encourage people to reuse and refill their water bottles and educate people on ways they can contribute to a cleaner and healthier future.

Ten units were installed across the region, providing free drinking water in places such as rail trails, public parks, swimming pools and tennis courts.

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 benefit of our region.

Our Managing Director, Andrew Jeffers, is a director of the South West Victoria Alliance, 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 or continuing across the region.

We worked closely with the Warrnambool City Council and consultants on the East of Aberline Precinct Structure Plan, providing input to the development of an Integrated Water Management (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 have 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.

A project that started life as the IWM Great South Coast Urban Water Atlas has continued as 'business as usual' between Wannon Water and six local government areas. The atlas supports a GIS-based process that shares data on a spatial layer of 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.

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 resource management

Urban Water Strategy

Our Urban Water Strategy 2022-2070 is consistent with the government's Water for Victoria plan and has been prepared in the last 24 months in consultation with customers, local councils, industry, businesses, other water agencies and traditional owner groups. Soon to be publicly released, it provides a detailed forecast of water demands across the region, considering 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.

Our major industrial customers indicated there would be no significant increase to their consumptive demand. Therefore, the biggest drivers of change to our water supply systems are residential growth and the future impacts of climate change on our surface water systems.

Our surface water systems are secure under the current expected impacts of climate change. However, if a drier climate eventuates, we are prepared with augmentation options to be implemented by as early as 2031 to ensure our surface water systems are secure into the long-term future. These options include:

- Otway system - bringing the Curdievale bore online to meet the growing demand of Warrnambool and expanding the capacity of our Ewens Hill Reservoir.
- Grampians system - purchasing additional allocation from Rocklands Reservoir and investigating secure groundwater sources.

The strategy demonstrates that our groundwater systems have sufficient supply to meet projected demand for the next 50 years. Additionally, our roof water harvesting initiative is continuing to expand with the new developments in Warrnambool.

Warrnambool Roof Water Harvesting Scheme

Our Warrnambool 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 up to 4,000 new homes to be constructed will form an urban catchment that is expected to contribute 620 megalitres of water each year (8 per cent of the Warrnambool system supply) into the Brierly Basin and then be treated at the Warrnambool Water Treatment Plant for urban drinking water.

The system is expanding with subdivisional construction 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.



Water efficiency initiatives

We are 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 sustainability, regardless of whether water restrictions are on the horizon for our region or not.

During the last 12 months, we've undertaken an internal review of opportunities to promote and be involved with more water efficient programs in the future.

An action list has been developed which will be implemented with the release of our 2022 Urban Water Strategy. Actions include social media campaigns, promotion and involvement with National Water Week, building better water use data platforms and building business cases for water saving initiatives.

Drought response

Our Drought Response Plan is designed 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.

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.

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.

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 Integrated Water Management (IWM) Forum. Established in 2018, members of the forum include local government, the Glenelg Hopkins 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.

Multiple 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.

New projects

The forum supported six collaborative projects with grant applications across the region for recent funding with the following three projects being successful:

ENABLING IWM WITH DEVELOPERS

Led by Wannon Water, this project is a partnership between the Great South Coast IWM Forum and the Goulburn Broken IWM Forum. It aims to deliver changes in how infrastructure planning is completed for urban development in regional Victoria. This will enable early and genuine adoption of IWM approaches among developers, with benefits extending across regional Victoria.

HAMILTON ROOF WATER HARVESTING EXPANSION

Opportunities for roof water harvesting were identified in the Hamilton IWM Plan completed in 2020. This project will use the roofs at the Hamilton Indoor Leisure and Aquatic Centre/showgrounds and the Hamilton Regional Livestock Exchange to provide an alternative fit-for-purpose water supply for those locations.

LAKE PERTOBE IWM PLAN

This project aims to enhance the overall amenity of Warrnambool's Lake Pertobe. It will consider improving stormwater quality and reuse, aquifer recharge, water balance and ecological values. It will also increase community understanding of indigenous values associated with waterways and open space, and their awareness of water issues.

Existing projects

Wannon Water continues to progress and support other IWM projects including:

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 has been developed and discussed with the community throughout early 2022. There is no funding for this project to date, but grant application have been submitted.

THE GREAT SOUTH COAST URBAN DRAINAGE COMMUNITY OF PRACTICE

This group consists of drainage engineers, asset managers, sustainability officers, planners and waterway health officers from councils, catchment management authorities and Wannon Water. The group now has a shared knowledge hub for IWM projects, where learnings and project inspiration can be drawn. This project has been successful in 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 has seen the retrofitting of 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 reduces extractions from the environment for potable use and reduces stormwater flows with associated flooding and waterway health impacts. The largest single roof (over a bowling club green) and a number of other roofs are now harvesting water following the connection of new trunk mains to our raw water storage.

Bulk Water Entitlements

A Bulk Entitlement is a legal right to water granted by the Minister for Water under the *Bulk 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
- 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. We achieved 100 per cent compliance with these requirements in 2021/22.

With regard to the reporting requirements for each of our Bulk Entitlements during 2021/22, the following clauses are common to all:

- We 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.
- We did not seek to amend any of our Bulk Entitlements
- No new Bulk Entitlements were granted to us;
- We complied with all Bulk Entitlement conditions
- No difficulties were experienced in complying with any Bulk Entitlements.

In addition to these, during 2021/22, 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, three megalitres was taken by the Hamilton Pipeline offtake and 36 megalitres by the Balmoral offtake
- We 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.

Bulk Entitlement Order	Bulk Entitlement volume (ML)	Volume extracted in 2021/22 (ML)	Percentage of Bulk Entitlement extracted in 2021/22 (ML)	Water in storage at 30 June 2022 (ML)	Water level at 30 June 2022 (m)	Reporting requirement clause
Otway System Conversion Order 1998	12,580	9,077	72%	2,044	N/A*	Clause 12
Hamilton Conversion Order 1997	3,435	1,128	33%	1,851	N/A*	Clause 12
Dunkeld System Conversion Order 1997	170	5	3%	9	1.9	Clause 13
Glenthompson Conversion Order 1997	94	-1*	-1%	59	2.6	Clause 13
Coleraine, Casterton and Sandford Conversion Order 1997	885	89	10%	1,844	5.4	Clause 13
Wimmera and Glenelg Rivers – Wannon Water Conversion Order 2010	2,120	3 (Hamilton) 36 (Balmoral)	2%	6,148	N/A	Clause 13
Willaura System – Wannon Water Conversion Order 2012	58	28	48%	N/A	N/A	Clause 10

* Note: Water delivered from Willaura by Grampians Wimmera Murray Water to Glenthompson less (Willaura pipeline customers plus Glenthompson customers). In this period, this equated to 28 - (10.9+18.4) = -1.3ML (rounded to -1ML). The Glenthompson reservoir has a high evaporation rate of ~20ML per year. If the catchment has a year of low rainfall like we did last year, evaporation will be higher than what the catchment received from rainfall. Water received from Willaura is counted in the Willaura System Conversion Order 2012.

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 2021/22 (ML)
Albert Park	BEE024155 (1152971)	750	470
Bullawin	BEE026192 (911313)	1,102	0
Caramut	BEE021943 (924563)	50	29
Carlisle	BEE029488 (9016487)	1,800	21
Casterton	BEE022551 (885355)	1,000	387
Condah	4001451	N/A	N/A
Curdievale	904309	2,150	0
Darlington	BEE021827 (1082159)	10	2.7
Dartmoor	9016786	150	20
Heywood	900184	333	150
Koroit	BEE029066 (899038)	524	0
Macarthur	BEE021944 (4001451)	130	25
Mocamboro	BEE026109 (903701)	100	0
Mortlake	BEE030858 (907049)	335	22
Penshurst	BEE036146 (914444)	250	85
Port Campbell	BEE026252 (904309)	1,009	320
Port Fairy	890472	1,026	616
Portland	923621	6,222	1,459

Water recycling

Volumes of recycled water totalled 1,962 megalitres in 2021/22. This volume represented 18 per cent of the overall available supply of treated effluent, an increase of 3 per cent on last year.

The bulk of the available supply of recycled water goes to ocean through outfalls 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. This recycled water 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 one megalitre of process water supplied to the Origin Mortlake Power Station for turbine cooling over the summer period.

Recycled water was re-used for agriculture on Wannon Water farms over the irrigation season. We also re-used 83 megalitres at the Warrnambool Sewage Treatment Plant screening plant and in the solids removal process, offsetting the use of drinking water for washdown purposes for this site.

We are continuing to investigate and evaluate alternate uses for recycled water across the region.

Support for industry

We work with regional 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.

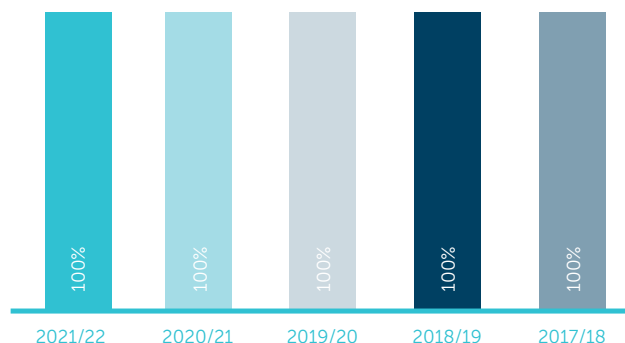
Biosolids re-use

Our biosolids re-use 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 re-used 100 per cent of available biosolids by applying 5,348 dry tonnes to three re-use farms.

Percentage of Biosolids Re-used



Mitigating and adapting to climate change

Our 2021/22 Corporate Plan included a target to reduce our greenhouse gas emissions by no less than 40 per cent by 2025 and to achieve net-zero emissions by 2050. During the year we increased our ambitions and committed to reach net-zero emissions by 2030 – 20 years earlier than initially planned.

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 carbon sequestration 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

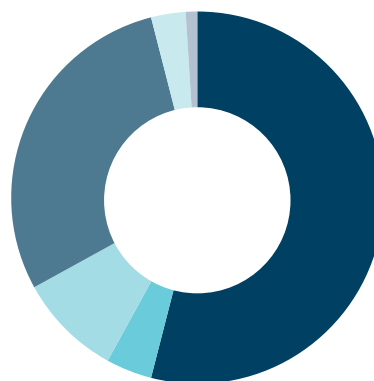
During 2021/22, we produced reportable greenhouse gas emissions of 25,680 tonnes, a level consistent with achieving our commitments and in line with the target in our corporate plan.

Major storm damage to our Arkins Creek weir pipeline resulted in additional water pumping during the summer period, contributing to an increase in water treatment emissions by 26 per cent.

Sewage treatment and management emissions decreased by 2 per cent from the previous year. A range of factors contributed to this result, including a lower concentration of organics, an improved grid emissions factor, and energy efficiency improvements at major plants.

Fleet emissions dropped by 1 per cent and total distance travelled remained similar to the previous year. Office energy use increased as staff returned to the office after extended periods of working from home due to the pandemic.

Our wind and solar energy projects produced 2,506 MWh of renewable electricity during the year.



	%
Sewage Treatment	54
Sewer Pumping	4
Sewage Total	58
Water Treatment	9
Water Pumping	29
Water Total	38
Transport	3
Other	1

Emission by activity (t CO ₂ -e)	2021/22	2020/21	2019/20	2018/19	2017/18
Water treatment	11,759	9,331	9,621	12,055	12,502
Sewage treatment	13,314	13,607	16,014	17,233	16,992
Transport	627	631	657	707	715
Other (including office energy use)	392	318	364	495	465
Reductions / offsets	-412	0	0	0	0
Total	25,680	23,887	26,656	30,490	30,674

Performance indicator	Greenhouse gas emissions in tonnes of CO ₂ -e (tonnes)		Variance % (tonnes)	Commentary
	2021/22 projected	2021/22 result		
Water treatment and supply	N/A*	11,759		Storm damage to the Arkins Creek weir pipeline prevented the normal gravity flow of water, requiring extensive pumping during the summer. This increased energy consumption and resulted in higher than expected emissions. The pipeline has been repaired.
Sewage collection, treatment and recycling	N/A*	13,314		
Transport	N/A*	627		
Other	N/A*	392		
Total emissions	25,680	26,092		
Carbon Offsets (self-generated, retired)	N/A*	-412		A considered decision was made to surrender 412 eligible carbon offsets in this year.
Net emissions	25,680	25,680	0	

*NOTE: The 2021/22 projection is only available for the total emission figure, not individual areas.

CLIMATE ACTIVE ELIGIBLE OFFSET UNITS RETIRED

Project implemented to generate retired offset units/ supported by offset purchase	Climate active eligible offset unit	Offset quantity	Retirement date	Public registry	Offset serial numbers	Offset unit vintage year
Wannon Water Carbon Sequestration Project	ACCU	412	24/8/2022	ANREU	AU23611	2018

ELECTRICITY USE

Total electricity use	2021/22 result (MWh)	2020/21 result (MWh)
Water supply	12,136	9,604
Sewage treatment	8,757	8,688
Other	377	324
Total	21,270	18,616

Performance Indicator			Commentary
	2021/22 Renewable electricity used	2020/21 Renewable electricity used	
Solar	596	578	Solar PV projects
Hydroelectric			
Wind	1,909	1909	Portland wind turbine
Biogas		0	
Greenpower		0	
Other		0	
Total	2,506	2,487	
Percentage renewable electricity	11.78%	13.36%	

Other statutory obligations

Regional Catchment Strategies

During engagement for the 2018-23 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 the second year of the program has again been on revegetating along the Grange Burn with a second round of community 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 continuing framework for the management and improvement of rivers, estuaries and wetlands across Victoria. 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 have continued to 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 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) and the new *Environmental Protection Act*

During the year, we managed our operations to support the objectives of the State Environmental Protection Policy (Waters) and the new *Environmental Protection Act* 2017 which took effect from 1 July 2021. We also worked towards ongoing compliance with the EPA-issued licence conditions for our sewage treatment facilities, including the licensed discharge of recycled water to stream from sewage treatment plants at Hamilton, Simpson, Cobden and Heywood.

We have been proactive in transitioning to the updated obligations under the new act and have undertaken a gap analysis of our environmental governance against the new act and the implementation of plans to ensure we comply with all environmental laws.

Section 6: Our people

Culture and engagement

Organisational culture and employee engagement are directly related to performance, productivity, retention and wellbeing. When our employees are involved in, enthusiastic about, and committed to their work and our workplace, coupled with support and the right resources, they are best equipped to deliver on our key focus areas of strong communities, business excellence and value for customers.

Throughout 2021/22 we continued to focus on:

- Our Gender Equality Action Plan, Aboriginal inclusion and accessibility
- Flexible work
- Learning and development
- Preparing for the hybrid workplace
- Managing COVID-19.

Employee engagement

Employees who feel aligned with 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 *People Matter Survey* held in 2021 had a participation rate of 82 per cent of employees and identified a 73 per cent employee engagement index consistent with the 2020 result. This is a strong result and is 3 per cent higher than the public sector result.

We continue to maintain a committed workforce with 81 per cent of our employees telling us that they intend to remain employed at Wannon Water compared to the Public sector result of 67 per cent.

Employment and conduct principles

We comply with the *Public Administration Act 2004* and are committed to applying merit and equity principles when appointing employees. The selection processes ensure that applicants are assessed and evaluated fairly and equitably based on their ability to meet the key selection criteria and other accountabilities without discrimination.

Our Code of Conduct reinforces the expectations of employment consistent with the *Human Rights Act 2004*.

Responding to change

Our Service Delivery teams continued to adapt to different ways of working to maintain a safe workplace and, after an extended period of full-time work from home, many of our office-based employees returned to a hybrid workplace in March.

With 40 per cent of employees continuing to access working from home arrangements, a Hybrid Workplace Working Group was formed and has supported employees to have effective and inclusive hybrid experiences.

Department of Health recommendations have been adopted and implemented to manage the spread of COVID-19 and we continue to be agile as recommendations and the broader environment constantly changed.

Health and safety remained a focus, with ergonomic set-ups both within the home and workplace being reviewed and considered.

Our Incident Management Team delivered their 100th update to our people since the pandemic started, ensuring they were well informed about changes that impact our workforce and community. We conducted surveys and engaged with our people to understand what they wanted and how they were feeling about many of the workplace changes and COVID-19 impacts. Our sound work structures, strong record keeping, monitoring systems and assessment tools further enhance our preparation and responsiveness to the COVID-19 risk and our ability to maintain reliable services and the safety of our people.

A range of social activities was implemented to support employees re-integrating back into the workplace across our region and these were well attended.



Learning and development

We know that ongoing investment in our people enhances our performance and success. 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 human resource information system, continued to expand with the introduction of a careers portal to streamline recruitment, selection, and onboarding, and the implementation of a contracts management module this year.

We recorded just under 7,000 hours of learning and development, equating to an average of 31 hours per employee. External opportunities were somewhat limited and lower than in previous years due to the pandemic.

Growth Week provided a variety of internal professional and personal development opportunities across our workforce with topics including critical thinking and problem solving, indigenous water knowledge, Zero Harm, think safe - be safe - act safe, and small steps to a healthier lifestyle.

We supported our managers with eight sessions of our People Manager Program which aims to improve and support employees who manage people. A two-part Emerging Leaders course was designed to educate employees who may take on key leadership roles about our best practice management tools.

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

- International Water Centre Leadership Program
- Leadership Great South Coast Program
- Compass (Dattner Group)
- Insight (Executive Leadership for Women in Water)
- Victorian Water Industry Network Operators Program
- Internal and external board observer programs.

Investing in the future

Access to quality education programs and training for people in our region, including high levels of educational attainment, is essential to a skilled workforce and enhances regional prosperity.

We remain committed to providing employment opportunities for local students to develop their skills and pave a career in our region.

Our engineering scholarship program is offered every two years with the next appointment in 2023. We enjoy a strong partnership with regional employment and training providers and offer our traineeship program, with three trainees working across the Communications & Engagement, People & Wellbeing and Service Delivery branches in 2021/22.

Our involvement in local education and employment pathway initiatives include:

- Portland Future Leaders of Industry program
- Grampians Future Leaders of Industry program
- South West Emerging Leaders
- Career information sessions for secondary school groups
- Westvic Staffing Solutions Industry Connection Program
- Neil Porter Legacy Tour
- Beyond the Bell.

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.

The *Gender Equality Act 2020* demanded greater transparency through the submission of a Gender Equality Action Plan. Coupled with our Inclusion and Diversity Management Plan commitments, diversity and inclusion remains important within our organisation. We consulted widely across the workforce to inform our Gender Equality Action Plan which outlines our broad vision to support gender equality in our workforce and the region.

Our Inclusion and Diversity Committee includes 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, including return to the workplace activities

- Supported the implementation of the 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! group (Network of Wannon Water Women) enables our women to enhance their networking, collaboration, access to professional development, and support for each other as well as women and girls in our region. The NOW! group coordinated an International Women's Day event and a leadership lunch led by Board Directors.

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

Workforce Inclusion and Management Plan initiative

	2023 Target	2021/22	2020/21	2019/20	2018/19
Females who manage teams	40%	23%	24%	24%	22%

We remain accredited by WORK180 as an employer of choice to reflect our approach to recruitment and flexible work practices. WORK180 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. We have also been invited by WORK180 to participate in additional research relating to equity within workplaces.

For the 60 positions filled in 2021/22, the statistics showed:

- 43 per cent of applicants were female
- 44 per cent of short-listed candidates were female
- 43 per cent of the final appointments were female.

We explored employment pathways and partnerships for our region's Aboriginal or Torres Strait Islander peoples, including traineeships, work placements and sponsorships. COVID-19 impacted these pathways and partnerships for much of the year.

Supporting this is an outcome that our workforce represents the community that we serve, including South West Victoria's Aboriginal population of 1.8 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 supported these employees through a range of general methods, and indigenous-specific methods, such as enabling participation in the Yoorrook Justice Commission processes.

We continued to support and participate in the local Wata Waetnanda group to champion indigenous outcomes in our region, including community-based National Reconciliation Week activities.

Due to COVID-19 restrictions, it has been challenging to deliver on-country cross-cultural training experiences. During 2021/22 we made available a range of e-learning training opportunities to employees, reflected in the following table:

Completed Cultural Awareness Training	2021/22	2020/21	2019/20	2018/19	2017/18
Number of employees	30	20	27	16	0

Workforce statistics

The number of ongoing full-time equivalent employees in the reporting period increased by two, with the total all-employee head count increasing by 11. Contributing factors were the CRM Billing Project and growth in Digital Services.

Employees have been correctly classified in workforce data collection.

	30 June 2022							30 June 2021						
	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
Women	82	71	43	26	59	13	12	75	64	40	26	57	9	7
Men	142	140	129	4	132	9	8	136	135	129	5	133	2	2
Self-described	0	0	0	0	0	0	0	0	0	0	0	0	0	0
AGE														
15-24	12	12	11	0	11	1	1	10	10	8	0	8	2	2
25-34	42	41	31	2	32	9	9	35	33	28	4	30	3	3
35-44	66	59	46	14	54	6	5	63	58	47	13	56	3	2
45-54	63	61	53	7	58	3	3	64	61	54	8	60	2	1
55-64	39	36	29	7	34	3	2	36	34	29	6	33	1	1
65+	2	2	2	0	2	0	0	3	3	3	0	3	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	4	4	3	0	3	1	1	8	8	7	0	7	1	1
Band 4	59	54	47	9	52	3	2	54	51	45	6	49	3	2
Band 5	60	55	41	12	49	7	6	52	47	37	13	46	2	1
Band 6	37	35	27	5	30	5	5	35	33	27	6	31	2	2
Band 7	30	29	25	3	27	2	2	27	26	23	4	26	0	0
Band 8	14	14	11	1	12	2	2	14	13	11	2	12	1	1
Senior Manager	14	14	12	0	12	2	2	15	15	13	0	13	2	2
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	224	211	172	30	191	22	20	211	199	169	31	190	11	9

- 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, and we make a commitment to our 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, employees were offered a professional development session from New Zealand firm Leading Safety which specialises in health and safety leadership. Our Zero Harm champions received training from Thinkplace to assist their coordination of the program's aspirational activities.

Key safety initiatives

Over the last year, we continued to operate a Incident Management Team to respond to the pandemic and ensure we are maintaining the safety of our people and maintaining business continuity, and adhering to COVID-19 safety requirements.

We have successfully maintained certification to ISO 45001. This international standard is the leading OH&S certification that provides the framework for a safe and healthy workplace.

As part of our continual improvement journey, we:

- Worked closely with our field teams to implement a new electronic form which assists with risk and hazard management and the identification and control of risk. It is envisaged that this will be more intuitive and accessible, helping to keep our people safe every day.
- Embarked on a program that will review, consolidate and simplify procedures and processes across our management systems.

- Worked with WSAA and other water corporations to update WSAA's health and safety maturity model. This model provides a benchmarked approach to measure our safety culture across a range of principles.
- Attended presentations and had preliminary discussions with representatives from Melbourne Water and Deakin University to explore the possibility of using their virtual reality training for high-risk tasks such as confined space entry. The aim is to diversify the method for refresher training in the future for tasks associated with high-risk work.

Our strong safety culture and our Zero Harm aspiration is at the centre of all we do. We listen to our employees through our Health and Safety representatives and our OH&S consultative committee.

Health and wellbeing

Our Health and Wellbeing Management Plan continued to guide and inform activities. We promoted and supported a number of activities, many that coincided with national and workplace events including:

- Annual employee health and skin checks, and flu immunisations
- Active Employee Assistance Program
- Men's health luncheon and education session
- Healthy Workplace Achievement Program objectives maintained
- Mindfulness coaching
- Partnering with South West Healthcare to deliver stress and resilience training
- Working with Workplace Health and Safety to present small steps to a healthier lifestyle education
- Partnering with Bethany to deliver budgeting and wills, power of attorney and guardianship education.

Training

We adapted our approach to deliver and invest in safety and compliance training for our workforce during COVID-19. This involved a variety of methods such as online, face-to-face, and eLearning modules.

We delivered 17 learning activities this year:

- Breathing apparatus training
- Confined space entry training
- Prepare to work safely in the construction industry (formerly White Card)
- Working with heights safely
- Confined space rescue
- Operate a drain cleaning system
- Operate a high-pressure water jetter (class A)
- Cardio pulmonary resuscitation
- Traffic management training
- Prescribed industrial waste training
- Provide first aid
- Safe use and emergency response (liquefied chlorine gas) training
- Trenching and shoring accredited training
- Train track safety awareness training
- Noise awareness training
- Bushfire awareness training.

Performance measures

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

OH&S INDICATORS

	Claims	2021/22	2020/21	2019/20	2018/19	2017/18
Number of Lost Time Standard Claims		3	4	3	3	3
Number of Lost Time Standard Claims per 100 FTE		1.33	2.01	1.50	1.52	1.49
Average cost per claim		\$9,276	\$12,615	\$12,025	\$10,756	\$9,783
	Incidents					
No. of Incidents		52	68	118*	97*	41
Rate per 100 FTE		21.66	34.17	59.00	49.23	20.29

*NOTE: Increase reflects the new multi-classification reporting of incidents to support improved safety outcomes.

Section 7: Our financial performance

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

The net result for the year was a loss before tax of \$8.78 million for the reporting period – a decrease of \$11.72 million on the previous year's profit. The difference compared to the prior year relates to an increase in expenditure in 2021/22. Depreciation expense increased, compared to the prior year, following the revaluation of assets at June 2021. Consultant and contractors costs both increased, along with employee costs, but all were within budget. There were also

significant write-offs in regard to capital projects during the year, for reasons including costs being incurred too early in the project lifecycle to be capitalised, projects not proceeding, and the change in accounting treatment of IT projects/costs.

The net loss before tax was \$4.83 million more than our budget. Total revenue was 0.1 per cent (\$0.09 million) more than budget. While tariff and charges revenue were down, this was offset by increased new customer contribution revenue. Expenditure was \$4.92 million over budget. Over-expenditure occurred in the areas of depreciation, electricity and write-offs associated with capital projects, and under-expenditure in the areas of borrowing costs and employee costs.

We generated cash flows of \$18.14 million from operating activities. We were able to repay borrowings of \$2 million during the year, with investments of \$15.88 million made in capital infrastructure.

The table below provides the high-level financial results for 2021/22 compared with the previous four years.

Financial Result	2021/22 (\$'000)	2020/21 (\$'000)	2019/20 (\$'000)	2018/19 (\$'000)	2017/18 (\$'000)
Core business revenue	68,791	68,816	70,704	72,016	71,681
Capital revenue	5,070	3,255	2,335	724	448
Government contributions	778	2,506	6,283	1,277	919
Other revenue	1,822	2,588	2,723	2,661	3,914
Total revenue	76,461	77,165	82,045	76,678	76,962
Operating expenditure	54,355	46,405	46,790	46,192	45,307
Depreciation and amortisation expenditure	28,486	24,857	24,999	21,746	21,761
Finance costs	903	1,394	1,800	2,289	2,630
Other expenditure	1,496	1,739	1,703	3,315	3,072
Total expenditure	85,240	74,394	75,292	73,542	72,770
Net result before tax	(8,779)	2,771	6,753	3,136	4,192
Current assets	21,555	20,806	21,269	20,679	20,586
Non-current assets	941,393	952,168	824,546	815,808	748,044
Total assets	962,948	972,975	845,815	836,487	768,630
Current liabilities	24,087	24,692	24,271	22,336	14,999
Non-current liabilities	180,048	184,387	150,584	147,540	135,786
Total liabilities	204,135	209,079	174,855	169,876	150,785
Net cash flows from operations	18,138	27,732	35,533	30,892	26,306
Payments for property, plant and equipment (including infrastructure)	15,882	23,341	32,049	26,333	21,424

Revenue and expenses

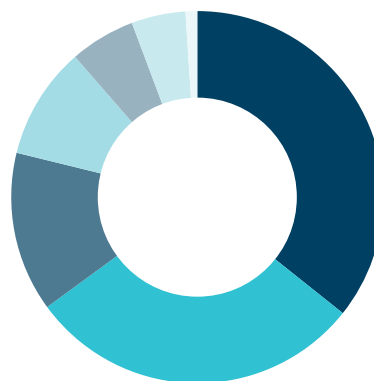
OUR REVENUE

Total revenue for the year decreased by \$0.80 million compared to the 2020/21 financial year.

Consistent with our price and growth projections, overall water and sewerage service charges decreased by 0.8 per cent from the previous year, reaffirming our commitment to deliver affordable pricing for our customers. Revenue from water usage increased by 3.2 per cent, driven by increased usage compared to the prior year across all customer types. Rural customer usage increased by 8.8 per cent, non-residential usage increased by 6.9 per cent and residential usage increased by 5.1 per cent. Total water usage was 11.68 gigalitres, which was 6.3 per cent more than the prior year, and on budget.

Trade waste volume charges and revenue from agreements with third parties decreased by \$1.38 million due to a change in waste streams from existing customers, from brine receipt to major trade waste volume charges. All other sources of trade waste revenue were consistent with the prior year.

Government funding for capital projects reduced by \$1.86 million compared to the prior year, following the completion of projects in 2020/21. This reduction was offset by an increase in gifted assets revenue of \$1.47 million from development projects across the region throughout the year.



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 increased by \$11.02 million (14.8 per cent) compared to the previous year, and were \$4.92 million over budget (6.1 per cent).

The 2021/22 year was another challenging operating environment for both us and our communities, as we adjusted to the changing conditions of the pandemic. There were some additional costs incurred responding to it and supporting our customers and employees. However, we were also able to start returning to 'normal' operating conditions, which resulted in an increase in costs more consistent with the years prior to COVID-19.

Employee benefits were up 2.7 per cent on the prior year, due to increased employee numbers as vacant positions were filled, but were under-budget by 3.4 per cent (\$0.54 million).

Depreciation/amortisation expense is our largest single expenditure item. In 2021/22, this was 9.1 per cent over budget, and 13.3 per cent higher than the prior year, due to the revaluation of assets as at June 2021.

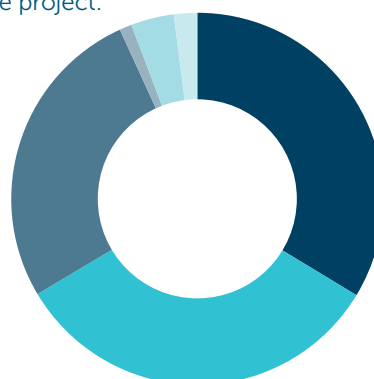
Electricity costs were consistent with the prior year, however over-budget for the year by 11.3 per cent (\$0.44 million) due to higher than anticipated demand across our bores and pump stations. Contractor and consultancy costs were both higher than the prior year (21.5 per cent), with operating conditions starting to return to normal as we adjusted to the pandemic changes. However, they were still under-budget by 5.1 per cent (\$0.38 million).

Expenses also increased due to write-offs in relation to capital projects and changes in accounting standards. Write-offs related to costs incurred too early in a project's life cycle to be capitalised, costs incurred on investigating projects that subsequently did not

proceed, and changes in the way in which information and communication technology (ICT) projects were accounted for.

The customer efficiency rebate decreased by \$0.50 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.

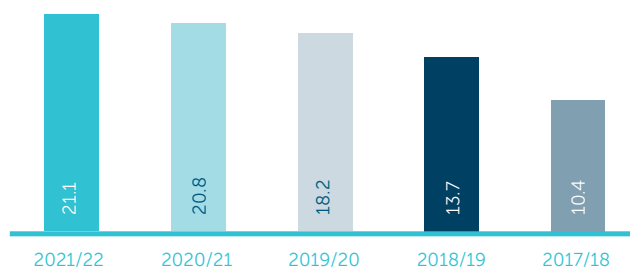
Borrowing costs compared favourably to the prior year (\$0.39 million) and to budget (\$0.26 million) as total borrowings decreased during the year. Borrowings were less than anticipated for 2022 due to delays in the construction of the Warrnambool Sewage Treatment Plant upgrade project.



Depreciation and amortisation	33%
Supplies and services	33%
Employee benefits	27%
Environmental contribution levy	4%
Borrowing costs	1%
Net loss on disposal of assets	2%

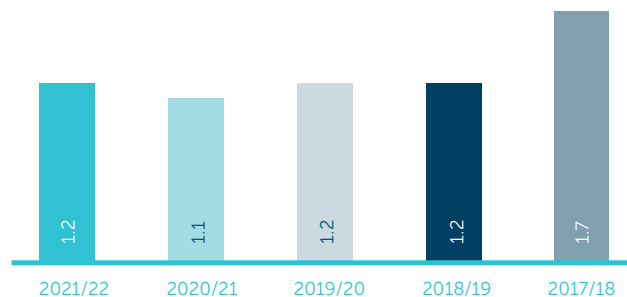
Summary of financial performance indicators

Cash Interest Cover (times)



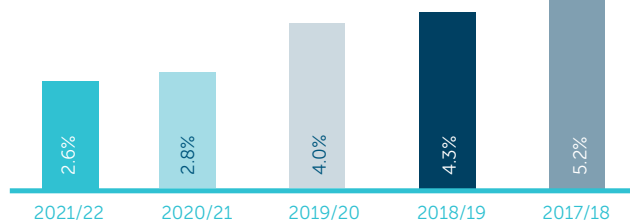
The result remains consistent with the last two years. The continued strong result is attributable to a decrease in borrowing costs. The ratio shows that cash received from operating activities is 21.1 times that of net interest costs paid.

Current Ratio (times)



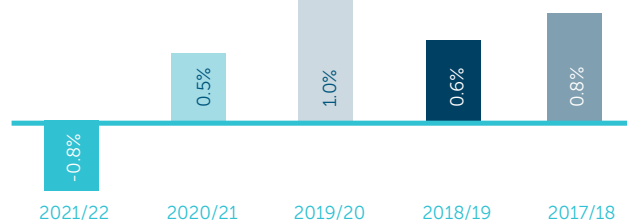
The ratio measures how comfortably payment of short-term liabilities can be covered by our short-term assets. A ratio greater than 1.0 times indicates that our short-term assets are greater than our short-term liabilities. A decrease in current liabilities attributable to lower payables at the end of the year and reduced provisions, and an increase in prepayments increased the ratio slightly compared to the prior year.

Gearing Ratio



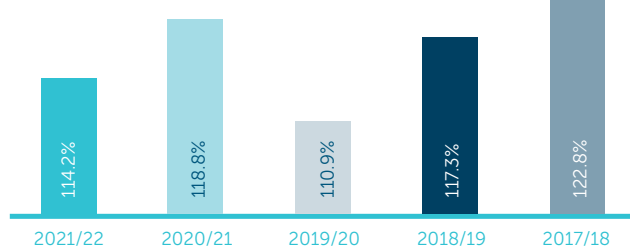
Total debt reduced by \$2 million because of lower than budgeted capital expenditure. Maintaining a low ratio is a favourable result, as it provides a positive indication of our long-term liquidity.

Return on Assets



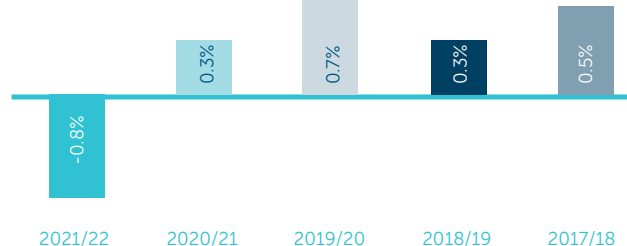
Indicates how much profit we have generated from every dollar in assets owned. The ratio is low, as assets owned are significant in value and we do not aim to generate large profits. We incurred a loss in 2021/22 compared to a profit in the prior year due to an increase in depreciation and write-offs attributable to capital projects, which saw a decline in the ratio for the year.

Internal Financing Ratio



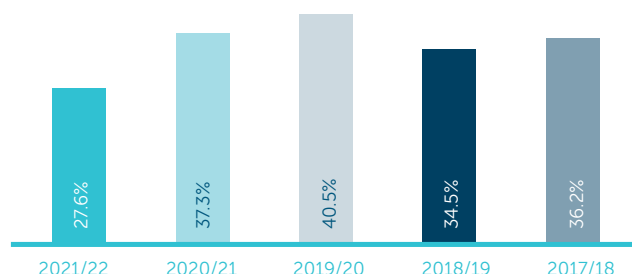
The ratio measures the portion of capital works paid from operating cash flows. The result indicates that all capital works payments were funded by cash received from operating activities. While both net operating cash flows and capital payments reduced, capital payments reduced in a greater proportion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

Return on Equity



Indicates how much profit we have generated from every dollar in ownership interest (equity). The ratio is low as equity is significant in value and we do not aim to generate large profits. We incurred a loss in 2021/22 compared to a profit in the prior year, due to an increase in depreciation and write-offs attributable to capital projects, which saw a decline in the ratio for the year.

EBITDA Margin



This indicator measures our operating profitability and our 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 our profit (before interest, tax, depreciation and amortisation) for the year contributes to funding operations and asset renewal.

Capital expenditure

We completed \$20.52 million of capital works (of which \$0.19 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)	2021/22 expenditure (\$ million)	Future commitments (\$ million)
Bald Hill - clear water storage cover replacement	1.89	1.69	0.20
Wangoom Road, Warrnambool - feeder main, water tower and pump station	4.80**	1.60	2.50**
Warrnambool Sewage Treatment Plant – upgrade project	39.69**	1.18	33.09*
Warrnambool - sewers and manholes	1.02	1.02	0.0
Warrnambool Water Treatment Plant – UV installation	9.16	0.90	7.84
Warrnambool Water Treatment Plant - media replacement	1.64	0.64	0.0
Albert Park - roof water harvesting	0.88	0.62	0.0
Computer replacements	0.54	0.54	0.0
Portland - canal crossing remediation	0.57	0.52	0.0
Major plant	0.47	0.47	0.0
Vehicle changeovers – commercial	0.46	0.46	0.0
Donovans Road, Warrnambool - sewer pump station relocation	0.76	0.41	0.27
Brierly Basin - switchboard and radio equipment replacement	0.75	0.39	0.0
Upgrade and end-of-life SCADA RTU hardware	3.54	0.34	2.60
Heywood Water Treatment Plant – clear water storage roof replacement	1.08	0.31	0.76
Hamilton - duplication of recycled water pipeline	0.56	0.29	0.0
Port Campbell - second bore	2.00**	0.25	1.74
Replace water treatment plant saturator vessels	0.25	0.25	0.0

Notes – *Wannon Water is committed to this spend, but we have not yet awarded a contract. **Estimate prior to tendering

Significant changes in financial position

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

Events subsequent to balance date

At the time of printing this annual report, we are not aware of any events subsequent to balance date that would significantly impact our operations.

Future challenges

Addressing climate change, ageing assets, increasing customer expectations, and growing regulatory obligations require additional investment to ensure water and sewerage services are maintained. This additional investment puts increased pressure on our costs and subsequently could add to our customers' cost-of-living pressures.

Our price submission 2023-28 sets tariffs for the next five-year period. Our submission is based on a customer-centric approach, with small customer bill increases proposed. In the short term, we propose to borrow funds (increase our debt) to offset what would otherwise be larger bill increases.

The upgrade of the Warrnambool Sewage Treatment Plant, the largest capital project in our history, is expected to begin in 2022/23. Funding of this significant project will see total borrowings increase quickly during the construction period.

We are in a strong financial position and have the capacity to finance the anticipated increased debt.

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.



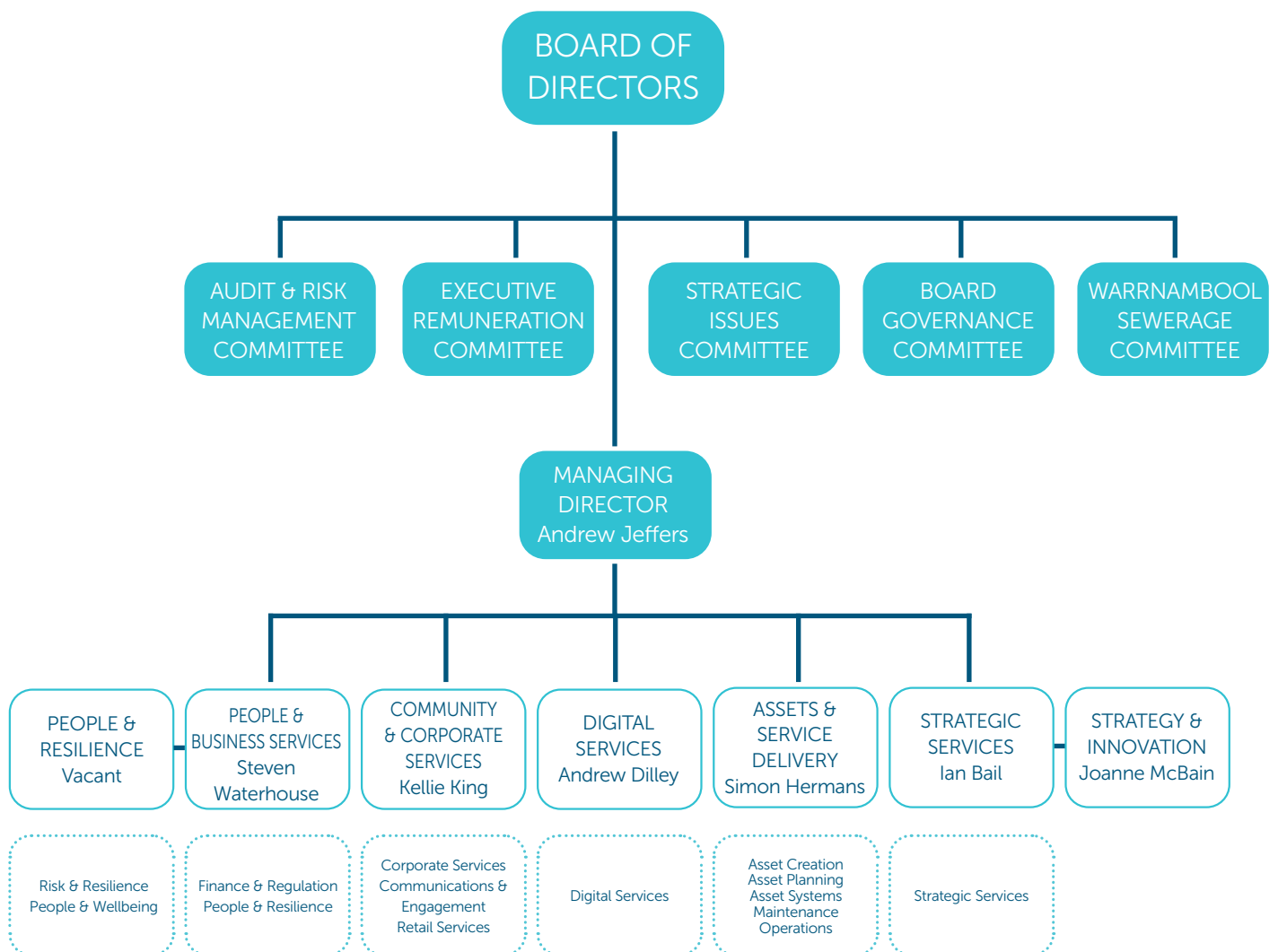
Jacinta Ermacora
Chair
Wannon Water
3 October 2022



Section 8: Our Board

Organisational Structure

As at 30 June 2022



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 reported to the Minister for Water in June 2022 in accordance with Section 3.2 of the Minister's Statement of Obligations. Conducted internally, it included a review of progress on actions arising from previous years' reviews, the majority of which were closed out. The Board plans to engage an external facilitator for the review in 2023, in line with its Board Performance Framework.

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

JACINTA ERMACORA – BOARD CHAIR

BSocWk, MSocSc (Policy and Management), FAICD.
Appointed 1 October 2015

Jacinta has a background in social work and policy development 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.

Committee membership:

- Warrnambool Sewage Treatment Plant Committee – Chair
- Strategic Issues Committee
- 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.

Committee membership:

- Board Governance Committee – Chair
- Executive Remuneration Committee
- 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 the chair 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 and a director of the South West Victoria Alliance.

Committee membership:

- Board Governance Committee
- Strategic Issues Committee.

DR SUSAN BRUMBY

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

Appointed 1 October 2019

Susan was the founding director of the National Centre for Farmer Health, a position held from 2008 – 2021, and has experience in agriculture, health reform, education and advocacy. She enjoys leadership challenges and is passionate about achieving excellent outcomes for customers and our regional community more broadly.

Previous positions include senior executive health service roles, managing a beef and wool property, and serving on a number of state and federal advisory councils. She is a graduate of the Australian Rural Leadership Program and deputy chair of Western Victoria Primary Health Network.

Susan's PhD and ongoing work is in the health, wellbeing and safety of agricultural communities.

Committee membership:

- Board Governance Committee
- Executive Remuneration Committee
- Strategic Issues Committee
- Warrnambool Sewage Treatment Plant 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.

Committee membership:

- Executive Remuneration Committee
- 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, an independent member of the Southern Grampians Audit and Risk Committee and chair of Aberlea Aged Care Inc.

Committee membership:

- Audit and Risk Management Committee
- Warrnambool Sewage Treatment Plant Committee
- Strategic Issues Committee.

DR ADRIAN PANOW

BAppSc, GCBA, PhD, GAICD
Appointed 1 October 2019

Dr Adrian Panow is currently Director Major Projects in the Melbourne Energy Institute, University of Melbourne.

Adrian is an experienced energy, resources and agri-food 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 member 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.

Committee membership:

- Audit and Risk Management Committee
- 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 and was formerly an Associate Professor in the Department of Economics. Her previous roles include research economist roles for Westpac Bank and the Australian Chamber of Manufacturers. Helen holds post graduate qualifications in economics and her PhD and research is in the area of environmental economics.

Helen is a graduate and member of the Australian Institute of Company Directors and has previously served as a member of the Western Coastal Board.

Committee membership:

- Audit and Risk Management Committee – Chair
- Strategic Issues Committee.

KYLIE GASTON

BA, GAICD
Appointed 1 October 2021

Kylie has a background in communications and small business. After living in France for more than a decade, she returned to Australia and ventured into running several successful hospitality businesses in Warrnambool and Port Fairy.

Kylie gained experience in local government, serving two terms as a Warrnambool City Councillor, including being elected as mayor for two years. She also chaired a number of state and regional committees during this time.

Kylie is a graduate of the Australian Institute of Company Directors.

Kylie has previous board experience as a director of South West Healthcare. She currently chairs the Great South Coast Integrated Water Management Forum, and is a director of the Warrnambool and District Foodshare Board. Kylie is a member of the Committee for Business and Professional Women South West.

Committee membership:

- Audit and Risk Management Committee
- 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	8	8
Susan Brumby	8	8
Michael Crutchfield	7	8
Andrew Jeffers	8	8
Ken King	8	8
Mick Murphy	7	8
Adrian Panow	8	8
Helen Scarborough	8	8
Kylie Gaston*	5	6
Sarah-Jane Walsh#	2	2

*Total number of meetings reflects appointment to Board on 1 October 2021.

#Total number of meetings reflects completion of term on 30 September 2021.

Board committees

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

- Audit and Risk Management Committee
- Board Governance Committee
- Warrnambool Sewage Treatment Plant 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, SW Australia, and the external auditor on a regular basis.

As at 30 June 2022, the committee comprised non-executive independent Directors Helen Scarborough (Chair), Mick Murphy, Adrian Panow, Kylie Gaston and independent external members Shannyn Martin and Joseph Dalessandro.

AUDIT & RISK MANAGEMENT COMMITTEE MEETINGS ATTENDED

	Attended	Eligible to attend
Helen Scarborough (Chair)	4	4
Mick Murphy	4	4
Adrian Panow	4	4
Kylie Gaston*	2	2
Shannyn Martin	3	4
Joseph Dalessandro	3	4
Sarah-Jane Walsh#	1	1

*Total number of meetings reflects appointment to Board on 1 October 2021.

#Total number of meetings reflects completion of term on 30 September 2021.

Note: All members are independent

BOARD GOVERNANCE COMMITTEE

The Board Governance Committee exists to assist the Board in carrying out its duties by providing objective review, advice and assistance in developing and progressing Board governance initiatives.

EXECUTIVE REMUNERATION COMMITTEE

The Executive Remuneration Committee oversees succession planning and remuneration policies and practices for executive employment in line with Public Entity Executive Remuneration (PEER) Policy guidelines.

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.

WARRNAMBOOL SEWAGE TREATMENT PLANT COMMITTEE

The Warrnambool Sewage Treatment Plant Committee assists the Board in its governance accountabilities by providing a strong conduit between the Board and the project steering committee. Its primary function is the oversight of key strategic risks related to the Warrnambool Sewage Treatment Plant Upgrade Project.

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.

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 \$30.60 (further charges may apply). Fees and charges levied under the *Freedom of Information Act 1982* are not subject to GST.

Applications should be addressed to:

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

Fol statistics/timeliness:

During 2021/22, Wannon Water received one Freedom of Information (Fol) statistics/timeliness request. The application was received from a member of the general public. We made one decision during 2021/22 and it was made within the statutory time period. The average time taken to finalise requests was seven 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	0
Partial access granted	1
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 applies to all construction projects valued at \$20 million or more, although Wannon Water did not enter into any contracts of this value during the reporting period.

Contracts commenced during 2021/22

Wannon Water commenced four contracts totalling \$2.22 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 90.35 per cent of the total value for the four contracts

- An average retention or creation of 3.95 full-time equivalent jobs per contract.

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

Contracts completed during 2021/22

One contract was completed to which LJF applied.

The outcomes were:

- Average local content of 98 per cent
- Average retention or creation of 0.62 employees.

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

MAJOR CONTRACTS

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

CONSULTANCY EXPENDITURE

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

In 2021/22, there were 27 consultancies engaged where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2021/22 in relation to these consultancies was \$1,849,229 (excluding GST).

Details of individual consultancies shall be outlined on Wannon Water's website.

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

In 2021/22, there were 28 consultancies engaged where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2021/22 in relation to these consultancies was \$155,454 (excluding GST).

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

Our total ICT expenditure was \$9,717,197 as detailed below.

Business as usual (BAU) ICT expenditure TOTAL \$'000	Non-business as usual (Non-BAU) ICT expenditure		
	Operational expenditure OPEX \$'000	Capital expenditure CAPEX \$'000	OPEX + CAPEX TOTAL \$'000
8,239	1,367	111	1,478

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

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

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

GOVERNMENT ADVERTISING EXPENDITURE

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

Section 10: Our performance indicators

Financial Performance

Key Performance Indicator	2020-21 Result	2021-22 Result	Variance to Prior Year	2021-22 Target	Variance to Target
Cash interest cover					
Net operating cash flows before net interest and tax / net interest payments	20.8 times	21.1 times	1.4%	19.7 times	7.1%
Gearing ratio					
Total debt (including finance leases)/total assets	2.8%	2.6%	-7.1%	6.0%	-56.7% ⁽¹⁾
Internal financing ratio					
Net operating cash flow less dividends / net capital expenditure	118.8%	114.2%	-3.9%	61.9%	84.5% ⁽²⁾
Current ratio					
Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	1.1 times	1.2 times	9.1%	1.5 times	-20.0% ⁽³⁾
Return on assets					
Earnings before net interest and tax / average assets	0.5%	-0.8%	-260.0% ⁽⁴⁾	-0.3%	-166.7% ⁽⁴⁾
Return on equity					
Net profit after tax / average total equity	0.3%	-0.8%	-366.7% ⁽⁴⁾	-0.6%	-33.3% ⁽⁴⁾
EBITDA margin					
Earnings before interest, tax, depreciation and amortisation / total revenue	37.3%	27.6%	-26.0% ⁽⁵⁾	30.4%	-9.2%

Notes:

- 1 Total debt was expected to increase in 2021-22 as the Warrnambool Sewer Treatment Plant (STP) upgrade project was constructed, which did not occur. Also, due to timing, the increase in revalued assets as at 30 June 2021 was not included in the budgeted target. Both these factors had a positive effect on the gearing ratio.
- 2 Delayed construction of the Warrnambool STP upgrade project, and the expensing of costs that were budgeted for as capital, resulted in less capital expenditure for the year than budget, having a positive impact on the ratio result.
- 3 The negative result in the current ratio to target is due to both a decrease in current assets and an increase in current liabilities. Current assets reduced primarily due to a decrease in receivables compared to target, whereas liabilities increased due to payables and income in advance.
- 4 The negative results in regard to earnings on assets and return on equity was due to the greater than expected loss, and a switch from a profit to a loss, in the 2021-22 year compared to the prior year. The loss in 2021-22 is predominantly due to an increase in expenditure. Depreciation increased following the revaluation of assets as at 30 June 2021. Operational and other expenses increased due to the write off capital expenditure in the year, changes in accounting policies and employee costs.
- 5 Earnings before interest, tax, depreciation and amortisation margin results in 2021-22 were negatively impacted by higher than expected expenditure, due to the write off of capital expenditure, changes in accounting policies and employee costs.

Operational Performance

Key Performance Indicator	2020-21 Result	2021-22 Result	Variance to Prior Year	2021-22 Target	Variance to Target
Water and Sewerage					
Unplanned water supply interruptions Percentage of customers receiving 5 unplanned interruptions in the year	0.0%	0.0%	0.0%	0.0%	0.00%
Interruption time Average duration of unplanned water supply interruptions	138.5 minutes	148.1 minutes	6.9% ⁽⁶⁾	80.0 minutes	85.1% ⁽⁶⁾
Restoration of unplanned water supply Percentage of unplanned water supply interruptions restored within 5 hours	91.0%	91.0%	0.00%	98.0%	-7.1% ⁽⁷⁾
Containment of sewer spills Percentage of sewer spills from reticulation and branch sewers contained within 5 hours	95.1%	98.5%	3.6%	99.0%	-0.5%
Sewer spills interruptions No. of residential sewerage customers affected by sewerage interruptions, restored within 5 hours	96.2%	94.3%	-2.0%	99.0%	-4.7%
Customer Responsiveness					
Water quality complaints No. of complaints per 1000 customers	4.7	2.5	-46.8% ⁽⁸⁾	3.8	-34.2% ⁽⁸⁾
Billing and account complaints No. of complaints per 1000 customers	1.0	3.3	230.0% ⁽⁹⁾	1.7	94.1% ⁽⁹⁾
Environmental Performance					
Percentage of effluent re-use volume (end use)	15.1%	17.7%	17.2% ⁽¹⁰⁾	20.0%	-11.5% ⁽¹¹⁾
Total net CO2 emissions Total net tonnes CO2 equivalent	23,887	25,680	7.5% ⁽¹²⁾	25,680	0.00%

Notes:

- 6 The unfavorable variance to prior year and to target, is predominately due to five significant cases with extended repair times occurring in the 2021-22 year. The events consisted of investigative works, flushing and repairs of water mains primarily due to bursts. Wannon Water continues to monitor unplanned interruption times to customers, and continues proactive maintenance programs to identify issues.
- 7 The unfavorable variance to target is due to extended restoration times in the 2021-22 year for eleven cases. The nature of the cases varied, and one extended time was due to administrative process and notifications to customers. Wannon Water continues to priorities the efficiency of maintenance management and continues proactive maintenance programs to identify issues and minimise repair times when interruptions occur.
- 8 The favorable variance to prior year and to target is largely due to a reduction from a high number of complaints in the prior year (97) which were due to a number of unrelated issues across the region. Wannon Water continues to implement improvement initiatives across the service area.

- 9 Billing and account complaints rose from forty three in the 2020-21 year, to one hundred and forty six in the 2021-22 year. Complaints varied from general account issues, payment options and meter reading/ consumption. Wannon Water has reviewed customer support programs and continue to proactively encourage customers access to them.
- 10 The favorable variance to prior year is due to higher agriculture re-use volumes and having a good irrigation season in the last six months of the 2021-22 year to enable Wannon Water to supply to customers from the storages.
- 11 The unfavorable variance to target is due to low use in both urban/ industrial and other re-use categories. Wannon Water continues to liaise with current agreement holders to promote and ensure recycled water is utilised and available in high demand periods.
- 12 The unfavorable variance to the prior year is due to increased emissions regarding water treatment, due to increased water demand across the summer months. Also, office energy use increased during the year, as staff returned to work from the office. Wannon Water will continue to deliver emissions reduction projects and initiatives in delivery of our pledge of a 40% reduction in greenhouse gas emissions by 2025.

CERTIFICATION

CERTIFICATION OF PERFORMANCE REPORT FOR 2021-2022

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

The Performance Report outlines the relevant performance indicators for the financial year as determined by the responsible Minister and as set out in the 2021-22 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

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



J A Ermacora
Chair
Wannon Region Water Corporation



K L King
Acting Managing Director
Wannon Region Water Corporation



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

Dated this 3rd day of October 2022

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 2022, which comprises the:</p> <ul style="list-style-type: none"> • financial performance indicators • water and sewerage service performance indicators • customer responsiveness performance indicators • environmental performance indicators • certification of performance report. <p>In my opinion, the performance report of the Wannon Region Water Corporation for the year ended 30 June 2022, presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the <i>Financial Management Act 1994</i>.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the performance report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance report in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the performance report	<p>The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.</p>

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

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

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

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

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

MELBOURNE
5 October 2022



Paul Martin
as delegate for the Auditor-General of Victoria



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Comprehensive operating statement for the financial year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Revenue			
Revenue from contracts with customers	2.1	74,017	73,073
Government grants and contributions	2.2	779	2,506
Interest income		55	72
Other income	2.3	1,610	1,514
Total revenue and income from transactions		76,461	77,165
Expenses			
Direct operational expenses	3.2	(13,887)	(10,701)
Repairs and maintenance expenses	3.3	(3,308)	(3,096)
Other expenses	3.4	(11,381)	(8,950)
Depreciation	4.1.1, 6.2.1	(27,449)	(23,543)
Employee benefits - comprehensive operating statement	3.1.1	(22,612)	(21,210)
Interest expense	6.1.2	(903)	(1,394)
Environmental contribution	8.2.1	(3,167)	(3,167)
Amortisation	4.2	(1,037)	(1,142)
Total expenses from transactions		(83,744)	(73,203)
Net result from transactions (net operating balance)		(7,283)	3,962
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	9.2	(1,712)	(1,359)
Net gain/(loss) on financial instruments	9.2	15	(14)
Other gains/(losses) from economic flows	9.2	201	354
Total other economic flow included in net result		(1,496)	(1,019)
Net result before income tax		(8,779)	2,943
Income tax benefit/ (expense)	8.1.1	2,587	(894)
Net result for the period		(6,192)	2,049
Other economic flows - other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Changes 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		(6,192)	94,045

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

Balance Sheet
as at 30 June 2022

	Notes	2022 \$'000	2021 \$'000
ASSETS			
Current assets			
Cash flow information and balances	6.3	3,015	2,461
Receivables	5.1	6,189	6,625
Contract assets	5.2	9,420	9,516
Inventories		801	764
Assets held for sale	4.3	216	200
Other financial assets	5.5	11	11
Other non-financial assets	5.6	1,903	1,232
Total current assets		21,555	20,809
Non-current assets			
Receivables	5.1	6,202	7,361
Infrastructure, property, plant and equipment	4.1	927,389	937,420
Intangible assets	4.2	6,043	7,030
Right of use assets	6.2.1	1,759	1,939
Total non-current assets		941,393	953,750
TOTAL ASSETS		962,948	974,559
LIABILITIES			
Current liabilities			
Payables	5.3	5,032	5,614
Contract liabilities	5.4	3,656	3,554
Lease liabilities	6.1	143	70
Interest bearing liabilities	6.1	10,000	10,000
Other financial liabilities	5.5	296	338
Employee benefits provision	3.1.2	4,960	5,118
Total current liabilities		24,087	24,694
Non-current liabilities			
Interest bearing liabilities	6.1	15,000	17,000
Lease liabilities	6.1	1,728	1,961
Employee benefits provision	3.1.2	459	451
Deferred tax liabilities	8.1.2	162,861	165,448
Total non-current liabilities		180,048	184,860
TOTAL LIABILITIES		204,135	209,554
NET ASSETS		758,813	765,005
EQUITY			
Contributed capital		441,165	441,165
Reserves	9.1	283,827	285,363
Accumulated surplus		33,821	38,477
TOTAL EQUITY		758,813	765,005

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 2022

	Notes	Contributed capital \$'000	Reserves \$'000	Accumulated surplus / (deficit) \$'000	Total \$'000
Balance at 1 July 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
Net result for the year				(6,192)	(6,192)
Other comprehensive income			-		-
Transfer (to)/ from accumulated funds on disposal		-	(1,536)	1,536	-
Closing balance at 30 June 2022		441,165	283,827	33,821	758,813

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 2022

	Notes	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts			
Service and usage charges		68,095	69,016
Goods and Services Tax received from the ATO		4,755	4,262
Government contributions received		779	185
Capital charges received		-	3,029
Developer contributions		1,478	866
Other receipts		3,893	2,802
Payments			
Payments to suppliers and employees		(56,627)	(47,508)
Goods and Services Tax paid to the ATO		(165)	(470)
Interest and other costs of finance paid		(903)	(1,283)
Environmental contribution		(3,167)	(3,167)
Net cash inflow operating activities	6.3.1	18,138	27,732
Cash flows from investing activities			
Payments for new infrastructure, property, plant and equipment		(6,104)	(11,602)
Payments for renewal/upgrade infrastructure, property, plant and equipment		(9,778)	(11,739)
Proceeds from sale of infrastructure, property, plant and equipment		475	567
Investments - Zero Emissions Water (ZEW)		-	(11)
Net cash outflow from investing activities		(15,407)	(22,785)
Cash flows from financing activities			
Repayment of borrowings		(2,000)	(7,000)
Principle payment of lease liabilities		(160)	(120)
Derivative payments		(17)	(14)
Net cash outflow from financing activities		(2,177)	(7,134)
Net (decrease)/increase in cash and cash equivalents		554	(2,187)
Cash and deposits at the start of the financial year		2,461	4,648
Cash and cash equivalents at the end of the financial year	6.3	3,015	2,461

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

Notes to the financial statements

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. See note 9.10, for changes in relation to accounting for Software-as-a-Service arrangements.

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.

Wannon Region Water Corporation

Notes to the financial statements

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
Estimated fair value of derivative financial instrument	5.5 and 7.3
The fair value of land, buildings, infrastructure, plant and equipment	7.3
Estimation of useful life	4.1.4
Impairment of assets	4.1.4
Employee benefit provisions	3.1.2
Actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount	3.1.2
Determining whether the performance obligations are sufficiently specific so as to determine whether the arrangement is within the scope of <i>AASB 15</i>	2
<i>Revenue from (AASB 15) or AASB 1058 Income of not-for-profit entities (AASB 1058)</i>	
The timing of satisfaction of performance obligations	2
Determining transaction price and amounts allocated to performance obligations	2
Recognition and measurement of Software-as-a-Service (SaaS) arrangements	4.2
For leases, determining whether the arrangement is in substance a 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.

Wannon Region Water Corporation Notes to the 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 working from home and transitioning back into the office;
- uplifting the Corporation's IT network capability to support hybrid working;
- 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 2022, the Corporation recognised a net loss of (\$6,187,899). The Corporation's net current liabilities as at 30 June 2022 were (\$2,532,000). The Corporation has \$3,014,918 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. These 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.

Wannon Region Water Corporation

Notes to the financial statements

2. FUNDING DELIVERY OF 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

	Notes	2022 \$'000	2021 \$'000
Revenue from service, usage and trade waste charges	2.1.1	67,842	68,816
Developer contributions	2.1.2	5,071	3,255
Other revenue	2.1.3	1,104	1,002
Total revenue from contracts with customers		74,017	73,073

2.1.1 Revenue from service, usage and trade waste charges

	2022 \$'000	2021 \$'000
Service charges		
Sewer	27,305	27,645
Water	10,617	10,580
Total service charges	37,922	38,225
Usage charges		
Water	22,354	21,657
Trade waste	7,467	8,862
Recycled water charges	99	72
Total usage charges	29,920	30,591
Total revenue from service and usage and trade waste charges	67,842	68,816

Wannon Region Water Corporation Notes to the financial statements

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)	<p>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.</p> <p>Service charges are based on fixed fee for access to water, recycled water and sewerage disposal. The charges are payable within 14 days.</p>	Revenue is recognised over time as service is provided
Usage charges, disposal charges - water and sewerage	<p>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 connections 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.</p> <p>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).</p>	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.

Wannon Region Water Corporation

Notes to the financial statements

2.1.2 Developer contributions

	2022 \$'000	2021 \$'000
New customer contributions	1,478	1,130
Developer contributed assets	3,593	2,125
Total developer contributions	5,071	3,255

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.</p> <p>The charges contribute towards to the cost of augmenting the Corporation's water supply distribution systems and sewerage disposal systems.</p> <p>Depending on the type of new customer 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.

Wannon Region Water Corporation Notes to the financial statements

2.1.3 Other revenue

	2022 \$'000	2021 \$'000
Information statements	369	371
Connection and inspection fees	423	348
Other fees and charges	312	283
Total other revenue	1,104	1,002

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 fee 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. Inspection fee provides 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

Wannon Region Water Corporation

Notes to the financial statements

2.1.4 Timing of recognition of revenue from customers

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

	Service charges - water \$'000	Usage charges - water \$'000	Service 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
2022									
At a point in time	-	-	-	7,467	-	3,593	1,478	-	12,538
Over time	10,617	22,354	27,305	-	99	-	-	1,104	61,479
Total	10,617	22,354	27,305	7,467	99	3,593	1,478	1,104	74,017
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

Wannon Region Water Corporation Notes to the financial statements

2.2 Government grants and contributions

	2022 \$'000	2021 \$'000
Income recognised as revenue from contract with customers		
Other specific purpose grants	779	2,506
Total government grants and contributions	779	2,506

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.

Wannon Region Water Corporation

Notes to the financial statements

2.3 Other income

	2022 \$'000	2021 \$'000
Cost recoveries	727	702
Miscellaneous	498	381
Rental income	385	379
ZEW settlement income	-	52
Total other income	1,610	1,514

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; receival 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.

Wannon Region Water Corporation Notes to the financial statements

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

	Notes	2022 \$'000	2021 \$'000
Employee benefit expenses	3.1.1	22,612	21,210
Direct operating expenses	3.2	13,887	10,701
Repairs and maintenance	3.3	3,308	3,096
Operating expenses	3.4	11,381	8,950
Total expenses incurred in delivery of services		51,188	43,957

3.1.1 Employee benefits – comprehensive operating statement

	2022 \$'000	2021 \$'000
Salaries and wages	18,621	17,356
Annual leave	1,580	1,527
Long service leave	520	574
Termination benefits	-	10
Employer superannuation contributions	1,777	1,621
Defined benefit superannuation expense	114	122
Total employee benefit costs	22,612	21,210

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

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

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

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

Wannon Region Water Corporation

Notes to the financial statements

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 for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	2022 \$'000	2021 \$'000
Current provisions:		
Annual leave		
Annual leave- unconditional and expected to settle within 12 months	1,402	1,426
Long service leave		
Long service leave - unconditional and expected to settle within 12 months measured at nominal value	400	438
Long service leave - unconditional and expected to settle after 12 months measured at present value	2,638	2,747
On-costs		
Unconditional and expected to settle within 12 months measured at nominal value	56	57
Unconditional and expected to settle after 12 months measured at present value	374	361
Other leave		
Other leave - unconditional and expected to settle within 12 months	90	89
Total current provisions for employee benefits provisions	4,960	5,118
Non-current provisions:		
Long service leave - conditional, measured at present value	402	399
Long service leave on costs - conditional, measured at present value	57	52
Total non-current provisions for employee benefits provision	459	451
Aggregate carrying amount of employee benefits provision		
Current	4,960	5,118
Non-current	459	451
Total provision for employee benefits provision	5,419	5,569

	2022 \$'000	2021 \$'000
On-costs:		
Opening balance	470	474
Additional provision recognised	63	28
Amounts utilised during period	(64)	(35)
Effect of changes in the discount rate	18	3
Closing balance	487	470
Current	430	418
Non-current	57	52

Wages and salaries, annual leave and sick leave

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

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

Wannon Region Water Corporation

Notes to the financial statements

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

3.1.3 Superannuation

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 (the fund).

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 an unfunded liability payments) to the superannuation plans for the financial year ended 30 June 2022 and 30 June 2021 are detailed below:

Scheme	Type of scheme	Rate (%)	2022 \$'000	2021 \$'000
State Superannuation fund	Defined benefits	10.0	25	34
Vision Super	Defined benefits	10.0	89	88
Vision Super	Accumulated fund	10.0	1,096	1,128
Other	Accumulated fund	10.0	681	493
Total contributions			1,891	1,743

There were no contributions outstanding or loans issued from or to the above schemes as at 30 June 2022.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2023 is \$117,332.

Wannon Region Water Corporation

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Accumulation

The Fund's accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2022, this was 10.0% as required under Superannuation Guarantee (SG) legislation (2021: 9.5%)).

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.

As at 30 June 2021, an interim actuarial investigation was held as the fund provides lifetime pensions in the defined benefit category.

The vested benefit index (VBI) of the Defined Benefit category of which the Corporation is a contributing employer was 109.8%. The financial assumptions used to calculate the VBI were:

Net investment returns	4.75% p.a
Salary information	2.75% p.a
Price inflation (CPI)	2.25% p.a

As at 30 June 2022, an interim actuarial investigation is underway as the Fund provides lifetime pensions in the defined benefit category. It is expected to be completed by 31 October 2022.

Vision Super has advised that the VBI at 30 June 2022 was 102.2%. The Corporation was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021). The financial assumptions used to calculate this VBI were:

Net investment returns	5.5% p.a
Salary information	2.5% pa to 30 June 2023, and 3.5% p.a thereafter
Price inflation (CPI)	3.0% p.a

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2021 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 2021 interim actuarial investigation conducted by the fund actuary, the Corporation makes employer contributions to the fund's defined benefit category at rates determined by the fund's trustee. For the year ended 30 June 2022, this rate was 10% of members' salaries (9.5% in 2020/21).

Wannon Region Water Corporation Notes to the financial statements

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 2021 triennial valuation.

In addition, the Corporation reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

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 2021 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the defined benefit category of which the Corporation is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2021 and the last full investigation was conducted as at 30 June 2020.

The fund's actuarial investigation identified the following for the defined benefit category of which the Corporation is a contributing employer:

	2021 Interim (\$m)	2020 Triennial (\$m)
A VBI surplus	214.7	100.0
A total service liability surplus	270.3	200.0
A discounted accrued benefits surplus	285.2	217.8

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

The total service liability surplus means that the current value of the assets in the Fund's defined benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2021.

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 2021. The Corporation was notified of the 30 June 2021 VBI during August 2021 (2020: August 2020).

Wannon Region Water Corporation

Notes to the financial statements

3.2 Direct operational expenses

	2022 \$'000	2021 \$'000
Electricity	4,152	4,120
Licences	2,016	2,128
Other goods and services	1,296	1,158
Consultancies and contractors	3,811	1,210
Chemicals	1,032	916
Testing and sampling	1,330	889
Goods and equipment	250	280
Total direct operating expenses	13,887	10,701

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. Includes amounts written-off from capital works in progress, for projects that are not proceeding or costs incurred too early in a projects life cycle to be capitalised.	Accruals basis. Recognised in the Comprehensive Operating Statement
Chemicals	Costs incurred for the purchase and delivery of chemicals to the Corporation's 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 Corporation's 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

	2022 \$'000	2021 \$'000
Preventive maintenance	1,078	1,037
Corrective maintenance	1,204	1,088
Other maintenance costs	508	365
Reactive maintenance	518	606
Total repairs and maintenance expenses	3,308	3,096

Wannon Region Water Corporation Notes to the financial statements

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.

3.4 Operating expenses

	2022 \$'000	2021 \$'000
Consultancies and contractors	4,940	5,627
Other goods and services	5,258	1,365
Customer efficiency rebate	515	1,015
Goods and equipment	514	446
Electricity	137	144
Expense from derivative financial instruments	17	353
Total operating expenses	11,381	8,950

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 Includes amounts written-off from capital works in progress, for projects that are not proceedings or costs incurred to early in a projects life cycle to be capitalised. Includes service contracts providing the Corporation with the right to access a cloud provider's application software (SaaS arrangements).	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

Wannon Region Water Corporation

Notes to the financial statements

Expense	Description	Recognition policy
Expense from derivative financial instruments	<p>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.</p> <p>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.</p> <p>The Corporation has initially recognised the CfD derivative financial instrument and is measured at fair value based on the best available information. The initial recognition expense represents the fair value of the expected future settlements at the initial recognition, currently in a liability position.</p> <p>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.</p> <p>Refer to Note 7.3 for more information about the judgements and assumptions used in measuring fair value determination of derivative financial instruments.</p>	Accruals basis. Recognised in the Comprehensive Operating Statement

Wannon Region Water Corporation Notes to the financial statements

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	Buildings	Water infrastructure	Sewer infrastructure	Plant and equipment	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2021-22							
Opening net book amount - 1 July 2021	32,234	31,121	498,721	334,393	6,191	34,760	937,420
Additions	-	-	-	-	-	15,924	15,924
Developer contributed assets	-	-	2,301	1,292	-	-	3,593
Revaluations	-	-	-	-	-	-	-
Disposals	-	(7)	(1,489)	(430)	(261)	(1)	(2,188)
Transfers between categories - additions	42	549	8,351	8,572	1,645	(19,159)	-
Transfers - to intangible assets	-	-	-	-	-	(28)	(28)
Transfers - to assets held for sale	-	-	-	-	-	-	-
Transfers - reclassifications	-	-	364	(364)	-	-	-
Depreciation	(13)	(768)	(15,355)	(9,758)	(1,438)	-	(27,332)
Closing net book amount	32,263	30,895	492,893	333,705	6,137	31,496	927,389
Gross book value	32,276	31,662	508,184	343,459	21,707	31,496	968,784
Accumulated depreciation	(13)	(767)	(15,291)	(9,754)	(15,570)	-	(41,395)
Net book value as at 30 June 2022	32,263	30,895	492,893	333,705	6,137	31,496	927,389
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	65	296	4,921	13,528	1,663	(20,473)	-
Transfers - to intangible assets	-	-	-	-	-	(614)	(614)
Transfers - to assets held for sale	(200)	-	-	-	-	-	(200)
Depreciation	(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

Wannon Region Water Corporation

Notes to the financial statements

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 Financial Reporting Direction 103I Non-Financial Physical Assets (FRD 103I). The Corporation in conjunction with VGV, monitors changes in the fair value of each asset class through relevant data sources, in order to determine whether a revaluation is required.

The Corporation's assets relating to land, buildings, infrastructure and service concession assets were independently valued by the VGV as at 30 June 2021. An assessment of the fair value of land, buildings and infrastructure assets was undertaken throughout the year, with results showing that carrying value represents fair value. An assessment of fair value will continue to take place annually until the next independent revaluation as at 30 June 2026.

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.

Wannon Region Water Corporation Notes to the financial statements

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	15 – 25 years	Bores	40 years
Lagoons	2 – 300 years	Electrical	15 – 25 years
Manholes	80 years	Mechanical	20 – 25 years
Mechanical	20 – 25 years	Meters	15 – 20 years
Pipes	2 – 150 years	Pipes	2 – 150 years
Pumps	15 – 40 years	Pumps	15 – 40 years
Embankments	Indefinite	Reservoirs	2 – 300 years
		Service basins	2 – 300 years
		Tanks	40 – 80 years
		Towers	50 – 80 years
		Embankments	Indefinite
Plant and equipment		Land, land improvements and buildings	
Furniture and fittings	5 – 20 years	Buildings	5 – 150 years
Motor vehicles	3 – 4 years		
Other plant and equipment	2 – 20 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.

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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.

Exposure to climate-related matters could be an indicator that an asset (or a group of assets) is impaired. Whilst the potential risks and related opportunities from climate related change are considered as part of the Corporation's asset impairment review methodology and processes, based on what is currently known, it is not expected that climate risks will have a significant impact on 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:

	2022 \$'000	2021 \$'000
Net gain/ (loss) on disposal		
Land	-	-
Buildings	(7)	(82)
Infrastructure	(1,919)	(1,423)
Motor vehicles	260	189
Office equipment	(46)	(43)
Intangibles	-	-
Total gain/ (loss) on disposal	(1,712)	(1,359)

4.2 Intangible assets

	2022 \$'000	2021 \$'000
(a) Classes of intangibles		
Computer software - at cost	9,847	11,160
Less: Accumulated depreciation	(8,715)	(9,016)
	1,132	2,144
Bulk water entitlement - at cost	4,750	4,750
Large-scale generation certificates (LGC) - at cost	161	136
Total intangibles	6,043	7,030

	Large-scale generation certificates \$'000	Software \$'000	Bulk water entitlement \$'000	Total \$'000
2021-22				
Opening net book amount at 1 July 2021	136	2,144	4,750	7,030
Disposals	-	-	-	-
Transfers - to intangible assets		25		25
Additions	25			25
Amortisation expense	-	(1,037)	-	(1,037)
Closing net book amount at 30 June 2022	161	1,132	4,750	6,043
2020-21				
Opening net book amount at 1 July 2020	-	2,672	4,750	7,422
Disposals	-	-	-	-
Transfers - to intangible assets	-	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

Wannon Region Water Corporation Notes to the financial statements

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 as appropriate at each balance date. Intangible assets with indefinite useful lives are not amortised. However, all intangible assets are assessed for impairment annually as outlined below.

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

	Software costs	Bulk water entitlements	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. Permanent bulk 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 note 4.1.4.

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Large-scale generation certificates

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

Software as-a-Service (SaaS) arrangements

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

Please refer to Note 9.10 for the change in accounting policy relating to SaaS arrangements.

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

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

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

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

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

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

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

Capitalisation of configuration and customisation costs in SaaS arrangements

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

Judgement has been applied in determining whether the changes to the owned software meets the definition of and recognition criteria for an intangible asset in accordance with AASB 138 Intangible Assets. During the financial year, the Corporation recognised \$0.03M (2021: \$0.06M) as intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements.

Wannon Region Water Corporation Notes to the financial statements

4.3 Assets held for sale

	2022 \$'000	2021 \$'000
Freehold land held for sale	216	200
	216	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.

Wannon Region Water Corporation

Notes to the financial statements

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

	2022 \$'000	2021 \$'000
Current		
Contractual		
Tariff and charges	2,960	2,349
Other receivables	2,000	2,897
Loans to third parties	1,121	1,156
Schemes/ receivables	46	48
Less: Allowance for expected credit losses	(305)	(231)
	5,822	6,219
Statutory		
GST input tax credit recoverable	367	406
Total current receivables	6,189	6,625
Non-current		
Contractual		
Loans to third parties	5,959	7,083
Schemes/ receivables	243	278
Total non-current receivables	6,202	7,361
Total receivables	12,391	13,986

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 measure expected credit losses which uses a lifetime expected loss allowance for contractual receivables.

Wannon Region Water Corporation Notes to the financial statements

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

	Current \$'000	More than 30 days past due \$'000	More than 60 days past due \$'000	More than 90 days past due \$'000	More than 120 days past due \$'000	More than 365 days past due \$'000	Total \$'000
30 June 2022							
Expected loss rate	0.5%	1.2%	2.3%	9.4%	69.4%	11.3%	
Gross carrying amount							
- receivables from service and usage charges, tenant	31	49	17	20	24	129	270
Gross carrying amount							
- receivables from service and usage charges, owners	988	503	172	147	59	821	2,690
Gross carrying amount							
- other receivables	2,264	51	4	1	-	847	3,167
Loss allowance	(18)	(7)	(4)	(16)	(57)	(203)	(305)
30 June 2021							
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	38	74	13	27	64	46	262
Gross carrying amount							
- receivables from service and usage charges, owners	273	642	163	96	242	671	2,087
Gross carrying amount							
- other receivables	4,011	35	7	5	12	30	4,100
Loss allowance	(12)	(4)	(4)	(13)	(41)	(157)	(231)

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 5.3% 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 expected credit loss allowance

	Notes	2022 \$'000	2021 \$'000
Opening balance 1 July 2021		231	217
Expected credit losses from transactions		101	26
Expected credit losses written off	9.2	(27)	(12)
Net provision movements including expected credit losses recovered		74	14
Balance as at 30 June 2022		305	231

The expected credit loss allowance is calculated based on debtor days and with an expected default rate applied 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. Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are

Wannon Region Water Corporation

Notes to the financial statements

classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

5.2 Contract assets

	2022 \$'000	2021 \$'000
Current		
Accrued tariffs and charges	9,420	9,516
Total current contract assets	9,420	9,516

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

	2022 \$'000	2021 \$'000
Current		
Contractual		
Trade creditors	3,151	3,514
Contract retentions	540	746
Contract deposits	654	632
Other payables	54	72
Accrued loan interest	1	2
Accrued expenses - employee benefits	632	648
Total current payables	5,032	5,614

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.

Wannon Region Water Corporation

Notes to the financial statements

5.3.1 Ageing analysis of contractual payables

	Carrying amount \$'000	Nominal amount \$'000	Less than 1 month \$'000	1-3 months \$'000	3 months - 1 year \$'000	1-5 years \$'000
2022						
Supplies and services	3,151	3,151	3,151			
Other payables	1,881	1,881	1,881			-
Total	5,032	5,032	5,032	-	-	-
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

5.4 Contract liabilities

	2022 \$'000	2021 \$'000
Current		
Customers paid in advance	3,013	3,383
Unearned income	643	171
Total current contract liabilities	3,656	3,554

	Unearned income \$'000	Customers paid in advance \$'000	Total \$'000
Carrying amount as at 1 July 2020	422	3,640	4,062
Add: Developer contribution received for performance obligation yet to be completed during the year	64	-	64
Add: Payment 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 obligation	(314)	(4,692)	(5,006)
Closing balance at 30 June 2021	171	3,383	3,554
Add: Developers contribution received for performance obligations yet to be completed during the year	611		611
Add: Payments received in advance for provision of goods and services		2,769	2,769
Less: Revenue recognised in the reporting period for the completion of performance obligations	(139)	(3,139)	(3,278)
Total contract liabilities at 30 June 2022	643	3,013	3,656

Wannon Region Water Corporation

Notes to the financial statements

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

5.5 Other financial assets and liabilities

	2022 \$'000	2021 \$'000
Other financial assets		
Investment in Zero Emissions Water (ZEW) Ltd	11	11
Total other financial assets	11	11
	2022 \$'000	2021 \$'000
Other financial liabilities		
Derivative financial instrument	296	338
Total other financial liabilities	296	338

ZEW transactions and balances

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 Corporations 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.

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 2022, 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.

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.

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 as an other economic flow included in the net result. Refer to Note 7.3.2 for more information about the judgements and assumptions used in measuring fair value determination of derivative financial instruments.

Wannon Region Water Corporation Notes to the financial statements

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.

5.6 Other non-financial assets

	2022 \$'000	2021 \$'000
Current		
Prepayments	1,903	1,232
Total other non-financial assets	1,903	1,232

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.

Wannon Region Water Corporation

Notes to the financial statements

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

	2022 \$'000	2021 \$'000
Current		
Loans from Treasury Corporation of Victoria (TCV)	10,000	10,000
Lease liabilities	143	70
Total current interest bearing liabilities	10,143	10,070
Non-current		
Loans from Treasury Corporation of Victoria (TCV)	15,000	17,000
Lease liabilities	1,728	1,961
Total non-current interest bearing liabilities	16,728	18,961
Total interest bearing liabilities	26,871	29,031

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 TCV, 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	Less than 1 month \$'000	1-3 months \$'000	3 months - 1 year \$'000	1-5 years \$'000	5+ years \$'000
30 June 2022							
Lease liabilities	1,871	1,840	12	24	107	578	1,150
Loans from TCV	25,000	23,742	-	-	10,000	8,500	6,500
Total	26,871	25,582	12	24	10,107	9,078	7,650
30 June 2021							
Lease liabilities	2,031	2,086	6	12	52	254	1,707
Loans from TCV	27,000	27,729	-	-	10,000	17,000	-
Total	29,031	29,815	6	12	10,052	17,254	1,707

Wannon Region Water Corporation

Notes to the financial statements

6.1.2 Interest expense

	2022 \$'000	2021 \$'000
Interest on loans - Treasury Corporation of Victoria (TCV)	638	1,037
Financial accommodation levy	211	289
Interest on lease liability	54	68
Total interest expense	903	1,394

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 assets.

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; and
- any lease payments made at or before the commencement date, less any lease incentives received; and
- 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.

Wannon Region Water Corporation

Notes to the financial statements

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; and
- 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); and
- 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 the 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; and
- 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 a comprehensive operating statement if the right-of-use asset is already reduced to zero.

Wannon Region Water Corporation

Notes to the financial statements

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 comprehensive 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 2021				
Carrying amount at beginning of year	65	1,905	129	2,099
Derecognition on 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
Total as at 30 June 2021 represented by:				
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
Year ended 30 June 2022				
Carrying amount at beginning of year	55	1,853	31	1,939
Additions to right-of-use assets	-	155	35	190
Derecognition of right-of-use assets	-	-	-	-
Modification adjustments	-	(253)	-	(253)
Depreciation expense	(6)	(86)	(25)	(117)
Carrying amount at end of year	49	1,669	41	1,759
Year ended 30 June 2022				
Cost	74	1,922	95	2,091
Less: Accumulated depreciation	(25)	(253)	(54)	(332)
Carrying amount at end of year	49	1,669	41	1,759

6.2.2 Amounts recognised in the comprehensive operating statement

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

	2022 \$'000	2021 \$'000
Interest on lease liabilities	54	68
Depreciation on ROU assets	117	87
Total	171	155

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:

	2022 \$'000	2021 \$'000
Total cash outflow for leases	149	140
Total	149	140

Wannon Region Water Corporation

Notes to the financial statements

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.

	2022 \$'000	2021 \$'000
Deposits at call	2,646	1,066
Cash at bank	369	1,395
Balance as per cash flow statement	3,015	2,461

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

	2022 \$'000	2021 \$'000
Net result for the period after income tax	(6,192)	2,049
Add/ (less) non-cash flows in net result		
Depreciation and amortisation	28,486	24,685
Interest expense - Leases	54	68
Net loss on disposal of non-current assets	1,712	1,359
Infrastructure assets acquired at no cost	(3,593)	(2,125)
Movement in value of financial instruments	(42)	353
Income tax expense	(2,587)	894
Changes in assets/liabilities		
Decrease (increase) in receivables	1,595	(287)
Decrease (increase) in contract assets	96	(131)
Decrease (increase) in inventories	(37)	(68)
Decrease (increase) in other non-financial assets	(687)	69
Increase (decrease) in payables	(636)	987
Increase (decrease) in contract liabilities	102	(508)
Increase (decrease) in employee benefits	(150)	48
Increase (decrease) in derivative financial instruments	17	338
Net cash inflow/(outflow) from operating activities	18,138	27,732

6.3.2. Financing facilities

	2022 \$'000	2021 \$'000
Unsecured loan facilities with various maturity dates through to 2021-22 and which may be extended by mutual agreement		
Amount used	25,000	27,000
Amount unused	15,000	19,000
Total	40,000	46,000

Wannon Region Water Corporation Notes to the financial statements

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 2022				
Capital expenditure commitments payable	16,139	-	-	16,139
Environmental contribution levy commitments	3,167	3,167	-	6,334
Other commitments payable	2,100	749	-	2,849
Total commitments (inclusive of GST)	21,406	3,916	-	25,322
Less GST recoverable				(1,726)
Total commitments (exclusive of GST)				23,595
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 (exclusive of GST)				22,006

Wannon Region Water Corporation

Notes to the financial statements

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 of 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)	
Derivative financial asset	

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

Categories of financial instruments

Financial instrument	Initial measurement	Subsequent measurement
Financial assets at amortised cost Financial assets include: <ul style="list-style-type: none"> - Loans and receivables - Cash and deposits - Receivables - term deposits; and - certain debt securities 	Fair value plus or minus any directly attributable transaction costs	Amortised cost only using the effective interest rate method less impairment if both of the following criteria are met: <ul style="list-style-type: none"> - the asset is held within a business model whose objective is to collect the contractual cash flows, and - the contractual terms give rise to cash flows that are solely payments of principal and interest
Financial assets at fair value through profit and loss <ul style="list-style-type: none"> - Derivative instruments 	Derivative financial instruments are classified as held for trading financial assets and liabilities. They are initially recognised at fair value on the date on which all contractual obligations under conditions precedent are met and on subsequent measurement. The initial expense recognised represents the fair value of the expected future settlements at initial recognition (refer note 3.4). Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in fair value of derivatives after initial recognition are recognised in the comprehensive operating statement.	Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the comprehensive operating statement as an 'other economic flow' included in the net result.

Wannon Region Water Corporation Notes to the financial statements

Financial instrument	Initial measurement	Subsequent measurement
Listed equity securities, managed investment schemes, and five-year government bonds - Investment in ZEW	Fair value through net result.	Fair value through net result.
Financial liabilities at amortised cost Financial liabilities include: - 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 comprehensive operating statement, over the period of the interest-bearing liability using the effective interest rate method.

Derecognition of financial assets and liabilities

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

- the rights to receive cash flows from the asset have expired; or
- the Corporation retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Corporation has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset; or
 - has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Corporation has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Corporation's continuing involvement in the asset. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

Impairment of financial assets

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

The Corporation records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's Expected Credit Loss approach. Subject to AASB 9's impairment assessment includes the Corporation's contractual receivables, statutory receivables 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.

Derivative financial instruments

Derivative financial instruments are classified as held for trading financial assets and liabilities. They are initially recognised at fair value on the date on which all contractual obligations under conditions precedent are met and on subsequent

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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 comprehensive operating statement as an 'other economic flow' included in the net result. Refer note 9.2 for other economic flows included in the net result.

7.1.1 Financial instruments: Categorisation

2022	Notes	Cash and deposits	Financial assets / liabilities designated at fair value through profit/loss (FVTPL)	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
Contractual financial assets						
Cash and deposits	6.3	3,015	-	-	-	3,015
Receivables						
Tariff and charges	5.1	-	-	2,655	-	2,655
Scheme receivables	5.1	-	-	289	-	289
Accrued income	5.2	-	-	9,420	-	9,420
Other receivables	5.1	-	-	9,080	-	9,080
Investments and other contractual financial assets						
Investments in ZEW	5.5	-	11	-	-	11
Financial assets designated at fair value through profit or loss	5.5	-	-	-	-	-
Total contractual financial assets		3,015	11	21,444	-	24,470
Payables						
Trade creditors	5.3	-	-	-	3,151	3,151
Contract retentions	5.3	-	-	-	540	540
Contract deposits	5.3	-	-	-	654	654
Other payables	5.3	-	-	-	54	54
Accrued expenses	5.3	-	-	-	633	633
Borrowings						
Loans from TCV	6.1	-	-	-	25,000	25,000
Derivative financial liabilities						
Financial liabilities designated at fair value through profit or loss	5.5	-	296	-	-	296
Total contractual financial liabilities		-	296	-	30,032	30,328

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2021	Notes	Cash and deposits	Financial assets / liabilities designated at fair value through profit/loss (FVTPL)	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
Contractual financial assets						
Cash and deposits	6.3	2,461	-	-	-	2,461
Receivables						
Tariff and 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						
Investments in ZEW	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 TCV	6.1	-	-	-	27,000	27,000
Derivative financial liabilities						
Financial liabilities designated at fair value through profit or loss	5.5	-	338	-	-	338
Total contractual financial liabilities		-	338	-	32,614	32,952

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

	Net holding gain / (loss)	Total interest income / (expense)	Fee income / (expense)	Impairment loss	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2022					
Contractual financial assets					
Debt instruments mandatorily measured at fair value through profit/loss	-	-	-	-	-
Financial assets at amortised cost - other than on derecognition	-	568	-	(101)	467
Total contractual financial assets	-	568	-	(101)	467
Contractual financial liabilities					
Financial liabilities at amortised cost	-	(849)	-	-	(849)
Financial liabilities designated at fair value through profit/loss	(296)	-	-	-	(296)
Total contractual financial liabilities	-	(849)	-	-	(1,145)

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2021

Contractual financial assets

Debt instruments mandatorily measured at fair value through profit/loss	-	-	-	-	-
Financial assets at amortised cost - other than on derecognition	-	562	-	(26)	536
Total contractual financial assets	-	562	-	(26)	536
Contractual financial liabilities					
Financial liabilities at amortised cost	-	(1,326)	-	-	(1,326)
Financial liabilities designated at fair value through profit/loss	(338)	-	-	-	(338)
Total contractual financial liabilities	-	(1,326)	-	-	(1,326)

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 (ARMC) under policies approved by the Board. The ARMC identifies, evaluates and hedges financial risks in close cooperation 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 nonderivative 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 2021-22 (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 2022, the Corporation has no other significant credit risk. There has been no material change to the Corporation's credit risk profile in 2021-22.

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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
2022					
Financial assets					
Financial assets with loss allowance measured at 12-month expected credit loss:					
Cash and deposits (not assessed for impairment due to materiality)	-	3,015	-	-	3,015
Statutory receivables (with no impairment loss recognised)	-	367	-	-	367
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	-	12,024	-	-	12,024
Total financial assets	-	15,406	-	-	15,406
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

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.

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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 the table of contractual financial liabilities recorded in the financial statements, represents the Corporation's maximum exposure to liquidity risk.

The table below illustrates the maturity analysis of the derivative financial liabilities

	Carrying amount \$'000	Nominal amount \$'000	Less than 1 month \$'000	1-3 months \$'000	3 months - 1 year \$'000	1-5 years \$'000	5+ years \$'000
30 June 2022							
Derivative liability	296	296	-	-	-	296	-
Total	296	296	-	-	-	296	-
30 June 2021							
Derivative liability	338	338	-	-	-	338	-
Total	338	338	-	-	-	338	-

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:

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(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 TCV 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.

	Weighted average interest rate % %	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000
2022					
Contractual financial assets					
Cash and deposits	0.98%	3,015	-	3,015	-
Receivables	5.90%	21,443	12,074	-	9,369
Total financial assets		24,458	12,074	3,015	9,369
Contractual financial liabilities					
Payables	0.00%	5,032	-	-	5,032
Loans from TCV	1.93%	25,000	25,000	-	-
Total financial liabilities		30,032	25,000	-	5,032
2021					
Contractual financial assets					
Cash and deposits	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
Contractual financial liabilities					
Payables	0.00%	8,519	-	-	8,519
TCV loans	2.44%	27,000	27,000	-	-
Total financial liabilities		35,519	27,000	-	8,519

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

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Sensitivity analyses shown are for illustrative purposes only. A movement of 200 basis points up and down in market interest rates (AUD) is 'reasonably possible'.

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

	Carrying amount \$'000	Profit or loss		Equity	
		-200 basis points \$'000	+200 basis points \$'000	-200 basis points \$'000	+200 basis points \$'000
2022					
Cash and deposits	3,015	(51)	51	-	-
Interest bearing liabilities	25,000	1	(1)	-	-
Total		(50)	50	-	-
2021					
Cash and deposits	2,461	(62)	62	-	-
Interest bearing liabilities	27,000	1	(1)	-	-
Total		(61)	61	-	-

As at 30 June 2022, if interest rates changed by +/- 200 basis points from the year end rates with all other variables held constant, the Corporation's net result would have been \$0.05 million higher/lower (2020/21 \$0.03 million at +/- 100 basis points) as a result of higher/lower interest expense from variable interest rate borrowings.

Fair value financial assets and 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 assets and liabilities as at 30 June 2022

	Carrying amount \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
2022				
Derivative financial instrument (ZEW)	(296)	-	-	(296)
2021				
Derivative financial instrument (ZEW)	(338)	-	-	(338)

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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.

	Derivative financial instrument \$'000
2022	
Opening balance	(338)
Initial recognition of derivative financial instruments	-
Gains/(losses) recognised in profit or loss	25
Net cash settlements paid/(received)	17
Closing balance	(296)
2021	
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

2022	Valuation technique	Significant unobservable inputs	2022 range (weighted average)	Significant unobservable inputs
		Wholesale electricity price forecasts	\$21.91/MWh to \$57.31/MWh (\$38.58/MWh)	An increase/ (decrease) in the wholesale electricity price forecasts of 10% would result in an increase/ (decrease) fair value by \$0.094 million.
Derivative financial instrument (ZEW)	Income approach (discounted cash flow)	Discount rate – risk free rates of zero coupon government bonds	2.3793% to 3.658% (3.3188%)	An increase/ (decrease) in the discount rate of 1% would result in an increase/ (decrease) fair value by \$0.011 million.
		Credit value adjustment – Australian Corporate Bond Spreads and Yields FNF5BBB10M	322.80	An increase/ (decrease) in the credit value adjustment of 1% would result in an increase/ (decrease) fair value by \$0.011 million.

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 financial statements.

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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; and
- land, buildings, infrastructure, plant and equipment; and
- 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).

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7.3.1 Fair value of financial instruments measured at amortised cost

	Carrying amount 2022 \$'000	Fair value 2022 \$'000	Carrying amount 2021 \$'000	Fair value 2021 \$'000
Financial assets				
Receivables				
Loan to third parties	7,080	7,080	8,238	8,218
Financial liabilities				
Lease liabilities	1,871	1,777	2,031	2,086
Loans from TCV	25,000	23,742	27,000	27,729

7.3.2 Fair value determination of 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.

	Carrying amount as at 30 June 2022 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land and land improvements at fair value				
Specialised land	32,263	-	-	32,263
Total of land and land improvements at fair value	32,263	-	-	32,263
Buildings at fair value				
Specialised buildings	30,895	-	-	30,895
Total of buildings at fair value	30,895	-	-	30,895
Water infrastructure at fair value				
Water reticulation & distribution	369,018	-	-	369,018
Water treatment plants	57,066	-	-	57,066
Water reservoirs & service basins	66,809	-	-	66,809
Total of water infrastructure at fair value	492,893	-	-	492,893
Sewer infrastructure at fair value				
Sewer reticulation	270,628	-	-	270,628
Sewer treatment plants	63,077	-	-	63,077
Total of sewer infrastructure at fair value	333,705	-	-	333,705
Plant, equipment and vehicles at fair value				
Vehicles	2,838	-	2,838	-
Plant and equipment	3,299	-	-	3,299
Total of plant, equipment and vehicles at fair value	6,137	-	2,838	3,299

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	Carrying amount as at 30 June 2021 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
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

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period ended 30 June 2022.

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 when the triggers of FRD103 are met.

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

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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 3. There were no changes in valuation techniques throughout the period to 30 June 2022. For all assets measured at fair value, the current use is considered the highest and best use.

Infrastructure assets

Infrastructure assets 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.

Wannon Region Water Corporation

Notes to the financial statements

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
2022					
Opening balance	32,234	31,121	498,721	334,393	3,264
Additions/ purchases	42	549	10,652	9,864	1,062
Revaluations	-	-	-	-	-
Transfers to assets held for sale	-	-	-	-	-
Transfers - Reclassifications	-	-	364	(364)	-
Disposals	-	(7)	(1,489)	(430)	(46)
Depreciation	(13)	(768)	(15,355)	(9,758)	(981)
Closing balance	32,263	30,895	492,893	333,705	3,299
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

Description of significant unobservable inputs to Level 3 valuations

2022 and 2021	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

Wannon Region Water Corporation Notes to the financial statements

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 (ATO).

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.

	2022 \$'000	2021 \$'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	(8,779)	2,943
Income tax calculated @ 30% (2021: 30%)	(2,634)	883
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:		
Non-deductible expenses	47	11
Income tax as reported in the comprehensive operating statement	(2,587)	894

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

	2022 \$'000	2021 \$'000
Amounts recognised in comprehensive operating statement		
Prior and current tax losses	12,116	13,459
Provisions and accrued expenditure not deductible	2,568	2,671
	14,684	16,130
Movements:		
Opening balance 1 July	16,130	19,951
Annual movement	(1,446)	(3,821)
Closing balance 30 June	14,684	16,130

Wannon Region Water Corporation

Notes to the financial statements

Deferred tax liabilities

	2022 \$'000	2021 \$'000
Amounts recognised in the comprehensive operating statement		
Depreciation and revaluation	177,545	181,578
Movements		
Opening balance 1 July	181,578	144,090
Annual movement	(4,033)	37,488
Closing balance 30 June	177,545	181,578
Net deferred tax liabilities		
Deferred tax assets	14,684	16,130
Deferred tax liabilities	177,545	181,578
Net deferred asset/(liability)	(162,861)	(165,448)

Unrecognised deferred liability/ tax asset

As at 30 June 2022, there were no deferred tax liability or deferred tax assets not recognised in the Financial Statements.

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 (DELWP). This contribution is recognised as an expense during the reporting period as incurred.

8.2.1 Environmental contribution expense

	2022 \$'000	2021 \$'000
Environmental contribution levy	3,167	3,167
Total environmental contribution levy	3,167	3,167

Wannon Region Water Corporation

Notes to the financial statements

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

	2022 \$'000	2021 \$'000
Reserves		
Land	1,998	2,006
Building	7,092	7,092
Infrastructure	274,737	276,265
Total reserves	283,827	285,363
Physical asset revaluation surplus		
Balance at beginning of financial year	285,363	194,197
Revaluation increments/(decrements)	-	91,996
Transfers to accumulated surplus	(1,536)	(830)
Balance at end of financial year	283,827	285,363

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.
- The revaluation gain or loss on the fair value of derivative financial instrument.

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

	Notes	2022 \$'000	2021 \$'000
Net gain/(loss) on non-financial assets			
Net gain/(loss) on disposal of infrastructure, property plant and equipment (including intangible assets)	4.1.5	(1,712)	(1,359)
Total net gain/(loss) on non-financial assets		(1,712)	(1,359)
Net gain/(loss) on financial instruments			
Impairment of:			
Loans and receivables		(27)	(14)
Net gain/(loss) arising from derivatives for ZEW transactions		42	-
Total net gain/(loss) on financial instruments		15	(14)
Other gains/(losses) from economic flows			
Net gain/(loss) arising from revaluation of long service liability		201	354
Total other gains/(losses) from economic flows		201	354
Total other gains/(losses) from other economic flows		(1,496)	(1,019)

Wannon Region Water Corporation

Notes to the financial statements

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

9.3 Events occurring after the balance date

No matters or circumstances have arisen since the end of the reporting period, 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 2021 - 27 June 2022
Minister for Water	The Hon. Harriet Shing MP	27 June 2022 - 30 June 2022
Acting Minister for Water	The Hon. Richard Wynne	1 July 2021 - 22 August 2021
Chair	Ms Jacinta Ermacora	1 July 2021 - 30 June 2022
Deputy Chair	Mr Kenneth King	1 July 2021 - 30 June 2022
Director	Mr Michael Crutchfield	1 July 2021 - 30 June 2022
Director	Mr Mick Murphy, OAM	1 July 2021 - 30 June 2022
Director	Ms Sarah-Jane Walsh	1 July 2021 - 30 September 2021
Director	Dr Helen Scarborough	1 July 2021 - 30 June 2022
Director	Dr Susan Brumby	1 July 2021 - 30 June 2022
Director	Dr Adrian Panow	1 July 2021 - 30 June 2022
Director	Ms Kylie Gaston	1 October 2021 – 30 June 2022
Managing Director / Accountable Officer	Mr Andrew Jeffers	1 July 2021 - 30 June 2022

Remuneration

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

	2022 \$'000	2021 \$'000
\$0 - \$9,999	1	-
\$20,000 - \$29,999	2	1
\$30,000 - \$39,999	5	6
\$50,000 - \$59,000	1	1
\$310,000 - \$319,999	1	1
Total	10	9
Total remuneration	584	583

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 (\$580,000 - \$590,000 in 2020/21)

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.

Wannon Region Water Corporation Notes to the financial statements

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

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services. Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long-service benefit or deferred compensation. Termination benefits include termination of employment payments, such as severance packages.

	2022 \$'000	2021 \$'000
Short-term employee benefits	1,263	1,271
Post-employment benefits	124	121
Other long-term benefits	30	30
Termination benefits	13	-
Total remuneration	1,430	1,422
Total number of executives	7	7
Total annualised employee equivalents	6.31	6.27

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly.

Key management personnel (as defined in 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 State of Victoria's Annual Financial Report.

	2022 \$'000	2021 \$'000
Short-term employee benefits	1,787	1,796
Post-employment benefits	177	172
Other long-term benefits	37	37
Termination benefits	13	-
Total remuneration	2,014	2,005

Wannon Region Water Corporation

Notes to the financial statements

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	2022 \$'000	2021 \$'000
Government related entity -receipts			
Department of Environment, Land and Water Planning (DELWP)	Recreational values program delivery	74	87
Department of Environment, Land and Water Planning (DELWP)	Adaptive wastewater for small towns	-	18
Department of Environment, Land and Water Planning (DELWP)	Climate change adaptation strategy	2	12
Department of Environment, Land and Water Planning (DELWP)	Regional integrated water management grant	168	-
Department of Environment, Land and Water Planning (DELWP)	Sampling and testing reimbursement	23	-
Department Health and Human Services (DHHS)	Terang fluoride project funding	1,235	77
Department Health and Human Services (DHHS)	Sampling and testing reimbursement	17	-
Department of Families, Fairness and Housing	Customer concession rebates	3,633	3,439
Department of Families, Fairness and Housing	New customer contributions	11	-
Parks Victoria	Operations & maintenance 12 Apostles site	51	115
State Revenue Office (SRO)	Not-for-profit rebate	302	300
Treasury Corporation of Victoria (TCV)	Interest revenue	-	11
Zero Emissions - Power Purchase Agreement (ZEW)	Compensation for project delay	-	52
Government- related entity receivables			
Department of Environment, Land and Water Planning (DELWP)	Sampling and testing reimbursement	25	-
Department Health and Human Services (DHHS)	Terang fluoride project funding	-	1,235
Department Health and Human Services (DHHS)	Sampling and testing reimbursement	8	-
Department of Families, Fairness and Housing	Customer concession rebates	404	142
Parks Victoria	Operations & maintenance 12 Apostles site	11	4
Parks Victoria	12 Apostles project funding	741	674
Government-related entity payments			
Department Environment, Land, Water and Planning (DELWP)	Environmental Contribution Levy	3,167	3,167
Department Environment, Land, Water and Planning (DELWP)	Native vegetation credits	605	-
Department Environment, Land, Water and Planning (DELWP)	Valuation Fees	65	-
Department Environment, Land, Water and Planning (DELWP)	Other	58	-
Department Health and Human Services (DHHS)	Safe Drinking Water Administration Levy	24	-
Department Treasury and Finance (DTF)	Financial Accommodation Levy	211	228
Environment Protection Authority (EPA)	Licences	-	178
Environment Protection Authority (EPA)	Permit fees	-	3
Essential Services Commission (ESC)	Recovery fees	102	-
GWM Water (GWM)	Water Service and supply charges	256	350
Southern Rural Water (SRW)	Licences	83	73
State Revenue Office (SRO)	Payroll tax	300	416
Treasury Corporation of Victoria (TCV)	Net borrowings during the year	2,000	7,000
Treasury Corporation of Victoria (TCV)	Borrowing costs	638	1,037
Vic Roads	Vehicle permit fees	82	40
Victorian Auditor Generals Office (VAGO)	Audit Fees	58	-

Wannon Region Water Corporation Notes to the financial statements

Zero Emissions - Power Purchase Agreement (ZEW)	Administration fees and Large-scale generation certificates	33	48
Zero Emissions - Power Purchase Agreement (ZEW)	Investment	-	11
Government-related entity payables			
Department Health and Human Services (DHHS)	Safe Drinking Water Administration Levy	24	21
Department Treasury and Finance (DTF)	Financial Accommodation Levy	-	61
GWM Water (GWM)	Water service and supply charges	86	-
Victorian Auditor Generals Office (VAGO)	Audit fees	66	-

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

	2022 \$'000	2021 \$'000
Victorian Auditor-General's Office		
Audit or review of the financial statements	66	56
Other non-audit services		
Other non-audit services	121	109
Total remuneration of auditors	187	165

9.8 Ex-gratia expense

	2022 \$'000	2021 \$'000
Forgiveness or waiver of debt	84	17
Total ex-gratia expenses	84	17

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.

Wannon Region Water Corporation

Notes to the financial statements

9.9 Australian Accounting Standards issued that are not yet effective

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

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

Topic	Key requirements	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> <p>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</p> <p>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.</p>	1 January 2022	The standard is not expected to have a significant impact on the public sector

Wannon Region Water Corporation Notes to the financial statements

9.10 Changes in accounting policies

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

Software-as-a-Service (SaaS) arrangements

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

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

Impact of change in accounting policy

The adoption of the above agenda decisions has resulted in, for the current year, \$0.53M (pre-tax) of costs that would previously have been capitalised (under AASB 138 Intangible assets) being expensed. Cash outflows of \$1.13M were included in payments to suppliers and employees in the Statement of Cash Flows that previously would have been included as payments to acquire intangible assets.

Prior year balances were not adjusted as the impact of the agenda decisions was not material.

Wannon Region Water Corporation

Notes to the financial statements

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 2022 and financial position of the Corporation at 30 June 2022.

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

We authorise the attached financial statements for issue on 3 October 2022.



J A Ermacora
Chair
Wannon Region Water Corporation



K L King
Acting Managing Director
Wannon Region Water Corporation



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

Dated this 3rd day of October 2022

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 2022 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • 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 2022 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
5 October 2022



Paul Martin
as delegate for the Auditor-General of Victoria

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.

Legislation	Requirement	Page No.
Charter and purpose		
FRD 22	Manner of establishment and the relevant Ministers	6
FRD 22	Purpose, functions, powers and duties	9-12
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