



Annual report

2022/23



Beyond water for strong communities

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 Poondee-teeyt

Water is Life - Dhauwurd Wurrung language group

Pa poonteyt paman paman

And life is sacred - Keerray Wurrung language group

Inside Cover Artwork: Hypnotic Waterways by Sherry Johnstone, a proud Keerray Woorroong, Yorta Yorta woman of the Maar Nation (Gunditjmara).

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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 2023.



Ken King
Acting Chair
Wannon Water
6 September 2023

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
Harriet Shing MP
1 July 2022 to 30 June 2023



A message from the Chair and Managing Director

As locals, we're driven to shape our region for the better.

Our work over the past year has focused on how we can put people at the centre of our thinking. The result has been a new strategic direction that commits us to putting people – our employees, customers and communities - first to make a real, positive and meaningful difference.

Taking effect from 1 July 2023, it will involve a new Customer Experience Strategy, Here for You, that meets customer needs and exceeds their expectations, a new People Strategy, and being bold in our work to care for and protect the environment.

Balancing priorities and prices

After four years of community engagement, we welcomed the Essential Services Commission's final decision on our Price Submission for the next five years. Engagement with customers provided a strong foundation for the submission and we're confident it's based on what they value most. A community panel suggested we should introduce small bill increases now,

rather than large increases later, and they also wanted more of their bill to be variable than fixed.

To keep bills as low as possible in a challenging cost environment, we'll be increasing debt rather than passing all costs onto our customers. Our current strong financial position means we can provide this benefit, addressing the current cost-of-living pressures. We've also responded to customer feedback to ensure those finding it difficult to pay will benefit from strengthened and more accessible financial support programs.

Improving water quality and ensuring sustainable water use

We know that communities paying an equivalent cost for water services want equitable water quality and taste. Although the tap water is safe to drink, many people in towns where there is a groundwater supply – such as Portland, Port Fairy and Heywood – find the taste unpalatable as a result of the naturally occurring mineral salts. This leads to reduced drinking water consumption. Water quality also impacts responses to satisfaction and perceptions of value. In particular, customers from these areas are consistently our most dissatisfied customers when it comes to taste and overall water quality.

In May, we were excited to learn that the Federal Government announced \$26.1 million in funding from the National Water Grid Fund to support us in improving the water quality for Portland, Heywood and Port Fairy. It's estimated that the Quality Water for Wannon Project will deliver more than \$47 million in health, economic and environmental benefits.

We've also been upgrading the Warrnambool Water Treatment Plant, installing a new UV disinfection and backwash system. Our treatment process already meets strict health standards, and this upgrade will go further in improving the quality of water for our Warrnambool, Allansford and Koroit customers.

Our 50-year Urban Water Strategy, released during the year, ensures that our long-term planning and investment in urban water services is effective and efficient. We're confident in our water supply and demand outlook for guiding our investment decisions, however we're aware circumstances can change over time.

While our teams continuously monitor water use and storage levels, we also look at potential risks to our services and how they can be managed or mitigated. Climate change, bushfires, floods, droughts, a change in population or industry demands, water quality events, the failure of key infrastructure, and changes to water markets and licensing are some of the threats that we have considered.

Our response and contingencies include long-term planning, drought and bushfire preparedness plans, emergency response plans, cyber resilience, asset performance monitoring and investment, back-up equipment, by-pass systems, water demand modelling and engagement with key industry and community groups. We're also taking broader actions across the region such as promoting sustainable water use and investing in Integrated Water Management initiatives.

Protecting health and the environment

South West Victoria is home to a precious natural environment that we are determined to care for and protect. From heritage-listed cultural landscapes to iconic coastlines, national parks and areas of outstanding natural beauty, we have a responsibility to plan long into the future.

We're determined to play a leading role in addressing the impact of climate change and adapting to its challenges. Achieving our goal of net-zero emissions by 2030 requires significant changes across our operations, from reducing energy consumption to transitioning to renewable energy sources. We are making good progress, and a carbon neutrality roadmap currently under development will illustrate a clear and actionable path towards that target.

This year, we've been supporting a regional transition to a low-carbon, circular economy, with a specific focus on water, wastewater and materials being used across the water system. We published a circular economy roadmap and a circular economy toolkit for regional water utilities, while a workshop in November brought together different industry and levels of government to understand opportunities for regional collaboration.

The long-awaited upgrade of the Warrnambool Sewage Treatment Plant is now well underway. Our largest-ever single infrastructure project, it will increase the plant's capacity by 50 per cent, allowing us to cater for the region's forecast growth and development for the next 25-plus years.

In parallel with this project, we're developing a new Effluent Management Strategy which is being guided by a reference group of community representatives and agency stakeholders. The strategy aims to identify alternatives for the disposal of wastewater which is currently discharged from the plant via an ocean outfall.

At Port Fairy, we partnered with Moyne Shire Council in a 12-month ocean water quality monitoring trial with the results showing that the town's popular beaches are safe places to swim.

Our environmental work extends to championing sustainable site management to boost local biodiversity. Examples include revegetating the Casterton Sewage Treatment Plant to create a suitable habitat for the endangered Red Tailed Black Cockatoo; removing invasive woody weeds at Bald Hill in Portland to allow threatened species of orchids, lilies and wildflowers to thrive; and restoring the ecosystem at an important remnant grassy woodland near Dunkeld to support the endangered Button Wrinklewort and the rare Striped Legless Lizard.

Liveability is important to our customers and the communities we serve, and we're committed to finding ways that we can support this. We already offer many ways for people to enjoy our sites, such as providing access for fishing and walking at Konongwootong Reservoir and supporting community art installations on some of our structures. However, we are keen to do more, so we developed a Recreation Opportunities Strategy to explore how other sites can be accessed and enjoyed by our community in the years to come.

Investing in our people

Our employees are our greatest asset and we depend on them to deliver the outcomes which we aspire for our customers, our communities and the environment. We are determined to ensure that the places we live, work and play allow them to feel safe, valued and able to reach their full potential.

We were proud to have our Gender Equality Action Plan achieve compliance from the Gender Equality Commission during the year. It has ambitious targets because we know that gender equity leads to better outcomes for our business and for our wider community. Our workplace flexibility program demonstrates our commitment, as it allows us to attract and retain women in our workforce, and support more men to take on caring responsibilities.

Participation in significant events such as National Reconciliation Week, International Women's Day and International Day of People with Disability is encouraged and embraced, with Wannon Water often acknowledged for taking a leading role in the coordination of local activities.

Farewells

In December, we bid farewell to our long-serving Director and Chair, Jacinta Ermacora, who led the Board for seven years. Jacinta previously served on the Board from 2005 to 2011 and on the board of our predecessor, South West Water, from 2004 to 2005. We thank Jacinta for her dedication and commitment to the water industry and its people over such a long time.

We also acknowledge Director Kylie Gaston who resigned in February after 16 months in the role.

Wannon Water's title as an employer of choice is evident through the number of long-standing employees we have in our organisation, including five who retired this year. Stephen Kerr, Keith Holmes, Haydn Everett, Gordon Fleuchar and Jenny Porter contributed a combined 194-plus years of dedicated service. It's an amazing achievement and we wish them all the best in their retirement.

Thank you

Nothing happens without our people, a highly skilled and engaged workforce upon which we continue to build. In all conditions, and each and every day, they plan, innovate and adapt to proudly deliver the essential services that our 44,000 customers across South West Victoria rely on. Thank you all.



Ken King
Acting Chair



Andrew Jeffers
Managing Director

Our impact in 2022/23

44,844
water
CUSTOMERS

38,346
RESIDENTIAL

4,679
BUSINESS

1,819
RURAL

31 MILLION
LITRES
DRINKING WATER
provided each day

THAT'S **11,301** MILLION
LITRES
each year

38,526
SEWERAGE
& TRADE
WASTE
CUSTOMERS

34
million litres
Sewage and trade waste
treated each day
That's **12,379** million
litres each year

\$4.17m

In concession,
grants + rebates

2,962
CUSTOMERS ON
instalment
PLANS



75%
Employee
satisfaction

With their jobs, work-life balance
and career opportunities

\$77,500
IN RIPPLE EFFECT
grants
TO **17** groups +
schools

26 SAFETY
TRAINING
SESSIONS

\$44.6m
CAPITAL WORKS

5,330
ITEMS OF
MERCHANDISE



RECEIVED BY
71
GROUPS &
SCHOOLS

15 WATER FOR
COMMUNITY
EVENTS

Education
plan
2018-23

6,700
Students
reached

124
Sessions
provided

27
Tours
delivered



164.5
LITRES
Residential water
use per day

75 CULTURAL
awareness training
PARTICIPANTS

225
Eft employees



187
Full-time

35
Part-time

17
Fixed term
& casual

Our vital role

Every day, we supply South West Victoria with sustainable water services, while leading our communities towards a healthier, more prosperous future. It's a commitment that we're proud to make to the region we call home.

We're your local, dependable experts

From the South Australian border to the Otways. From the Grampians to the coast. Our services take care of more than 30 communities, including residents, farmers, businesses and industries. It's our responsibility to supply you with fresh water, from source to tap, and manage sewage to protect your health and wellbeing.

Putting people first comes naturally to us so we're here to help with more affordable, reliable and personalised service. You'll see us around, in towns and on streets, maintaining and upgrading the pipes, pump stations and treatment plants we all need.

We're making a real and positive difference

As locals, we're driven to shape our region for the better. We're committed to working with our communities and strategic partners to support the health and wellbeing of our people and protect our natural environment. We simply believe it's the right thing to do and it all comes back to our greater vision to go beyond water for stronger communities.

It's about delivering sustainable water services together with positive change for our region – and we're proud to be leading the way.

Nature and range of services provided

We're 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*.

As Victoria's second largest regional urban water corporation by area, we cover 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

We supply 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

Customer numbers

Water

We provide water services to a total of 44,844 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 2022/23, with 400 new customers connected to a reticulated water service.

Our customer base is composed of 86 per cent residential customers, 10 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 2022/23 (kilolitres)
Residential	38,346	5,014	44%	5,280	131
Business	4,679	4,973	44%	4,833	1,063
Rural	1,819	1,314	12%	1,372	722
Total	44,844	11,301	100%	11,485	252*

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

Sewerage

We provide sewerage services to a total of 38,526 residential, commercial and industrial customers across 16 sewerage systems. The total growth in the number of sewerage customers was 1 per cent in 2022/23, with 375 new customers connected to a reticulated sewerage service.

Our purpose and strategic direction 2018-23



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



We provide 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're 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
Renewing our Customer Experience (CX) Strategy and begin implementing our CX Plus Project	We developed and finalised our Customer Experience Strategy 2023-28, with resourcing to support delivery of the strategy built into the 2023-28 Price Submission and 2023-28 Corporate Plan. The CX Plus project is underway and in the design phase.	✓
Delivering of our Beyond Safe Water initiatives	Construction of the Warrnambool UV disinfection project began and \$26 million in federal funding for the Quality Water for Wannon Project was announced.	✓
Delivering Integrated Water Management projects and outcomes	The Enabling IWM with Regional Developers Project was completed. Other projects progressed through the year included the IWM Plan for Lake Pertobe: Adaptive Wastewater for Peshurst - Pilot Project, Roof Water Harvesting at Camperdown Livestock Exchange and Rivers of Warrnambool (and Rikali wetland project).	✓

Stronger communities

KEY PROJECT/INITIATIVE	COMMENT	STATUS
Upgrading the Warrnambool Sewage Treatment Plant	Construction commenced during the year and work is on schedule.	✓
Implementing our plan to achieve net zero carbon emissions by 2030	Our Carbon Neutrality Action Plan is being refreshed and a new roadmap will be finalised in 2023/24. There have been delays with the Brierly Basin Floating Solar Project due to engineering challenges with the anchoring system.	●
Progressing circular economy outcomes	We received seed funding from DEECA to develop a circular economy roadmap and toolkit. The roadmap was finalised in March 2023 and projects have started. The toolkit is complete and ready for distribution.	✓

Performance culture

KEY PROJECT/INITIATIVE	COMMENT	STATUS
Implementing our Gender Equality Action Plan (GEAP)	Actions have progressed and we started preparations for reporting requirements of the GEAP.	✓
Implementing our COVID-19 Recovery Plan	The coronavirus (COVID-19) Safe Plan, COVIDSafe settings and workplace vaccination requirements continue with oversight transferred to People & Wellbeing as part of 'business as usual'.	✓

Business excellence

KEY PROJECT/INITIATIVE	COMMENT	STATUS
Implementing our Digital Strategy	Resourcing and structure initiatives and key projects are continuing including the five-year radio and repeater replacement program, planning for the migration of Conquest to Maximo, delivery of Asset Data Standard and Asset Data Strategy.	✓
Delivering our Innovation and Design Program	A roadmap for 2022 to 2025 was endorsed by the executive in August 2022. It seeks to embed innovation in our workplace to create value and efficiencies for our business. Dedicated resources are not yet in place to support the delivery of the roadmap and the intended longer-term maturity shifts. Innovation still occurs across the business and is one of the enablers in our refreshed organisational strategic direction.	●

Customer and community outcomes

Engagement

Engagement insights are critical in guiding our plans for delivering on customers' priorities and expectations.

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 have an annual process of engaging with our community to help inform the development of each corporate plan and other longer-term planning. We also engage with customers on specific projects that may impact them. Our approach to engagement is inclusive, ensuring the diversity of our customer groups could participate if they choose to.

Our Regional Advisory Forum (RAF), composed of voluntary community members living in South West Victoria, oversees the annual engagement cycles. They advise us on engagement planning and provide feedback on customer insights. Members of the inaugural 2018 RAF concluded their term and we're grateful for their contributions over the five-year period. Recruitment of a new RAF is now completed with the group set to start in August 2023.

This year's annual cycle recorded a total 2,122 instances of engagement, through online and phone surveys, face-to-face engagement during a Community Roadshow and other customer feedback. We've heard the following themes from our customers:

Affordability

- Our customers want us to keep bills affordable.
- There is a higher rate of vulnerability for customers due to COVID-19 impacts.

Service levels

- Most customers are satisfied with existing service levels and want us to maintain them.

Water quality

- Water quality and taste is a high priority for our customers and becoming more prevalent.

Water security

- Customers value water conservation and education to promote water saving in the home and industry.
- They want to know more about how we will maintain and protect our water quality for the future.

Metrics on value for money, trust, reputation in the community, and overall satisfaction are monitored by the Essential Services Commission (ESC) and us each year using a range of methodologies. These help us to better understand customer perceptions of our services.

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.

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 2023 survey were:

- Value for money: 6.8 out of 10
- Trust: 7.5 out of 10
- Reputation in the community: 7.4 out of 10
- Overall satisfaction: 7.7 out of 10.

There were also no shifts for our net promoter score (NPS), with 44 per cent of surveyed customers likely to speak favourably about our services. We also analyse other customer feedback received during the year, noting that customer complaints decreased, with most related to water quality issues.

Although value for money is important for our customers, a trend in our 2022 Customer Value Survey showed that water quality and taste was becoming more influential in customers' perceptions about good service, and as a key driver for overall satisfaction at the time. Our 2023 survey revealed a shift in this metric. Current trends show that value for money is the most important factor driving customer satisfaction, indicating how our customers are responding to the current economic climate and higher living costs.

During the year, we also finalised an intense engagement period for our price submission and developed a final engagement report to the ESC. The report included the recommendations from a community panel which were adopted by our Board to inform our price submission. A highlight was achieving a 'leading' rating from the ESC for our engagement approach.

Customer experience

Customer experience is more than customer service. Customer experience describes all the interactions customers have with our products, services, and initiatives.

Our customers tell us they expect similar levels of customer experience from us that they have with other organisations and utilities. We recognise customer-centric approaches not only deliver on the expectations of our customers, but are aligned with positive employee experiences. They also provide returns on investment through greater efficiencies. To enable great customer experiences, our focus needs to be on the leadership, governance, systems, and processes that impact and underpin great customer interactions with our organisation.

Our 2020-22 Customer Experience Strategy wrapped up during the year and we developed our next strategy, *Here for You*, covering the 2023-28 period. *Here for You* guides our employees in delivering our strategic aspiration of "meeting customer needs and exceeding their expectations".

In finalising our previous strategy, we rolled out key initiatives including the development of our brand voice to improve consistency of messaging to our customers and stakeholders.

Great customer experiences are supported through effective and efficient digital systems. In 2022/23 we began:

- The implementation phase of a project to replace our billing and customer relationship management system. The focus this year was ensuring appropriate contractual and working arrangements were in place with the selected vendor, and working closely with them to design an appropriate system. Design was almost complete at the end of the year, with the focus for 2023/24 expected to shift to building the new system.

- A project to replace our existing website. A business case has been established, a vendor has been appointed and the project is expected to be completed next year.
- Work to establish a digital system to replace the manual monitoring of minor trade waste and backflow requirements. A system has been selected and development work is complete, ready for a trial in 2023/24.

We continued implementing our "build" level Financial Inclusion Action Plan. This plan outlines our approach to building financial wellbeing and resilience for our customers, employees, suppliers, and community. Highlights include securing funding for our Quality Water for Wannon Project (previously known as Great Tasting Water) and reviewing key financial assistance procedures.

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 2022/23, owner-occupiers paid an average bill of \$1,103 based on our region's average annual residential consumption of 140 kilolitres. The annual bill for a residential customer with a consumption of 200 kilolitres was \$1,221.

Social sustainability

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

Value of community service obligation provided	2022/23 (\$)	2021/22 (\$)	2020/21 (\$)	2019/20 (\$)	2018/19 (\$)
Water and sewerage concessions	3,608,274	3,311,020	3,546,848	3,397,662	3,354,142
Not-for-profit organisation rebates	296,128	296,107	300,040	226,805	314,577
Utility Relief Grant Scheme payments	109,305	99,299	33,574	84,794	94,976
Water concessions on life support machines	614	970	1,277	1,442	1,859
Water for Community rebate	152,568	179,886	143,988	179,951	194,354
Total	4,166,899	3,887,282	4,025,727	3,890,654	3,959,908

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 2023, instalment plans were in place for 2,962 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 DECCA 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 2022/23	Total value 2022/23 (\$)	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 (\$)
High water usage allowances	439	247,741	373	240,997	338	157,404	353	186,842
Hardship rebates	135	42,458	151	33,339	177	56,376	180	52,868
Total	574	290,199	524	274,336	515	213,780	533	239,710

Water consumption

TOTAL DRINKING AND NON-DRINKING WATER CONSUMPTION 2022/23

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	38,327	5,012	4,675	3,769	1,201	826	44,203	9,607	9,840
Non-Drinking Water	19	2	4	1,204	618	489	641	1,694	1,644
Totals	38,346	5,014	4,679	4,973	1,819	1,315	44,844	11,301	11,484

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.

TOTAL DRINKING AND NON-DRINKING WATER CONSUMPTION 2022/23

System	2022/23 volume (ML)		2021/22 volume (ML)		2020/21 volume (ML)		2019/20 volume (ML)		2018/19 volume (ML)	
	Change		Change		Change		Change		Change	
East Dilwyn	241	-6%	256	14%	224	-12%	253	-13%	292	3%
Grampians	1,085	-11%	1,225	10%	1,118	-7%	1,197	-4%	1,251	3%
Other	150	-10%	166	24%	134	-8%	145	3%	141	16%
Otway	7,546	-2%	7,731	6%	7,294	-4%	7,567	-4%	7,889	-2%
Tullich	256	-17%	309	10%	281	-6%	300	-9%	328	10%
West Dilwyn	2,023	2%	1,992	3%	1,937	-3%	2,007	-4%	2,084	1%
Totals	11,301	-3%	11,679	6%	10,988	-4%	11,469	-4%	11,985	0%

WATER CONSUMPTION BY TOWN/CITY (MEGALITRES) 2022/23

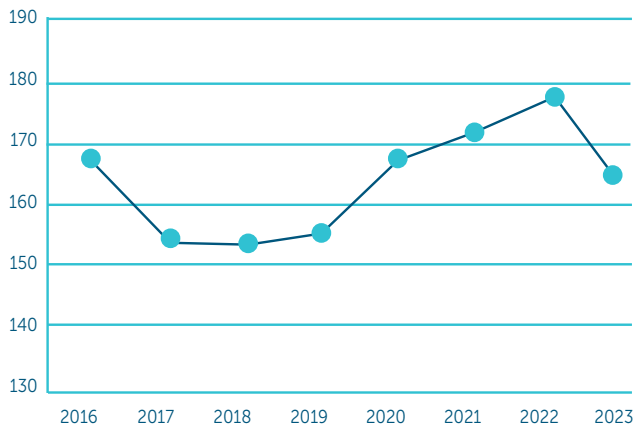
System	Residential customers		Non-residential customers		Rural customers		Total consumption		5-year average annual consumption (ML)	Per capita daily residential drinking water consumption (L)
	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)		
Allansford	327	52.8	39	75.8	9	22.2	375	150.9	145.9	195
Balmoral	106	12.9	29	5.1	17	8.1	152	26.1	30.7	146
Balmoral Pipeline*	-	-	-	-	3	3.0	3	3.0	4.9	-
Camperdown	1,672	225.9	215	117.3	-	-	1,887	343.2	372.2	163
Camperdown Rural	-	-	-	-	410	410.4	410	410.4	423.2	-
Caramut	57	9.2	10	3.5	7	3.1	74	15.7	17.6	194
Caramut Pipeline*	-	-	-	-	11	2.8	11	2.8	2.6	-
Casterton	822	87.0	145	37.4	24	6.1	991	130.5	160.0	128
Cavendish	78	7.1	19	1.8	4	0.9	101	9.8	10.7	109
Cobden Rural	-	-	-	-	18	18.2	18	18.2	18.9	-
Cobden Urban	729	98.3	107	456.2	85	79.9	921	634.4	714.7	163
Coleraie	524	51.2	80	20.5	17	5.7	621	77.3	83.1	118
Coleraie Pipeline*	-	-	-	-	4	2.6	4	2.6	1.5	-
Darlington*	19	1.7	3	0.1	-	-	22	1.8	2.0	107
Dartmoor	132	12.7	19	3.9	-	-	151	16.6	17.5	116
Dunkeld	331	50.7	48	14.2	30	11.2	409	76.1	84.7	185
Glenthompson	100	7.7	24	1.1	8	0.4	132	9.2	11.3	93
Hamilton	4,852	655.0	649	234.6	44	15.6	5,545	905.1	965.4	163
Hamilton Pipeline*	-	-	-	-	36	12.5	36	12.5	14.7	-
Heywood	664	78.9	103	27.5	2	0.0	769	106.4	116.0	143
Konongwootong Pipeline*	-	-	-	-	66	65.2	66	65.2	54.9	-
Koroit	828	113.5	58	252.8	5	2.0	891	368.4	375.3	165
Lismore & Derrinallum	359	37.2	76	14.6	81	40.2	516	91.9	100.5	125
Macarthur	138	12.0	35	3.1	2	0.2	175	15.3	17.0	105
Merino	129	14.3	20	3.2	37	12.7	186	30.1	32.4	134
Mortlake	596	72.5	92	52.5	5	10.8	693	135.8	140.3	147
Noorat & Glenormiston	161	26.0	19	15.9	78	49.3	258	91.2	89.9	195
North Otway Pipeline*	-	-	1	1,204.0	461	385.9	462	1,589.9	1,540.4	-
Penshurst	273	31.0	49	17.7	2	0.4	324	49.2	53.3	137
Peterborough	351	22.2	15	9.3	10	8.2	376	39.8	43.9	76
Port Campbell	272	26.7	40	35.9	-	-	312	62.6	63.7	119
Port Fairy	2,223	256.4	227	269.5	4	0.2	2,454	526.1	539.2	139
Portland	5,315	680.6	693	692.1	6	1.4	6,014	1,374.1	1,336.1	155
Purnim	-	-	1	1.6	103	22.4	104	23.9	29.6	-
Sandford	60	6.4	4	0.4	28	7.2	92	14.0	16.7	128
Simpson	79	11.0	18	10.2	10	11.6	107	32.8	41.6	169
Tarrington	146	22.7	6	2.7	16	2.9	168	28.2	30.8	187
Terang	960	131.2	143	40.1	1	6.4	1,104	177.7	185.9	165
Timboon	444	53.9	77	28.9	117	56.0	638	138.8	145.5	147
Tullich Pipeline*	-	-	-	-	7	1.3	7	1.3	1.4	-
Warrnambool	15,599	2,145.7	1,615	1,319.8	21	11.8	17,235	3,477.3	3,426.9	166
Willaura Pipeline*	-	-	-	-	30	15.3	30	15.3	22.0	-
Totals	38,346	5,014	4,679	4,973	1,819	1,314	44,844	11,302	11,485	158

* Non-drinking water districts

Residential water use

Residential use, once climate corrected, was 164.5 litres/person/day in 2022/23, which is lower than last year's usage of 178.1 litres/person/day.

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 four years. The usage for the 2022/23 year was 1,970.2 litres/connection.

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 2,947.1 litres/connection.

Non-residential water use (litres/connection/day)



NON-REVENUE WATER

	2022/23 (ML)	2021/22 (ML)
Leakage	1,391	1,381
Fire fighting	6	6
Other (including flushing)	25	51
Total	1,422	1,438

MAJOR NON-RESIDENTIAL WATER USERS

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 2022/23	No. customers 2021/22	No. customers 2020/21	No. customers 2019/20	No. customers 2018/19
100ML to 200ML	1	1	3	2	3
200ML to 300ML	2	4	1	2	0
300ML to 400ML	2	0	1	1	2
400ML to 500ML	1	1	0	0	0
500ML to 750 ML	0	0	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

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	Office space (m ²)	Water consumption (kL)	kL/FTE	Water consumption by office space (L/m ²)
25 Gateway Rd, Warrnambool ¹	142	3,530	492	3.5	139
15 Townsend St, Portland	6	278.4	39	6.5	140
66 Gray St, Hamilton	8	614.7	51	6.4	83
Total	156	4,423.1	582	3.7	132

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

Protecting health and the environment

Sewage treatment plant discharge volumes

City/town	2022/23 ML	2021/22 ML	Change
Camperdown domestic	546	389	40%
Camperdown industrial	37	17	119%
Casterton	92	90	3%
Cobden	257	226	14%
Coleraine	32	28	13%
Dunkeld	32	27	19%
Hamilton	948	668	42%
Heywood	304	412	-26%
Mortlake	202	251	-19%
Peterborough	25	8	212%
Port Campbell	75	70	7%
Portland	2,214	2,021	10%
Port Fairy domestic	787	730	8%
Port Fairy industrial	149	122	22%
Simpson	10	23	-55%
Terang	391	168	133%
Timboon	121	69	75%
Warrnambool	6,156	5,664	9%
Total	12,378	10,983	13%*

*Discharge volumes were up by 13 per cent due to some extreme rainfall events during the first half of the financial year.

Water for Aboriginal cultural, spiritual and economic values

Supporting Aboriginal self-determination

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

Throughout 2022/23, we continued our relationship building and increased employee understanding of Aboriginal and Torres Strait Islander cultures, histories, knowledge and rights within our organisation.

Partnership with Traditional Owners

We worked with Eastern Maar Aboriginal Corporation, Barwon Water and Grampians Wimmera Mallee Water on a multi-party agreement to support partnership work between the four organisations, which was finalised in June 2023.

Employees have participated in a range of activities and sharing knowledge at regular all-employee Managing Director updates throughout the year.

We're a proud supporter of community group Wata Waetnanda, providing backbone support throughout the year. The group is instrumental in developing a program of community events for National Sorry Day and National Reconciliation Week across the Warrnambool and Port Fairy region.

Aboriginal Reconciliation Plan

Our Reflect Reconciliation Action Plan (RAP) was finalised and launched in October 2021, with the following four outcomes:

1. Relationships

We have strong relationships with Aboriginal and Torres Strait Islander peoples, Traditional Owners, Custodians, groups and organisations and we are walking together to achieve outcomes in our shared communities.

2. Respect

We recognise, acknowledge and celebrate Aboriginal and Torres Strait Islander cultures, histories, knowledge and risk and we respect Country.

3. Opportunities

We understand the needs of our different Aboriginal communities and we use our influence and resources to improve the lives of people in South West Victoria and enable self-determination.

4. Governance

We are committed to, and are effective in, delivering our Reconciliation Action Plan commitments, always ensuring Aboriginal and Torres Strait Islander voices are represented and heard.

During the year, we reviewed the progress of our Reflect Reconciliation Action Plan across its 37 deliverables. This has led to:

- Being a key partner in Wata Waetnanda.
- Increased employee attendance at National Reconciliation Week community events.
- Increased participation in cultural tours to Tower Hill and Budj Bim Cultural Landscape.
- A new employment pathway for trainees.
- Developing a multi-partnership agreement with the Eastern Maar Aboriginal Corporation.

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 four cultural heritage management plans for projects located at the Hamilton Sewage Treatment Plant and the Port Campbell bore site 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.

Partnering for stronger communities

Ripple Effect

Our support program, known as *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	2022/23 allocation
COMMUNITY GRANTS (UP TO \$5,000)				
The Crystal Lee Foundation	Support for young people diagnosed with cancer	Family respite and financial assistance provided to cover travel and accommodation costs to the Royal Children's Hospital.	\$2,500	\$2,500
Loved and Shared	Support for at-risk families with quality gifted children's goods	Supported the new local charity with warehouse set-up costs to store gifted and donated items for distribution.	\$2,500	\$2,500
One Day Studios	Deliver digital arts and STEAM	iPads purchased to support educational programs.	\$2,500	\$2,500
Standing Tall in Hamilton	Empower project - Empowering mentors, inspiring future generations.	Improved capacity and skills of youth mentors in the Southern Grampians.	\$5,000	\$5,000
United Way Glenelg	Winter care packages	Increased social connection and reducing loneliness among older people, distributed winter care packages in Glenelg.	\$2,000	\$2,000
South West Cloth Nappy Library	Community awareness project	Encouraged parents to use cloth nappies for better environmental outcomes.	\$2,000	\$2,000
Crayfest Port Campbell	Crayfest Port Campbell 2023	Supported this key regional event to expand the 2023 program and participation from the community, covering equipment hire costs.	\$3,000	\$3,000
Bahgallah Memorial Hall	Refurbishment of hall	Supported the refurbishment of this small community hall for recreational and social activities, community meetings and events.	\$2,500	\$2,500

Organisation	Description	Outcomes	Total grant	2022/23 allocation
Purnim Recreation Reserve	Facility upgrade	Supported update of kitchen facilities in the pavilion space which is used by several community groups and for community meals run by volunteers.	\$3,500	\$3,500
Men's Shed Timboon	Volunteer members' health	A dust collection system was installed to improve health standards within the facility where volunteer members create tailored woodwork to support community initiatives.	\$5,000	\$5,000
Warrnambool BMX Club	2022 Warrnambool BMX Classic	Funded first aid services to ensure safety of participants.	\$1,000	\$1,000

SCHOOL GRANTS (UP TO \$1,000)

Merri River School	Merri River revegetation	Revegetation of the school's riverbank area completed with around 700 natives trees and grasses.	\$1,000	\$1,000
Good Shepherd College	Nature play sensory garden	Student-led garden project for a sensory play area.	\$1,000	\$1,000

INTERNATIONAL AID (UP TO \$4,000)

Water East Timor (WET)	Water supply to Asulau Village, Ermera Municipality, Timor-Leste	Improved access to drinking water in the Asulau village with the provision of 10 water tanks.	\$1,000	\$1,000
Rotary Club of Warrnambool	Popondetta Secondary School in Oro Province, Papua New Guinea	Supported the purchase of a water pump and other materials to provide a water supply for the school	\$3,000	\$3,000



Organisation	Description	Outcomes	Total grant	2022/23 allocation
CATCHMENT MANAGEMENT AUTHORITY GRANTS				
Glenelg Hopkins CMA	Urban Waterways of the South-West - protecting and restoring the values of the Grange Burn and Merri River	Established 6,000 plants as part of the Grange Burn revegetation program, including significant community engagement across multiple agencies and age groups. Progressed the Merri River Woodend Road wetland, completing baseline flora, fauna and hydrogeology surveys across 11 hectares. High ecological values were identified for restoration which will also contribute to improving stormwater filtration and recreational activities. Strong Traditional Owner engagement has provided input and support for on-ground work at this site.	\$80,000	\$20,000
Corangamite CMA	Completion of an Integrated Catchment Management Plan for the Gellibrand catchment	The Gellibrand River Integrated Catchment Management Plan was developed to help protect and enhance the catchment's values for the future, including supply of drinking water. The preferred option for implementation includes targeted riparian fencing and revegetation above Wannon Water's South Otway offtake to improve river health and downstream ecological outcomes as well as finer-scale identification of high-risk point sources. The plan provides a robust costed basis for securing implementation funding.	\$60,000	\$20,000
TOTAL			\$177,500	\$77,500

Sponsorship program

Our *Ripple Effect* sponsorship program distributed more than 5,330 items of merchandise including water bottles, sports prize packs, shopping bags, back sacks, trigger nozzles and pens to members and students of 71 community groups, sporting clubs and schools.

Community partnerships

We have a strong commitment to strengthening the communities we serve. Partnering with other organisations is a strategic way to meet this commitment.

Under our leadership, Thriving Communities Partnership South West Victoria secured funds and contracted a network lead to set up its next stage of development. The network collaborates with “purpose and compassion for an aligned, strategic, and coordinated approach so that everyone in our community is valued and has the opportunity to thrive”. It aims to reduce the disadvantage gap through connecting business, government, and organisations to deliver “self-forming impactful collaborations”.

We are leaders or active partners in the Regional Executive Forum, Great South Coast Integrated Water 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, and the Committee for Portland.

Education

Our 2018-23 Education Plan has been completed, with more than 6,700 students reached, 124 education sessions to schools, and 27 tours delivered.

In partnership with the Glenelg Hopkins Catchment Management Authority and Southern Rural Water, we again delivered a successful National Water Week poster competition, receiving 163 high-quality entries across 15 schools in the region. One of our entries was selected as a state winner. A key innovation this year was the development of a centralised online competition portal in partnership with 12 other Victorian water authorities. The competition portal helped to streamline the process with a more consistent framework for participants.

More recently, we opened our Warrnambool East Water Tower to the public on World Water Day, attracting hundreds of residents and customers from our region.

We’ve transitioned to a new way in working with pre-schools and schools. As we continue to develop our online Learning Centre on our Engage & Explore hub, our focus is to provide education materials that support early years and schools in delivering their own water literacy initiatives.

We developed the 2023-28 Education Plan, setting the course for a renewed approach, focusing on educating our customers and communities about our services, their water supply and how we can work together for better sustainability outcomes for our region.

Social procurement

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

In 2020, we developed our first Social and Sustainable Procurement Strategy to enable a strategic,

organisation-wide approach to how we will deliver social and sustainable outcomes through our procurement under the SPF and beyond. In that strategy, we prioritised four objectives which were chosen based on their high degree of alignment with our strategic direction. The table below outlines our progress.

Social procurement priorities	Outcomes sought	Performance indicators	2022/23	2021/22
Supporting the sustainability of Victorian social enterprises, disability enterprises and Aboriginal business sectors	Procurement from Victorian social enterprises, disability enterprises and Aboriginal businesses.	Increasing direct spend with Victorian social and disability enterprise businesses.	\$134,083 (6 suppliers)	\$18,606 (3 suppliers)
		Increasing direct spend with Victorian Aboriginal business sector businesses.	\$1,534,420 (2 suppliers)	\$661,283 (2 suppliers)
Championing and delivering women's equality and safety	Suppliers can demonstrate their contribution to improving gender equity and women's safety in our community.	Increasing number of contracts assessed against the Supplier Code of Practice categories of family violence and gender diversity.	0	2
Providing 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.	0	1
Developing and sharing knowledge of human rights and supply chain risks	Increase awareness of supply chain risks with respect to human rights for Wannon Water and our suppliers.	Increasing number of contracts assessed against the Supplier Code of Practice categories of workforce and wellbeing and supply chain.	N/A	N/A
		Participation in Victorian water sector supply chain risk and human rights project.	Completed	Ongoing

Achievements

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

- We use social and disability enterprises to deliver vehicle cleaning and grass cutting services with around \$10,000 spent with social enterprise business during the year. A further \$19,000 was spent with a social enterprise for catering which is not captured by the ABN Wash Tool.
- We engaged six suppliers that have social benefit (i.e. led by a social mission for one of the five disadvantaged cohorts) with a spend value of \$134,000.
- We engaged South West Pipe Relining, an indigenous family-owned business, on several contracts with a spend of \$1.5 million in 2022/23.
- The indirect spend with Aboriginal business has remained consistent, with the engagement of a meter reading contractor who is an active member of Supply Nation, and a cleaning services provider which uses a range of cleaning products and supplies from Wirrapanda Supplies.

Providing opportunities for disadvantaged Victorians:

- There is ongoing employment of an all-ability position within the Corporate Services Team.
- Our commitment to creating employment

opportunities for people in Victorian regions supported 24 per cent (\$15.71 million) of our total non-employee expenditure being spent with suppliers in our service region.

Developing and sharing knowledge of human rights and supply chain risks:

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

Additional support

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

The Victorian Government ABN Wash Tool Assessment includes our engagement and spend with social benefit suppliers. An additional \$50,000 has been spent directly with three local indigenous groups, Gunditj Mirring Traditional Owners Aboriginal Corporation, Eastern Maar Aboriginal Corporation and Gunditj Mirring Services, who are not registered in the Victorian Government ABN Wash Tool. We see great value in supporting our local indigenous groups as suppliers.

Local social enterprise Tasty Plate, who are not included in the Wash Tool, have also been engaged for catering services, with a spend of more than \$18,000.

Case study

South West Pipe Relining

South West Pipe Relining is an indigenous, family-owned business established in 2014. Its vision is to provide high-quality, trenchless rehabilitation services to all their current and future customers. The business offers a turn-key solution for the utility and civil market and has earned a reputation as specialists in the utility and infrastructure industry by providing innovative rehabilitation solutions.

South West Pipe Relining is based in South West Victoria with a resourcing capability to mobilise from their base throughout Victoria and interstate.

As a part of our ongoing commitment to reliable service delivery, we undertake CCTV inspections of our sewer network each year. This footage and associated reports are then analysed, producing a final list of assets that are reaching the end of their service life and need to be renewed.

We engage South West Pipe Relining to undertake the comprehensive program of sewer rehabilitation and renewal work within our service area each year, helping to reduce sewer blockages and spills. The company was successful in gaining \$1.5 million of contract work from Wannon Water in 2022/23.

Section 4: Our environment

Climate change and energy

Adaptation to climate change and variability

CLIMATE-RELATED RISK DISCLOSURE STATEMENT

We identify climate-change as a causal factor impacting our ability to meet demand for water and provide sustainable sewerage services. These strategic risks are routinely monitored by management and the Board, including the status of key controls such as our Urban Water Strategy and Climate Change Adaptation Plan.

We continue to integrate climate change adaptation into planning and decision-making across the business, moving beyond addressing this on an ad-hoc basis. We also recognise that we have a role to play in mitigating our contribution to climate change and we have an active and effective program to reduce our reportable greenhouse gas emissions consistent with the Statement of Obligations (Emissions Reduction). We continue to reduce emissions at the source, increase renewable energy generation and use, and self-generate offsets from accredited carbon farming and renewable energy projects.

REPORTING BOUNDARY FOR ENVIRONMENTAL DATA

All Wannon Water's operations and activities are included within the organisational boundary for this reporting period.

Greenhouse gas emissions

During 2022/23 our reportable greenhouse gas emissions were 21,063 tonnes, consistent with achieving the target in our corporate plan, and 15.3 per cent lower than 2021/22.

Water treatment and supply emissions significantly decreased compared to last year. The 2022/23 period was significantly wetter than the previous year, and this resulted in low pumping requirements from the Arkins Catchment. Damage to the Arkins pipeline was repaired, further reducing pumping requirements compared to the previous year.

The grid emissions factor reduced by more than 10 per cent, which also contributed to a reduction in Scope 2 emissions. Emissions from our sewage treatment systems remained relatively stable. Transport and other related emissions are not material and remained within expectations.

Our local wind and solar energy projects continued to generate renewable electricity during the year, and we made significant progress on the Brierly Basin Floating Solar Project which is expected to be commissioned in the coming year.

TOTAL GREENHOUSE GAS EMISSIONS

Greenhouse gas emissions (tonnes CO ₂ -e)	2021/22 total emissions ¹	2022/23 result		Total emissions	Variance from last year
		Scope 1	Scope 2		
Water treatment and supply	11,566		8,041	8,041	-31%
Sewage collection, treatment and recycling	12,736	5,425 ²	8,394	13,819	+9%
Transport	627	650	0	650	+4%
Other	362	54	386	439	+21%
Total emissions (tCO ₂ -e)	25,291	6,129	16,821	22,950	-9%
Carbon offsets (self-generated) retired	-412	0	-1,887	-1,887 ³	
Net emissions (tCO₂-e)	24,879	6,129	14,934	21,063	-15.3%

¹ 2021/22 emissions have been revised due to an accounting error found after publishing the Annual Report.

² Contains estimates for minor treatment plants based on long-term averages due to a laboratory testing issue. Not considered material.

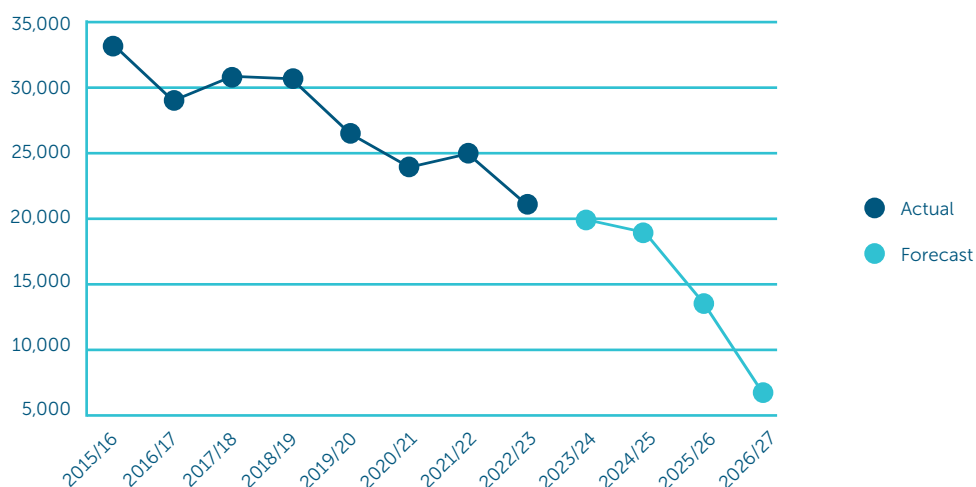
³ Self-generated Large Generation Certificates were retired to partially offset grid electricity use.

Climate Active eligible offset units retired to reduce scope 1 emissions

No offset units were retired during the year.

Progress towards 1 July 2025 emissions target

Net greenhouse gas emissions (tonnes of CO2 equivalent)



Scope 1 and 2 emissions by each greenhouse gas

Greenhouse gas emissions (tonnes CO2-e)	Carbon dioxide (CO2)		Methane (CH4)		Nitrous Oxide (N2O)		Other	
	tonnes	tCO2-e	tonnes	tCO2-e	tonnes	tCO2-e	tonnes	tCO2-e
Water treatment and supply	8,041	8,041	0	0	0	0	0	0
Sewage collection, treatment and recycling	8,394	8,394	0	2,751 ¹	0	2,674 ¹	0	0
Transport	646	646	0	0	0	4	0	0
Other	439	439	0	0	0	0	0	0
Total	17,520	17,520	0	2,751	0	2,678	0	0

Footnote: tCO2-e represents the greenhouse gas emission in carbon dioxide equivalence, by applying the relevant Global Warming Potential (GWP). The GWP for one tonne of each gas is: CO2 = 1, CH4 = 28 and N2O = 265 (National Greenhouse and Energy Reporting Regulations 2008).

¹ Contains estimates for minor treatment plants using long-term averages due to a laboratory testing issue. Not considered material.

Electricity production and consumption

TOTAL ELECTRICITY CONSUMPTION BY SERVICE DELIVERY CATEGORY

Total electricity use	2022/23	2021/22
Water treatment and supply	9,798	11,624
Sewage collection, treatment and recycling	9,876	9,568
Other	549	572
Total	20,223	21,764

EL1- TOTAL ELECTRICITY CONSUMPTION BY SOURCE

Electricity source	2022/23	2021/22
Purchased directly through an electricity retailer	19,790	21,322
Not directly purchased but sourced from outside the organisation	-	-
Corporation led/self-sourced activities and initiatives	432	442
Total	20,222	21,764

TOTAL RENEWABLE ELECTRICITY CONSUMPTION

Renewable electricity use	2022/23 result (MWh)	2021/22 result (MWh)	2022/23 percentage of total use	Variance from last year
Renewable electricity use: from Commonwealth Government's LRET				
Grid sourced: Mandatory (LRET)	3,349	3,721	18%	10%
Renewable electricity use: self-sourced activities				
Biogas	-	-	-	-
Hydroelectric	-	-	-	-
Solar	-	433	2%	-
Wind	-	-	-	-
Other	-	-	-	-
Total self-sourced	-	433	2%	-
Total renewable electricity use	3,349	4,154	21%	

TOTAL RENEWABLE ELECTRICITY GENERATION CAPACITY AND GENERATION

Source	MWh
Wind	0.80
Solar	0.45
Total installed generation capacity	1.25

TOTAL NON-RENEWABLE ELECTRICITY CAPACITY AND GENERATION

We do not have any non-renewable generators, apart from backup generators.

TOTAL ENERGY STORAGE

We do not have any energy-storage systems.

TOTAL RENEWABLE ENERGY CERTIFICATES (REC) RETIRED

RECs retired for 2022/23 (1 REC = 1 MWh renewable electricity)

Electricity source

Voluntarily retired	1,887
GreenPower	0
Certified carbon neutral electricity purchased	0
Voluntarily retired on Wannon Water's behalf	0
Total voluntarily retired	1,887

Stationary fuel use

TOTAL FUELS USED IN BUILDINGS AND MACHINERY AND GREENHOUSE GAS EMISSIONS

	2022/23		2021/22	
	MJ	tCO ₂ -e	MJ	tCO ₂ -e
Buildings				
Natural gas	230	0.02	239	0.02
Machinery				
Diesel	577,700	46.52	530,982	36.59
Petrol	112,235	6.74	85,118	5.96
Total	690,165	53.28	616,339	42.57

Transportation

NUMBER AND PROPORTION OF VEHICLES, TOTAL ENERGY USED AND GREENHOUSE GAS EMISSIONS

	2022/23				2021/22			
	No.	% of fleet	Energy used (MJ)	Greenhouse gas emissions (tCO ₂ -e)	No.	% of fleet	Energy used (MJ)	Greenhouse gas emissions (tCO ₂ -e)
ROAD VEHICLES								
Passenger vehicles								
Internal combustion engine - petrol	7	5.65	834,387	57	8	6.45	533,417	38
Internal combustion engine - diesel/biodiesel	6	4.84	283,379	20	6	4.84	321,255	23
Hybrid - Range-extended electric vehicle	9	7.26			8	6.45		
GOODS VEHICLES								
Internal combustion engine - petrol	2	1.61	137,060	9	1	0.81	3,727	0
Internal combustion engine - diesel/biodiesel	89	71.77	7,844,336	557	90	72.58	7,728,549	563
NON-ROAD VEHICLES								
Other non-road vehicles								
Internal combustion engine - diesel/biodiesel	11	8.87	86,631	6	11	8.87	37,885	3
Total	124	100	9,185,793	649	124	100	8,624,833	627

Total energy use

TOTAL ENERGY USED FROM FUELS, ELECTRICITY AND SEGMENTED, AND NORMALISED

	Energy used MJ	
	2022/23	2021/22
Total energy usage from fuels - stationary and transportation (MJ)	9,875,958	9,241,173
Total energy usage from electricity (MJ)	8 (72,800,677)	78,350,240
Total energy usage segmented into renewable and non-renewable sources		
Renewable	1,755,604	1,838,355
Non-renewable	82,676,636	87,591,412
Units of energy normalised by FTE	367,452	415,125

Sustainable buildings and infrastructure

Wannon Water has established solar energy generation capacity at our corporate office. There was no expansion of generation capacity during the reporting period.

Assessing the impact of climate change on water availability

Our Urban Water Strategy 2022-72 is consistent with the government's Water for Victoria plan and was prepared in consultation with customers, Traditional Owner groups, local councils, industry, businesses, and other water agencies. Now 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.

Adaptive management of wastewater systems under climate change

The potential for more frequent and intense rainfall will create complex and uncertain challenges for our sewer network. As a result, we've been gathering and analysing data to determine the impacts and develop options to respond to a range of scenarios.

We've completed sewerage infiltration and water balance assessments for the Camperdown, Casterton, Hamilton, Terang and Timboon systems to guide strategic recommendations. We also continue to be guided by the Environment Protection Authority for environmental regulation policy, and the Essential Services Commission for investment considerations. We use modelling and metering to support our decision-making.



Case study

Rainfall Derived Inflow and Infiltration (RDII)

The dry weather inflow to each of our sewage treatment plants has been determined using the inflow data from our monitoring system (SCADA) and other specialist flow monitoring equipment. We've analysed data going back a number of years to determine if there have been major changes in dry weather flow. From the inflow data, we compare the dry weather flow with the wet weather flow, with the difference in volume attributed to rainfall derived inflow and infiltration (RDII).

The volume of inflow and infiltration is tallied with the daily rainfall records, allowing us to understand the relationship between the amount of rain and the increase

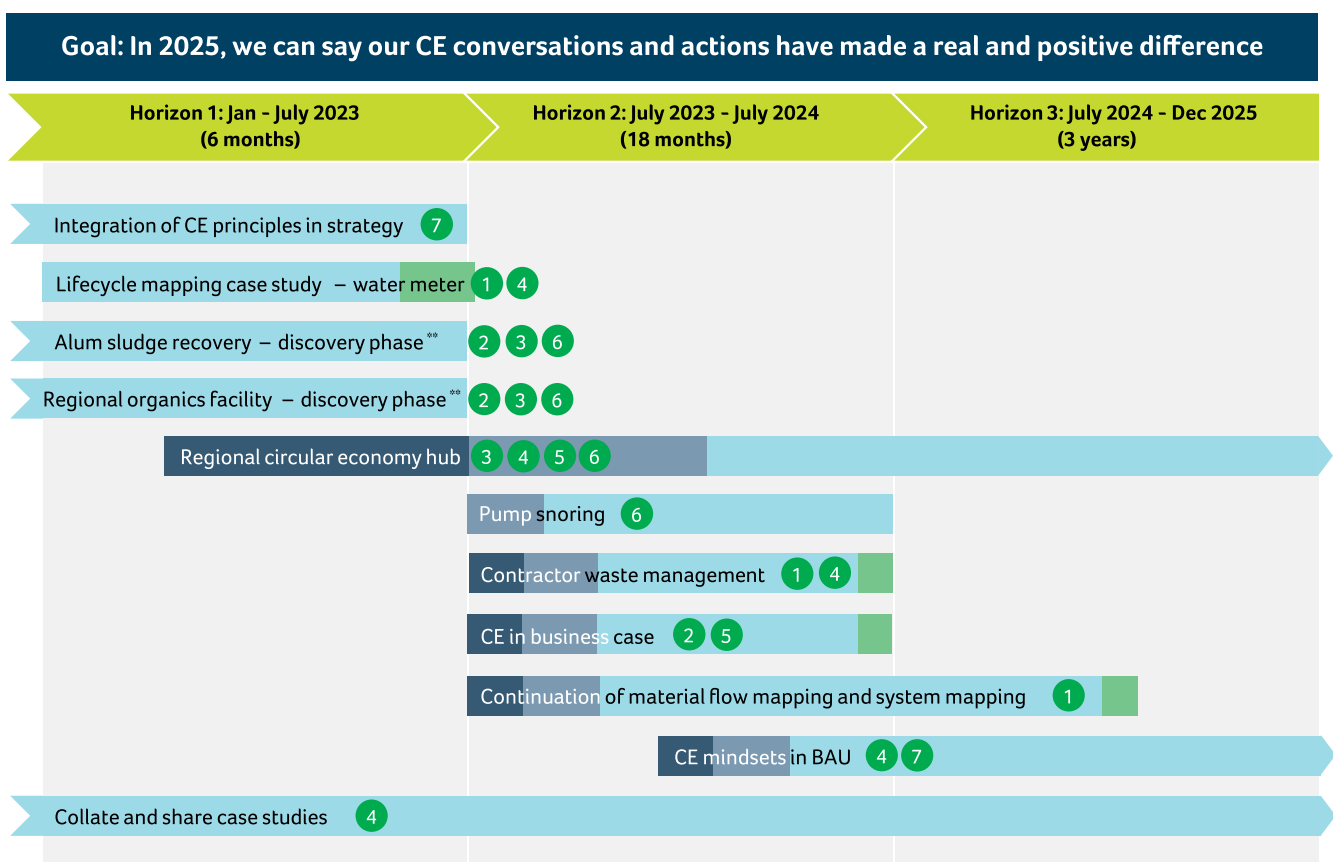
in volumes flowing to the plant, and providing a coarse correlation for each of our systems. We can then review the increased factor and consider it over a range of monthly rainfall figures to plan investment in our assets as they are impacted by inflow and infiltration.

Once we've determined the wet weather infiltration for each site, we complete a water balance assessment which includes analysing disposal options and carrying capacity of the irrigation land. We can then develop operational rules to manage wet weather flows and strategies to deal with and reduce RDII.

Circular economy outcomes

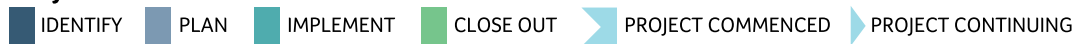
In 2022, we obtained seed funding from DEECA to develop our Circular Economy Roadmap and a toolkit for use by Victorian water corporations. The project involved exploring the current state of circularity, workshops with regional stakeholders, developing ideas, and prioritising initiatives to include in our 2023-25 roadmap.

The roadmap (below) sets us up to implement initiatives over the next two years.



**These projects are currently in the discovery phases and the implementation of solutions will likely extend into horizon 2 and 3

KEY PROJECT PHASE:



SUB-GOALS:

- 1 Understand our CAPEX and civil maintenance waste better
- 2 Incorporate CE principles into the design of solutions
- 3 Work more closely with industry partners and traditional owners
- 4 Educate and build the capacity of our team and our contractors
- 5 Accelerate uptake of renewable energy in the design of solutions
- 6 Expand recovery, repair, re-use, and recycling opportunities and invest in critical infrastructure
- 7 Shift our measurement of 'value' to place more worth on reducing waste and regenerating nature

Resilient and liveable cities and towns

Integrated Water Management

Sometimes, one agency can't do things on its own and integrated planning is required. We continued to play a leadership role with DEECA in supporting the Great South Coast Integrated Water Management (IWM) Forum.

Established in 2018, members of the forum include local government, Catchment Management Authorities, Southern Rural Water 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".

Projects identified support the forum's strategic objectives of:

- 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.

A range of projects continued during the year and new projects have been implemented. The Wannon Water-led initiatives have contributed to more than three megalitres of potable water savings through the use of rainwater harvesting, and the creation of 0.65 jobs.

Penshurst Adaptive Wastewater Pilot Project

We've been working with the Southern Grampians Shire and DEECA to find a sustainable solution to address the impact of failing septic systems in small towns across the region. Building on from the work undertaken through the Adaptive Wastewater for Small Towns Project, we received a \$560,000 grant from DEECA to implement an Adaptive Wastewater Pilot Project in Penshurst.

The pilot will trial the process in one small section of the town where existing on-site wastewater systems would be temporarily by-passed and a separate gravity all-waste sewer installed instead. The sewer will direct all waste from about 23 properties to a local precinct water recycling system for primary treatment before being disposed through evapo-transpiration "pods". The natural pod systems provide further treatment in the soil and allow water and nutrients to be taken up by plants and evaporated. Additional recycled water is then stored and used for public irrigation of open spaces when necessary. Construction work is set to begin in late 2023.

Camperdown Roof Water Harvesting Project

The Camperdown Regional Livestock Exchange Rainwater Capture and Re-Use Project received \$250,000 under the State Government's IWM round two grants. The \$1.3 million project involves the installation of a roof over the Camperdown saleyards to capture roof water in two 375,000-litre storage tanks. This project will harvest around 3.5 megalitres of rainwater annually which will be used within the livestock exchange and truck wash, replacing their potable water supply.

Albert Park Centralised Roof Water Harvesting Project

This project continues to see 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.

Several roofs in the sport precinct and at Warrnambool College are now harvesting water following the connection of trunk mains to our raw water storage. More roofs will be added in 2023/24 following the recent announcement of additional funding from DEECA.

Lake Pertobe IWM Plan

Together with Warrnambool City Council, Glenelg Hopkins CMA, Eastern Maar and DEECA, we've been supporting the development of an IWM plan for Lake Pertobe in Warrnambool. It aims to enhance the overall amenity of the lake while developing projects to improve stormwater quality and reuse, aquifer recharge, water balance and ecological values.



Enabling IWM with developers

We're leading a project in a partnership between the Great South Coast IWM Forum and the Goulburn Broken IWM Forum which aims to change 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 the state.

The project team has tested and adapted a co-designed framework within a workshop attended by developers and agency professionals including engineers, planners and environmental consultants. It's hoped this framework can be used for improved, more sustainable water outcomes and greater liveability.

Hamilton roof water harvesting expansion

Opportunities for roof water harvesting were identified in the Hamilton IWM Plan completed in 2020. This project, led by Southern Grampians Shire, 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.

Rivers of Warrnambool Project

Led by the Glenelg Hopkins CMA, this project has involved catchment, instream and riparian works to improve the health of Warrnambool's rivers which extend for around 140 kilometres.

DEECA provided additional funding to design and begin long-term strategic planning and monitoring activities. Initially these activities will include in-stream fauna monitoring using eDNA and a social benchmarking project. eDNA is seen as a cost-effective way of sampling all project waterways to gain baseline data of instream species and an indication of distribution across the rivers. The results will be used to determine areas for physical sampling and future on-ground works and additional monitoring. The social benchmarking project will develop and explore indicators to assess and track change in attitudes towards project waterway uses and values through time. These activities will begin soon, with the bulk of the work to be undertaken in spring and summer.

Water efficiency

We're 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.

In February, we established a working group to guide our commitment to develop and implement programs for the sustainable and efficient use of water. The group, which operates under our Urban Water Strategy Steering Committee aims to:

- Review trends and data to identify groups to target for water efficiency messaging.
- Determine water efficiency campaigns and programs.
- Set priorities and actions.
- Ensure our strategic objectives and commitments are met.

We applied and received funding from DEECA to manage a program called Water Smart, a non-residential digital metering program. Over the next few years, we hope this program can help us and our non-residential customers identify and fix water leaks and discover areas where water can be used more efficiently.

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. Eventually, the roofs of up to 4,000 new homes will form an urban catchment that is expected to contribute 620 megalitres of water each year into the Brierly Basin and then be treated at the Warrnambool Water Treatment Plant for urban drinking water. This represents eight per cent of the water sourced from the Otways for the Warrnambool area.

In recent years, the scheme has been collecting water from lots within each new stage of the Northern Edge subdivision, with more than 300 houses now connected. The concept continues to demonstrate the benefits of integrated water management, including the alleviation of nuisance flood impacts and costly council asset maintenance, and the use of alternative sources of water to help meet the challenges of climate change adaptation.

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 continued to be a key component of our schools and community education programs with messaging and activities specifically targeted to relevant audiences. This year our staff engaged with many other groups within the community as well, hearing great questions about the water cycle and queries about the relevant agencies working across the water sector.

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.

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.

As previously mentioned, we received funding from DEECA to trial an adaptive wastewater project in Peshurst. If successful, it will contribute to healthy communities and waterways by supplying safe, affordable and high-quality sewer services for the community. The town will have the opportunity to engage with the trial and have a say in the next steps. Recycled water use for the town will provide more resilience to future climate impacts that result in drier conditions.

We worked closely with Warrnambool City Council and consultants on the East of Aberline Precinct Structure Plan, providing input to the development of an IWM approach to this 360-hectare growth corridor that will provide between 4,000 and 5,000 homes to accommodate a population of more than 9,000. We've also had early input into other structure plans being prepared by other councils in our region, a process that results in a more coordinated outcome for our cities and towns.

A project that started life as the IWM Great South Coast Urban Water Atlas has continued as 'business as usual' between us and our five 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 progressed the development of 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.

Community programs

Name of program	No. of customers
Community Rebate Program	2
Community Housing Retro-fit Program	N/A

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 our service area. No water restrictions were required in the reporting period.

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	No information provided
Fonterra Australia Pty Ltd - Cobden	Fonterra has reviewed silo washing procedures and, as a result, reduced site water demand by around 30 megalitres last year. The company is continuing to review and fine tune the cleaning regimes to get additional savings where possible. Fonterra has implemented additional recovery of evaporator condensate (water extracted from milk during the manufacture of milk powder). This will be implemented in the coming year and has the potential to provide significant reduction in water demand for the site over the next 12 to 18 months.
Provico - Dennington	No information provided.
Midfield Meat International Pty Ltd - Warrnambool	Midfield capture and reuse nine megalitres of water each month. The company has metering on all floors, measuring all water sources and types to capture any discrepancies and address them if needed. Supply valves are on a timer to ensure all flows stop once production and cleaning have ceased to reduce the loss of water from leaks.
Bega Cheese Limited - Koroit	No information provided.
Sun Pharmaceutical Industries (Australia) Pty Ltd - Port Fairy	Sun Pharma collect rainwater for use in boilers and also have some process water recycling.
Alcoa Portland Aluminium Pty Ltd - Portland	No information provided.

Water recycling

Volumes of recycled water totaled 1,827 megalitres in 2022/23. This volume represented 15 per cent of the overall available supply of treated effluent. Heavy rainfall events in the first and second quarters of the year restricted the actual volume of recycled water that we could use on farmlands.

The bulk of the available supply of recycled water goes to ocean through outfalls at the Warrnambool, Port Fairy and Portland sewage treatment plants. Approximately 50 per cent of the total volume of recycled water is 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 purposes on our farms (1,607 megalitres). Another 1.7 megalitres of process water was supplied to the Origin Mortlake Power Station for turbine cooling over the summer period.

We also re-used 113 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 continue to 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 ocean 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. Site upgrades have been implemented to ensure safety is paramount for our regional users.

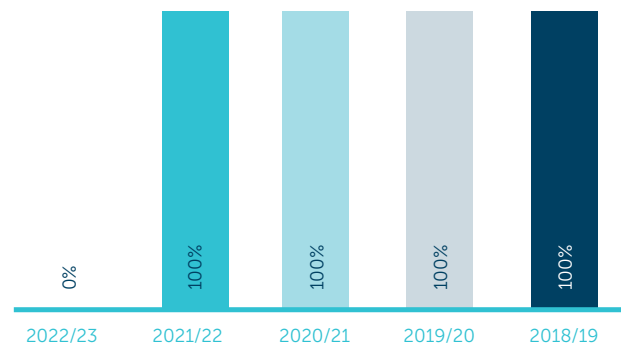
Biosolids re-use

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 new biosolids treatment facility at Hamilton and our existing facility at Camperdown. There was no stockpile available for re-use this year due to rehabilitation works that took place at the Camperdown facility in 2020, so no biosolids were available for processing on site.

Percentage of biosolids re-used



Recognising recreational values

Our Recreation Opportunities Strategy aims to increase access to some of our sites, enhancing the social connection and physical and mental wellbeing of local communities and visitors. Endorsed in July 2022, the strategy describes what we are already doing at some of our sites and identifies a range of new opportunities such as bushwalking, fishing, kayaking and public art viewing.

We started investigations at two sites to determine whether it would be suitable and practical to allow public access to non-traditional water sector assets. Neighbouring land holders and agencies were engaged to consider the role our sites may have in their broader context and recreational offerings. These projects are ongoing and we're aiming to expand to more sites in our strategy in coming years.

An industry toolkit we produced during the initial strategy was presented to more than 100 people working in the water sector across Victoria and nationally. We're hoping this will encourage broader thinking about opportunities to enhance recreational outcomes consistent with Water for Victoria.

Water for Community

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

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

In 2022/23, we provided \$152,568 in rebates to 237 customers.

The *Water for Community* program also funds accessible water refill units in public spaces and portable units at community events, encouraging people to avoid single-use plastic for drinking water. We supported 15 community events during the year, providing free water to tens of thousands of people across the region.

To help us cater for more community events in the future, we've purchased a purpose-built hydration trailer with several bubble taps and water bottle refill points that can accommodate large numbers of people. The initiative, known as our Thirst Aid Station, will be launched later in 2023.

Environmental 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 final year of the program has again been on revegetating along the Grange Burn with a second round of community planting completed. This will improve the recreational opportunities and environmental values of the waterway.

Work also continued with Corangamite CMA as part of the Curdies River Consultative Committee, providing technical input into regional nitrification and algae issues.

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 detail the regional implementation of the Victorian strategy and aim to improve the health of our region's waterways.

We have continued to support these strategies and ensure that relevant aspects of our operations are carried out according to their requirements. We also undertake specific projects that support and enhance their objectives and outcomes. We also provided input to the independent review of the Victorian Waterway Management Strategy to help inform an update.

We comply with environmental obligations under our Bulk Entitlements issued under the Victorian Waterway Management Strategy framework. These obligations include providing and monitoring 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 *Environment 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.

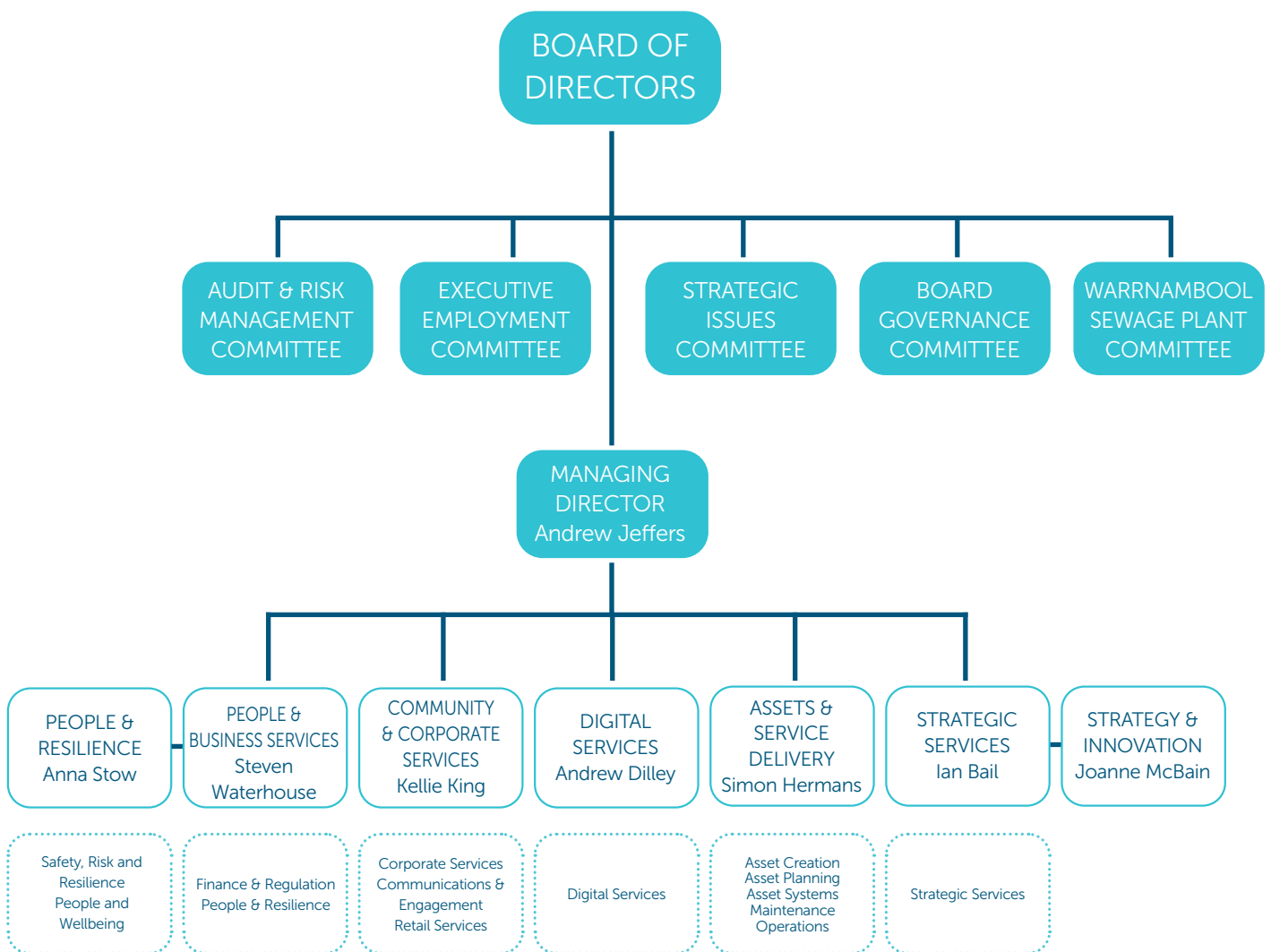
We also worked towards ongoing compliance with the EPA-issued licence conditions for our sewage treatment facilities, including the licensed discharge of recycled water to stream from sewage treatment plants at Hamilton, Simpson, Cobden and Heywood.

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

Section 5: Our culture

Organisational Structure

As at 30 June 2023



Leadership

Board Directors

Wannon Water's Board comprises six 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 employees.
- Meeting all governance and compliance requirements.

The Board engaged independent consultants to facilitate the annual performance review for 2022/23. The review was conducted in accordance with the requirements of clause 3.2 of the Statement of Obligations and section 95(4) of the *Water Act 1989*. The annual assessment was also consistent with the Minister's Board Performance Guidelines 2020, and the guidelines issued by the Victorian Public Sector Commission. A summary report will be provided to the Minister by 31 August 2023, in accordance with the Minister's guidelines.

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

KEN KING – ACTING 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 held a range of leadership roles within Victorian agencies including chair of the Natural Resources Conservation League of Victoria and Eucalypt Australia. He was also an independent member of Colac Area Health's Risk and Audit Committee.

Committee membership:

- Board Governance Committee
- Executive Employment 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 a member of the Victorian Intelligent Water Network Executive Group, a director of VicWater, a director of the Institute of Water Administration and a director of the South West Victoria Alliance.

Committee membership:

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

DR SUSAN BRUMBY
RN, DipFarm M'ment, GCertHELT, GDipWomensSt, GCertSciCommun, MHM, PhD, FAICD
Appointed 1 October 2019

Susan was the founding director of the National Centre for Farmer Health, a position held from 2008 to 2021, and has experience in agriculture, health reform, education, public health 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 government 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:

- Audit and Risk Management Committee
- Board Governance Committee
- Executive Employment 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 Employment 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 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 – ACTING DEPUTY CHAIR
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.

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
Susan Brumby	13	13
Michael Crutchfield	12	13
Andrew Jeffers	12	13
Ken King	13	13
Mick Murphy	12	13
Adrian Panow	12	13
Helen Scarborough	11	13
Jacinta Ermacora [#]	3	6
Kylie Gaston [#]	7	7

[#]Total number of meetings reflects completion of term on 14 December 2022 and 10 February 2023 respectively.

Note: The total includes eight ordinary meetings and five resolutions without meeting held pursuant to Section 122A of the Water Act 1989.

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 Employment Committee
- Strategic Issues Committee.

Information on these committees, including the purpose 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 2023, the committee comprised non-executive independent Directors Helen Scarborough (Chair), Mick Murphy, Adrian Panow, Susan Brumby and independent external members Shannyn Martin and Joseph Dalessandro.

AUDIT & RISK MANAGEMENT COMMITTEE MEETINGS ATTENDED

	Attended	Eligible to attend
Helen Scarborough (Chair)	3	4
Mick Murphy	4	4
Adrian Panow	4	4
Susan Brumby*	2	2
Shannyn Martin	4	4
Joseph Dalessandro	4	4
Kylie Gaston [#]	1	2

*Total number of meetings reflects appointment to Committee on 17 February 2023.

[#]Total number of meetings reflects completion of term on 10 February 2023.

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 EMPLOYMENT COMMITTEE

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

Our people

Engagement, satisfaction and flexibility

We recognise the importance of workplace culture in creating a positive and safe environment for our employees. A strong culture is a driving factor behind employee engagement, fostering a deeper connection to their work and aligning with our strategic priorities.

The Victorian Public Sector Commission's People Matter Survey is used to measure employee engagement, satisfaction, and flexibility uptake. This data-driven approach allows us to gauge employee sentiment and identify areas for improvement. The 2022 People Matter Survey revealed a strong response rate, with 86 per cent of employees providing valuable feedback.

We received outstanding People Matter Survey results, outperforming our comparator group and the public sector in most key indicators. These results demonstrate our dedication to employee engagement and satisfaction.

Our engagement index score of 73 per cent was consistent with previous years and exceeded the public sector average by 4 per cent. The satisfaction results were equally impressive, with 75 per cent of employees expressing satisfaction with their jobs, work-life balance, and career opportunities. This satisfaction level surpassed the public sector average, indicating a content and fulfilled workforce. An overwhelming 86 per cent of employees reported that their managers are supportive of flexible work arrangements.

We're committed to supporting workplace flexibility and during the year we focused on educating employees about the various options available to them. Workplace flexibility has many positive outcomes, including improvements in equality, productivity and morale.

While achieving positive results in the survey, we remain committed to continuous improvement, building on our successes and identifying opportunities to further enhance employee engagement, satisfaction, and flexibility.

People Strategy

Understanding what matters most to our people is crucial to the development of our first People Strategy.

Feedback from the People Matters Survey has provided insights into employee experiences and challenges, and areas that need improvement. We've also engaged with

managers to gain a comprehensive understanding of their perspectives and experiences. Once the strategy is drafted, we'll seek feedback from the Employee Consultative Committee, Occupational Health and Safety Committee, senior and executive management teams, and the Board.

By involving all relevant parties, we aim to create an effective People Strategy that reflects the needs and aspirations of our workforce. The strategy will guide our initiatives and actions, supporting a positive and fulfilling work environment for our employees.

Employment and conduct principles

Our policies and practices are consistent with the Victorian Public Sector Commission (VPSC)'s employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues. 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 and Responsibilities Act 2006*.

We advise our employees on how to avoid conflicts of interests, how to respond to offers of gifts and how we deal with misconduct.

Growing regional talent

We acknowledge the challenges posed by increased turnover and a tight labour market across the region and the state. Despite this, our reputation as a regional employer of choice has allowed us to successfully recruit and retain talent during this period.

We're dedicated to providing access to quality regional education programs and training, ensuring a skilled workforce that contributes to the growth and development of the water industry and the local community.

Our commitment to developing local talent is demonstrated through education and training initiatives such as engineering scholarships and traineeships.



These opportunities give students valuable skills and knowledge, paving the way for fulfilling careers within the organisation and across the region.

We've continued to support local education and employment initiatives that foster career pathways for young individuals. By providing insights through career information sessions and offering sponsorships for students to attend relevant events, such as the TradeFit expo, we encourage and support students to make informed career choices.

Programs such as the six-week Industry Connection Program for local year 10 students have also allowed us to showcase the diverse range of careers available in the water industry.

Learning and development

Investing in our employees' skills, knowledge and experience is key to retaining a talented workforce and enhancing productivity. Our Learning and Development Framework reinforces our commitment to:

- Our Zero Harm safety aspirations
- A diverse and inclusive culture
- Professional growth and development opportunities
- Onboarding training
- Role requirement and compliance training
- Career progression and pathways
- Project management
- Mental health, mindfulness and stress management
- Cultural awareness
- Being able to have difficult conversations
- Financial inclusion.

By providing comprehensive training in these areas, we empower our employees to thrive, contribute effectively, and foster a supportive and inclusive workplace culture.

Our human resource information system, Elevate, has recorded nearly 9,310 hours of learning and development – an impressive achievement. This

equates to an average of 41 hours per employee, showcasing a notable increase compared to the previous year. These figures are a positive sign that our commitment to employee growth and development is stronger than ever, and we are returning to pre-pandemic training levels. We believe that investing in our employees' continuous learning is vital for their success and our overall progress.

Growth Week was well attended and offered diverse opportunities for professional and personal development, including project management, site tours, a focus on mindfulness, cultural awareness, and systems training (Power BI, Microsoft Teams, Microsoft 365).

Leadership development is a priority through programs such as the People Manager Program and various leadership initiatives which empower employees to become effective leaders and drive our success. Employees have actively engaged in various leadership programs to support their personal growth, including:

- International Water Centre (IWC) Certificate in Water Leadership Program
- IWC Team Leader Program
- Leadership Great South Coast Program
- Insight (Executive Leadership for Women in Water)
- Victorian Water Industry Network Operators' Program
- Internal and external board and executive observer programs.

Diversity and inclusion

We believe in reflecting the diversity of our community within our workforce. Our commitment ensures that everyone is treated with respect, feels valued, and thrives in an inclusive workplace.

Our Inclusion and Diversity Management Plan has been successfully delivered this year. In future, it will be integrated into our People Strategy and remain a priority. We are also actively implementing our Gender Equality Action Plan to support gender equality in our workforce. The plan has the following aspirational targets:

Workforce Inclusion and Management Plan initiative	2023 target	2022/23 actual	2021/22 actual	2020/21 actual	2019/20 actual
Females who manage teams	40%	27%	23%	24%	24%
Employees who agree that we use inclusive and respectful images and language	95%	94%	92%	90%	-
Employees who agree their manager treats employees with dignity and respect	95%	90%	92%	94%	-
The average annualised total remuneration pay gap is reduced by 5%	5%	16.8%	-	18.9%	-

As we strive to achieve these targets, we remain committed and focused, continuously adjusting our approach to ensure success.

The NOW! (Network of Wannon Water Women) group allows women in our workforce to enhance their networking, collaboration, access to professional development, and support for each other and for women and girls in our region. The group coordinated activities for the following events and campaigns this year:

- Wear it Purple - panel on the importance of pronouns, allyship, recognising rainbow young people
- 16 Days of Activism against Gender-Based Violence
- International Day of Women and Girls in Science
- International Women’s Day
- Learning and sharing lunches.

This year, we were recognised in the WORK180 Top 100 Employers for Women, demonstrating our progress across 10 key standards that help to drive gender equality in the workplace. WORK180 is a national platform that puts professional women in touch with employers who provide higher than normal employment benefits. We’ve maintained accreditation with WORK180 as an employer of choice to reflect our approach to recruitment and flexible work practices.

For the 63 positions we filled in 2022/23, the statistics showed:

- 39 per cent of applicants were female
- 52 per cent of short-listed candidates were female
- 60 per cent of the final appointments were female.

We celebrated International Day of People with Disability with an educational session led by a local employment placement expert, highlighting our commitment to inclusivity. We are proud to report that the percentage of employees identifying with disability has increased to seven per cent. Our actions within the Accessibility Inclusion Action Plan are making progress,

We prioritised diversity by offering an employment traineeship for Aboriginal or Torres Strait Islander peoples in our region. Our goal is to ensure our workforce reflects the community we serve, including South West Victoria’s Aboriginal population. The 2022 People Matter Survey revealed that one per cent of our workforce identifies as Aboriginal or Torres Strait Islander and we remain committed to supporting these employees through a range of general and indigenous-specific methods. Participation in events like the Yoorrook Justice Commission and NAIDOC Week enables us to foster a more inclusive and supportive workplace for all.

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

OUR EMPLOYEES ARE EMBRACING CULTURAL AWARENESS TRAINING AS OUTLINED BELOW:

Cultural Awareness training	2022/23	2021/22	2020/21	2019/20	2018/19
Number of employees completed	75	30	20	27	16

Workforce statistics

The number of full-time equivalent employees in the reporting period increased by 14, with the total all-employee head count increasing by 15. Contributing factors were a need to resource several major projects and the growth of the Digital Services and Service Delivery areas.

Employees have been correctly classified in workforce data collection.

	30 June 2023							30 June 2022						
	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	93	81	53	31	73	9	8	82	71	43	26	59	13	12
Men	146	144	134	4	136	8	8	142	140	129	4	132	9	8
Unknown	0	0	0	0	0	0	0	0	0	0	0	0	0	0
AGE														
15-24	10	10	10	0	10	0	0	12	12	11	0	11	1	1
25-34	51	48	39	4	41	8	7	42	41	31	2	32	9	9
35-44	60	54	43	15	52	2	2	66	59	46	14	54	6	5
45-54	77	74	64	9	70	4	4	63	61	53	7	58	3	3
55-64	37	35	29	5	32	3	3	39	36	29	7	34	3	2
65+	4	4	2	2	4	0	0	2	2	2	0	2	0	0
CLASSIFICATION														
Band 1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Band 2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Band 3	1	1	0	1	1	0	0	4	4	3	0	3	1	1
Band 4	62	57	48	11	54	3	3	59	54	47	9	52	3	2
Band 5	60	56	45	11	52	4	4	60	55	41	12	49	7	6
Band 6	47	44	35	8	41	4	4	37	35	27	5	30	5	5
Band 7	27	26	24	1	24	2	2	30	29	25	3	27	2	2
Band 8	20	19	15	3	17	2	2	14	14	11	1	12	2	2
Senior Manager	16	16	14	0	14	2	2	14	14	12	0	12	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	239	225	187	35	209	17	16	224	211	172	30	191	22	20

- 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

Health and safety - Zero Harm

At Wannon Water, our Zero Harm approach is more than just physical safety. It encompasses Zero Harm to our people and Zero Harm to our environment. We prioritise safe and inclusive behaviours among our employees, considering the wellbeing of our communities and the environment in which we operate. Providing safe drinking water is a vital aspect of our commitment to protecting the health and safety of all. Our collective mindset ensures a safe and sustainable future for everyone we serve.

Safety is reinforced through internal feedback from the Occupational Health and Safety (OH&S) Committee and the Zero Harm Champions group. Our ongoing audit program continuously reviews and monitors compliance with our OH&S systems, identifying opportunities to work even more safely.

Leadership

In 2022/23, we prioritised an uplift in our Zero Harm culture and safety leadership while supporting community and industry safety awareness. A safety culture survey, including psychological risks, was conducted to understand employee and manager attitudes toward safety.

Based on the survey insights, our executive and senior leadership teams developed an internal Safety Leadership Program and initiated a Zero Harm Behaviours Framework. These initiatives reinforce our commitment to building a strong Zero Harm culture and enhancing safety skills among our leaders, promoting a safer work environment for all.

Zero Harm Safety Awards

We introduced the Zero Harm Safety Awards to recognise employees (individuals and/or teams) who have shown outstanding dedication and innovation in health and safety. Employees were encouraged to nominate Zero Harm behaviours, ideas, and improvements that contribute to a safer workplace. Three awards are presented each quarter, with all winners eligible for a major award at the end of the year. These awards celebrate our commitment to safety and the ongoing efforts to enhance workplace wellbeing.

Learning and sharing

We improved the sharing of safety knowledge by centralising safety alerts on our intranet. Thirteen internal and six external alerts were shared during the year, aiding safety discussions for the OH&S Committee.

We also held 12 public information sessions on the risks of high-pressure water jetting equipment to raise community and industry awareness.

Integrated Management System (IMS)

We have made significant progress in building and implementing our IMS, a risk-based approach that aligns with our Zero Harm aspirations. The IMS focuses on standardisation and simplification, involving employees in reviewing and enhancing their daily processes, procedures, and tools. This empowers our workforce to enhance safety, protect the environment, and deliver safe drinking water to the community. The IMS is a crucial step in our commitment to excellence and safety in all aspects of our operations.

Key safety initiatives

Amid the ongoing coronavirus (COVID-19) pandemic, we have diligently followed the Department of Health's recommendations to control the spread of the virus and ensure the safety of our people while maintaining reliable services. We keep our employees well informed through regular communication and we encourage up-to-date vaccination.

We're pleased to have successfully maintained certification to ISO 45001, the leading international standard for OH&S.

Health and wellbeing

Our commitment to promoting health and wellbeing to our employees remains steadfast, and aims to foster a supportive and thriving workplace for all.

Our comprehensive Health and Wellbeing Program offered a wide range of initiatives including:

- The Resilience Project – promoting gratitude, empathy and mindfulness messaging at work and home.
- Men’s Health Week and Women’s Health Week education sessions.
- The implementation of Converge International to complement our local Employee Assistance Program services.
- Mental health basics training and burn-out webinars.
- Training in how to have difficult conversations and participation in R U OK? Day and World Mental Health Day.
- The September challenge and regular lunchtime walking groups to encourage physical activity.
- Health checks, flu vaccination program and promotion of COVID-safe practices.
- Pre-employment health screening and role-related vaccinations.
- Support for employees with non-work injuries and illness.
- Blood donation drives and monthly 'Flourish' newsletters providing health and wellbeing resources.
- Employee education on general topics including beach safety, weather warnings and seasonal affective disorder.

Post-pandemic, we focused on returning to the office and creating social and educational opportunities for employees. Activities included fundraising lunches, site tours, demonstrations, and out-of-hours trivia events.

We’re also accredited with the Healthy Workplace Achievement Program and our focus areas include physical activity, healthy eating, mental health and wellbeing, alcohol and other drug use, and smoking targets.

Safety training

We delivered 26 training activities this year including training sessions that were delayed due to the pandemic:

Safety training:

- Breathing apparatus
- Working at heights
- Drain cleaning system operation
- High-pressure water jetter (class A) operation
- Cardio pulmonary resuscitation
- Traffic management
- First aid
- Trenching and shoring accreditation
- Bushfire awareness
- Forklift operation
- Fire and chief warden training
- Proficient four-wheel drive operation
- Asbestos
- Prepare to work safely in the construction industry.

Equipment operation:

- Medium rigid licence
- Spotters
- Dogman
- Backhoe, front loader, excavator.

Health and wellbeing assessments:

- Spirometry assessments
- Audiology assessments
- Chemical users.

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

	2022/23	2021/22	2020/21	2019/20	2018/19
Claims					
Number of Lost Time Standard Claims	4	3	4	3	3
Number of Lost Time Standard Claims per 100 FTE	2.22	1.33	2.01	1.50	1.52
Average cost per claim	\$2,996	\$9,276	\$12,615	\$12,025	\$10,756
Incidents					
No. of Incidents	45	52	68	118*	97*
Rate per 100 FTE	20.00	21.66	34.17	59.00	49.23

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

Section 6: Our performance

Financial sustainability

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 \$7.44 million – an improvement of \$1.34 million on the previous year's loss. The differences in 2022/23 compared to the prior year relate to an increase in revenue from service charges and trade waste services, a decrease in operating expenditure, Expenditure was 4.1 per cent (\$3.39 million) over budget and an increase in the loss on disposal of infrastructure. Depreciation expense remained consistent with the prior year, and our infrastructure, property, plant and equipment was revalued upwards by \$111.86 million as at 30 June 2023. Consultant and contractors costs decreased compared to the prior year, which was partially offset by an increase in employee costs, but all were within budget. There were some significant write-offs regarding assets during the year due to their replacement, as well as the expensing of IT project costs, that in years

prior to 2021/22, would have been capitalised per the accounting policies at the time.

The net loss before tax of \$1.11 million was an improvement on budget. Total revenue was six per cent (\$4.5 million) more than budget. Tariff and charges revenue was up, including trade waste service revenue. This was partially offset by a decrease in capital contributions. Expenditure was \$3.39 million over budget. Over-expenditure occurred in the areas of asset write-offs associated with asset replacement and the expensing of IT project costs, and under-expenditure in the areas of borrowing costs and employee costs.

We generated cash flows of \$24.45 million from operating activities. We borrowed \$23 million during the year, with investments of \$42.78 million made in capital infrastructure.

The table below provides the high-level financial results for 2022/23 compared with the previous four years.

Financial result	2022/23 (\$'000)	2021/22 (\$'000)	2020/21 (\$'000)	2019/20 (\$'000)	2018/19 (\$'000)
Core business revenue	71,230	68,791	68,816	70,704	72,016
Capital revenue	4,689	5,070	3,255	2,335	724
Government contributions	1,282	778	2,506	6,283	1,277
Other revenue	1,746	1,822	2,588	2,723	2,661
Total revenue	78,947	76,461	77,165	82,045	76,678
Operating expenditure	52,870	54,355	46,405	46,790	46,192
Depreciation and amortisation expenditure	28,721	28,486	24,857	24,999	21,746
Finance costs	908	903	1,394	1,800	2,289
Other expenditure	3,887	1,496	1,739	1,703	3,315
Total expenditure	86,386	85,240	74,394	75,292	73,542
Net result before tax	(7,439)	(8,779)	2,771	6,753	3,136
Current assets	28,000	21,555	20,806	21,269	20,679
Non-current assets	1,065,140	941,393	952,168	824,546	815,808
Total assets	1,093,140	962,948	972,975	845,815	836,487
Current liabilities	20,847	24,087	24,692	24,271	22,336
Non-current liabilities	240,108	180,048	184,387	150,584	147,540
Total liabilities	260,955	204,135	209,079	174,855	169,876
Net cash flows from operations	24,451	18,138	27,732	35,533	30,892
Payments for property, plant and equipment (including infrastructure)	42,781	15,882	23,341	32,049	26,333

Revenue and expenses

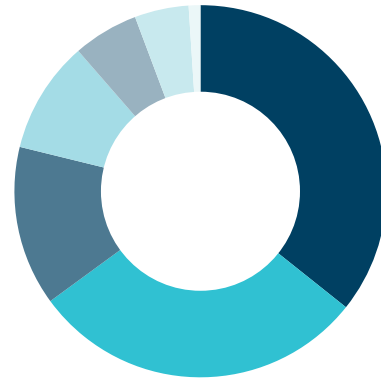
OUR REVENUE

Total revenue for the year increased by \$2.49 million (3.3 per cent) compared to the 2021/22 financial year.

Consistent with our price and growth projections, overall water and sewerage service charges increased by 3.9 per cent (\$1.46 million) from the previous year. This increase was driven by the application of the consumer price index to our prices of 5.1 per cent, with real prices decreasing in line with our approved price path. Revenue from water usage decreased by 3.6 per cent (\$0.79 million), which was driven by decreased usage. Rural customer usage decreased by 5.1 per cent and residential usage decreased by 8.6 per cent, while non-residential usage increased by 3.5 per cent. Total water usage was 11.30 gigalitres, which was 3.4 per cent less than the prior year, and 4.2 per cent less than budget.

Trade waste charges and revenue from agreements with third parties increased by 21.3 per cent (\$1.59 million) due to an increased volume from existing customers and a change in quality of waste streams. All other sources of trade waste revenue were consistent with the prior year.

Government funding for operating and capital projects increased by 64.6 per cent (\$0.5 million) compared to the prior year. Revenue from developer contributions remained steady, as did other revenue streams.



Sewerage service charges	36%
Volumetric water usage charges	27%
Fixed water service charges	14%
Trade waste charges	12%
Other income	5%
Gifted assets	4%
Government grants and contributions	2%

OUR EXPENSES

Total expenses increased by \$1.14 million (1.34 per cent) compared to the previous year.

Employee benefits were up 5.8 per cent (\$1.33 million) on the prior year, due to increased employee numbers as vacant positions were filled, and were only slightly over-budget by 1.4 per cent (\$0.33 million).

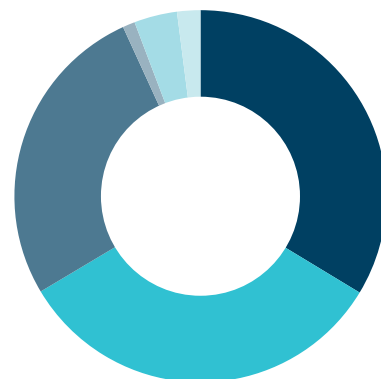
Depreciation/amortisation expense is our largest single expenditure item. In 2022/23, this was just 0.3 per cent (\$0.08 million) under budget, and 0.8 per cent (\$0.23 million) higher than the prior year.

Electricity decreased compared to the prior year, and was slightly under budget for the year, by \$0.03 million. The most significant costs decreases, compared to the prior year were for contractors and consultancy. These decreased by 35 per cent (\$2.92 million) and were on budget for the year.

Expenses to increase compared to the prior year included cost of assets sold (\$1.67 million) due to the write-off of assets being replaced, chemicals (\$0.45 million) due to increasing prices in the second half of the financial year, IT operating costs (\$0.25 million) as software costs transitioned to subscription based, and fuel costs (\$0.10 million) due to price increases during the year.

Borrowing costs were consistent compared to the prior year (0.01 million variance) and slightly under-budget

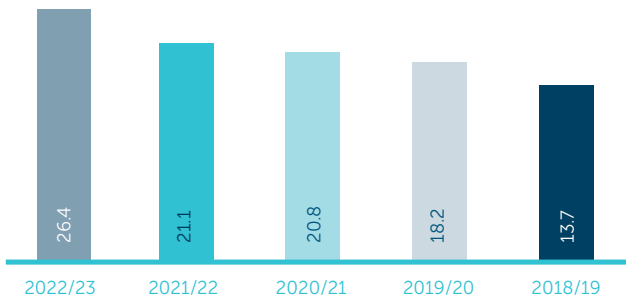
10.3 per cent (\$0.10 million). Total borrowings began to increase in the later part of the year, as the construction of the Warrnambool Sewage Treatment Plant (STP) Upgrade Project progressed, but occurred later than budgeted for.



Depreciation and amortisation	34%
Supplies and services	31%
Employee benefits	28%
Environmental contribution levy	4%
Net loss on disposal of assets	2%
Borrowing costs	1%

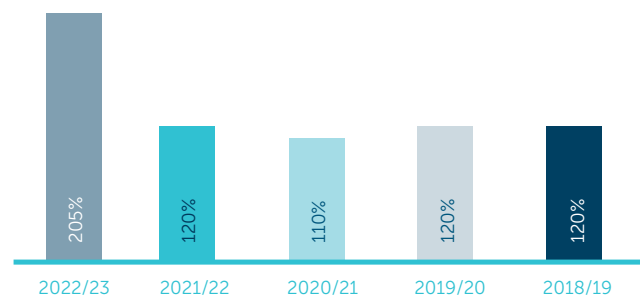
Summary of financial performance indicators

Cash Interest Cover (times)



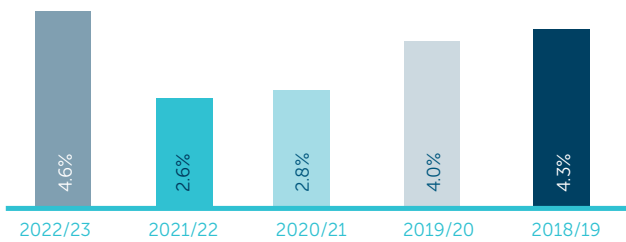
The result improved compared to the prior financial years, as net cash flow from operations improved in the 2022/23 year. Cash flow improved due to reduced payments associated with consultants and electricity, as well as an increase in receipts from service and usage charges. The ratio shows that cash received from operating activities is 26.4 times that of net interest costs paid.

Current Ratio (times)



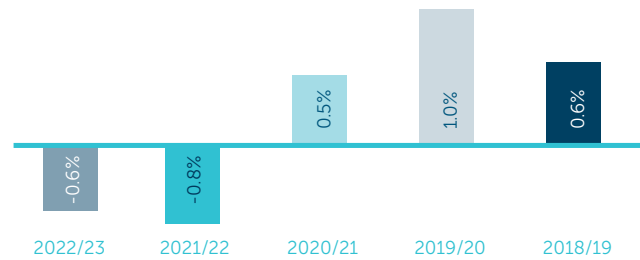
The ratio measures how comfortably payment of short-term liabilities can be covered by our short-term assets. A ratio greater than 100 per cent indicates that our short-term assets are greater than our short-term liabilities. Due to the construction of the Warrnambool STP upgrade, higher cash reserves were held at the end of the financial year, pending large contract payments due in the next year.

Gearing Ratio



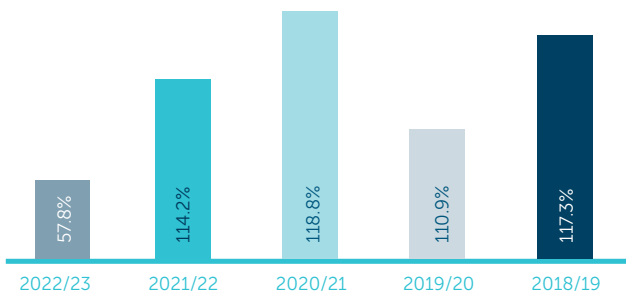
Debt increased throughout 2022/23 as expected, as the construction of the Warrnambool STP upgrade progressed, therefore increasing the ratio for the year when compared to the prior years. Maintaining a low ratio is a favourable result, as it provides a positive indication of our long-term liquidity.

Return on Assets



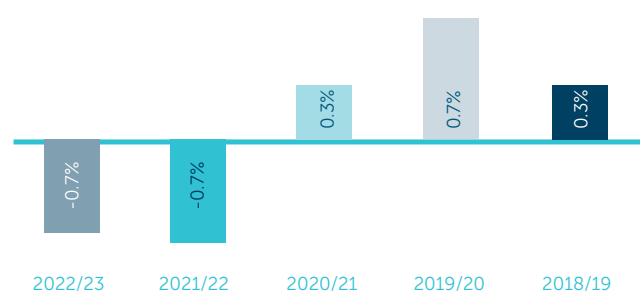
Indicates how much profit we have generated from every dollar in assets owned. The ratio is low, as assets owned are significant in value and we do not aim to generate large profits. We incurred a loss in 2022/23 compared to a profit in three of the prior four years, resulting in a negative ratio for the year.

Internal Financing Ratio



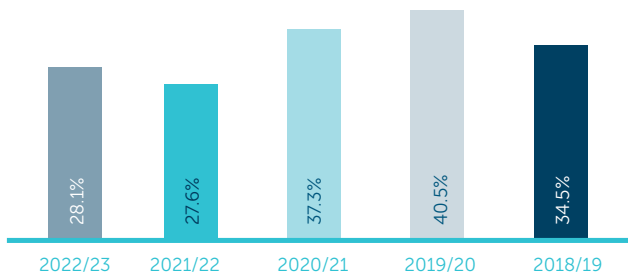
The ratio measures the portion of capital works paid from operating cash flows. The result indicates that a little over half of all capital works payments were funded by cash received from operating activities. Capital payments increased significantly during the year as the construction of the Warrnambool STP upgrade progressed.

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 2022/23 compared to a profit in three of the prior four years, resulting in a negative 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 this year and last 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 \$44.59 million of capital works (of which \$0.95 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)	2022/23 expenditure (\$ million)	Future commitments (\$ million)
Warrnambool Sewage Treatment Plant – upgrade	84.98*	14.77	60.38
Warrnambool Water Treatment Plant – UV and backwash pumps	8.74	4.95	2.33
CX Plus – design	2.84	1.78	1.06
Sewers and access points	1.58	1.58	0.0
Heywood Water Treatment Plant – replace roof and pumps	1.80	1.48	0.0
Water main replacements	1.30	1.30	0.0
Donalds Hill – embankment upgrade	1.55	1.25	0.1
Vehicle changeover – commercial	1.24	1.24	0.0
Terang Water Treatment Plant – fluoridation	1.24	0.82	0.31
Victoria Parade sewer pump station – switchboard upgrade	0.93	0.80	0.0
CX Plus – mobilise	0.63	0.63	0.0
Land purchase – 29 Gateway Road	0.63	0.63	0.0
Wangoom Road – water pump station and feeder main	4.58	0.59	1.68
Vehicle changeover – passenger	0.52	0.52	0.0
Port Campbell – second bore	2.07	0.52	1.14
SCADA RTU hardware – upgrade	0.47	0.47	0.0
Penshurst bore – duplication	0.38	0.38	0.0
Hamilton Sewage Treatment Plant – effluent re-use upgrade	0.81	0.35	0.46
Curdievale – pipe bridge refurbishment	0.32	0.32	0.0
Water pump station – renewals	0.31	0.31	0.0
Recycle and re-use – renewals	0.30	0.30	0.0
Sewer pump station – renewals	0.29	0.29	0.0
Servers, data storage and data – backup	0.28	0.28	0.0
Hamilton Sewage Treatment Plant – boiler replacement	0.27	0.27	0.0
Computer replacements	0.27	0.27	0.0
Donovans Road sewer pump station – relocation	0.76	0.27	0.0

*Approved business case including contingency

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

Our future challenges centre on ensuring water and sewerage services are maintained in the short and long term, while ensuring these services remain affordable for our customers.

Generating additional efficiency savings and sourcing new revenue to meet government efficiency targets is a challenge we must address in the short term.

Renewing ageing assets and meeting regulator obligations and stakeholder expectations requires increasing investment. This puts increased pressure on our operations and, in an environment of escalating costs, on customer bills.

There will be small customer bill increases in the short term. We are mindful of our customers' cost-of-living pressures. To offset what would otherwise be larger bill increases we will borrow funds and increase our debt. We will also improve our financial support programs for those finding it difficult to pay their bills.

The upgrade of the Warrnambool Sewage Treatment Plant, the largest capital project in our history, is well progressed. Funding of this significant project will see total borrowings increase quickly during the 2023/24 financial year.

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, Ken King, 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.



Ken King
Acting Chair
Wannon Water

6 September 2023



Our performance indicators

Financial Performance

Key Performance Indicator	2021-22 Result	2022-23 Result	Variance to Prior Year	2022-23 Target	Variance to Target
Cash interest cover					
Net operating cash flows before net interest and tax / net interest payments	21.1 times	26.4 times	25.1% ⁽¹⁾	18.7 times	41.2% ⁽¹⁾
Gearing ratio					
Total debt (including finance leases)/total assets	2.6%	4.6%	76.9% ⁽²⁾	5.1%	-9.8%
Internal financing ratio					
Net operating cash flow less dividends / net capital expenditure	114.2%	57.8%	-49.4% ⁽³⁾	49.1%	17.7% ⁽⁴⁾
Current ratio					
Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	122.4%	205.0%	67.5% ⁽⁵⁾	148.2%	38.3% ⁽⁵⁾
Return on assets					
Earnings before net interest and tax / average assets	-0.8%	-0.6%	25.0% ⁽⁶⁾	-0.8%	25.0% ⁽⁶⁾
Return on equity					
Net profit after tax / average total equity	-0.8%	-0.7%	12.5% ⁽⁶⁾	-1.1%	36.4% ⁽⁶⁾
EBITDA margin					
Earnings before interest, tax, depreciation and amortisation / total revenue	27.6%	28.1%	1.8%	28.7%	-2.1%

Notes:

1 The improved cash interest cover ratio, compared to both the prior year and target, was due to improved net cash flow from operations in the 2022-23 year. Net cash flows improved due to reduced payments associated with consultants and electricity, as well as an increase in receipts from service and usage charges.

2 Debt increased throughout the 2022-23 year as expected, as the construction of the Warrnambool Sewer Treatment Plant upgrade progressed, therefore increasing the ratio for the year when compared to the prior year.

3 The decrease in the ratio for 2022-23 was due to an increase in capital expenditure. Capital expenditure increased significantly with the commencement of the Warrnambool Sewer Treatment Plant upgrade, which will continue into the next financial year.

4 Due to improved net operating cash flows for the year, the result was favourable compared to target. This was partially offset by increased capital expenditure in the year, which was more than budgeted for.

5 The resulting ratio for the year was favourable compared to both the prior year and target, due to higher cash reserves held at year end. Due to the construction of the Warrnambool Sewer Treatment Plant upgrade, higher cash reserves were held pending large contract payments due in the next financial year. Current liabilities were also lower than the prior year, due to the timing of maturing loans payable to the Treasury Corporation of Victoria in the 2023-24 year.

Operational Performance

Key Performance Indicator	2021-22 Result	2022-23 Result	Variance to Prior Year	2022-23 Target	Variance to Target
Water and Sewerage Network Reliability					
Water Service – minutes off supply (planned and unplanned) how many minutes on average a customer was without water supply during a year	14.4 minutes	37.9 minutes	163.2% ⁽⁷⁾	10.2 minutes	271.6% ⁽⁷⁾
Unplanned water supply interruptions Percentage of customers receiving 5 unplanned interruptions in the year	0.0%	0.0%	0.0%	0.0%	0.0%
Sewerage Service – sewer blockages number of sewer blockages reported per 100 kilometres of sewer main	15.6	14.2	-8.9% ⁽⁸⁾	31.0	-54.2% ⁽⁸⁾
Sewerage Service – sewer spills number of sewer spills reported per 100 kilometres of sewer main	7.0	7.6	8.6% ⁽⁹⁾	7.8	-2.6%
Sewerage Service - containment of sewer spills Sewer spills from reticulation and branch sewers contained within 5 hours	98.5%	97.4%	-1.1%	99.0%	-1.6%
Customer Responsiveness					
Water bills - average household use (140kL) Typical household bill (based on average use above) in real 2022/23 dollars, owner occupiers	\$1,086.21	\$1,102.68	1.5% ⁽¹⁰⁾	N/A	N/A
Typical household bill (based on average use above) in real 2022/23 dollars, tenants	\$210.73	\$204.60	-2.9% ⁽¹¹⁾	N/A	N/A
Water bills – customers on flexible payment plans No. of customers with instalment plans	2,784	2,962	6.4% ⁽¹²⁾	N/A	N/A
Water bills – customers awarded hardship grants No. of customers awarded hardship grants	151	135	-10.6% ⁽¹³⁾	N/A	N/A
Customer Responsiveness - water quality complaints No. of complaints per 100 customers	0.25	0.30	20.0% ⁽¹⁴⁾	0.38	-21.1% ⁽¹⁴⁾
Customer Responsiveness – number of payment issue complaints No. of complaints per 100 customers	0.33	0.07	-78.8% ⁽¹⁵⁾	0.17	-58.8% ⁽¹⁵⁾
Customer Responsiveness - total complaints No. of complaints per 100 customers	0.82	0.64	-22.0% ⁽¹⁶⁾	0.75	-14.7% ⁽¹⁶⁾

Key Performance Indicator	2021-22 Result	2022-23 Result	Variance to Prior Year	2022-23 Target	Variance to Target
Water Reuse					
Percentage of effluent re-use volume (end use)	17.7%	14.8%	-16.4% ⁽¹⁷⁾	20.0%	-26.0% ⁽¹⁷⁾

Notes:

In the 2022-23 year the Ministerial Reporting Direction for Performance and Financial Sustainability (MRD 07) was updated to change how sewer blockages and spills were reported and to include measures in relation to bills and customer support. Therefore, the format of the 2022-23 Performance Report does not fully align with the 2021-22 Performance Report.

In addition to this, targets were not set by Wannon Water in relation to typical bills, as our prices are regulated by the Essential Services Commission and any variance to target would be due to customer usage, and no targets were set in relation to instalment plans and hardship grants, as Wannon Water's aim is to support customers as they need, and not put a target or limit on support to be provided in a year.

- 7 The unfavourable variance compared to target and the prior year, is attributable to two major unplanned interruptions impacting a high number of customers, one at Merino due to a burst water main from road drainage erosion following wet weather and one at Heywood due to a pump station outage caused during contractor installation works. In addition to planned maintenance and asset renewal programs, risk assessments have been undertaken to identify improvement to these processes, including contractor management.
- 8 Sewer blockages for the 2022-23 year totalled 142. This is relatively consistent with recent years, which is an average of 148 (last three years). The favourable variance to target is attributable to the target being a long run average, over which time blockages have steadily decreased, due to in part, Wannon Water's planned maintenance and asset renewal programs.
- 9 The number of sewer spills increased by just 8 in 2022-23, compared to the prior year. The increase is attributable to inundation caused by large wet weather events throughout the year, as well as some incidents of spills due to the failure of sewer pipe relining's. While this increase in spills is minor, Wannon Water is focused on its planned maintenance and asset renewal programs, to minimise interruption times for customers.
- 10 An increase in customer bills has been interpreted to be an unfavourable variance, as this indicator is based on customer focus rather than financial factors and reflects Essential Service Commission price determination position and water corporation's commitment to keep bills affordable for customers.
- 11 A decrease in customer bills has been interpreted to be a favourable variance, as this indicator is based on customer focus rather than financial factors and reflects Essential Service Commission price determination position and water corporation's commitment to keep bills affordable for customers.
- 12 An increase in customers provided with hardship assistance in these indicators has been interpreted to be a favourable variance, as this indicator is based on customer focus rather than financial factors and reflects the position that customers consistently support greater help for vulnerable customers, including those in hardship. This is also consistent with government policy. The number of customers on flexible payment plans increased in 2022-23 due to Wannon Water's proactive approach to customer support and assistance. This proactive approach will continue as a priority for Wannon Water in 2023-24.
- 13 A decrease in customers provided with hardship assistance in these indicators has been interpreted to be an unfavourable variance, as this indicator is based on customer focus rather than financial factors and reflects the position that customers consistently support greater help for vulnerable customers, including those in hardship. This is also consistent with government policy. The number of hardship grants awarded in 2022-23 reduced by 16, compared to the prior year. This is a small decrease for the year, and awareness and accessibility to information regarding our customer support continues to be a priority in 2023-24.
- 14 Water complaints increased by 25 in the 2022-23 year compared to the prior year. While complaints increased in the year, they were still less than the long-term average, which is reflected by the favourable variance compared to target for the year. Wannon Water continues to implement improvement initiatives across the service area, including the Warrnambool Water Treatment Plant UV installation project.
- 15 Payment issue complaints were abnormally high in the 2021-22 year, and the favourable variance for the 2022-23 year is complaints returning to their normal ranges when compared to prior years. Customer awareness of and accessibility to information regarding our customer support and assistance programs continues to be a priority in 2023-24.
- 16 The favourable reduction in complaints for 2022-23, compared to the prior year and target is mostly attributable to the decrease in complaints associated with payment issues, which was abnormally high in the 2021-22 year. This decrease was offset by small increases in water quality and other complaints. Wannon Water is focused on improving customer experience and support via implementation of our Customer Experience Strategy and improving accessibility and awareness of our customer support programs.
- 17 Use of recycled water fell in the 2022-23 year compared to prior years and target due to decreased usage by agricultural customers. Heavy rainfall events in the first half of the 2022-23 year restricted the volume of recycled water that could be used on farmland. Wannon Water continues to investigate and evaluate alternate uses for recycled water across the region.

CERTIFICATION

CERTIFICATION OF PERFORMANCE REPORT FOR 2022/23

We certify that the accompanying Performance Report of Wannon Region Water Corporation in respect of the 2022/23 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 2022/23 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.



K W King
Acting Board Chair
Wannon Region Water Corporation



A R Jeffers
Managing Director
Wannon Region Water Corporation



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

Dated this 6th day of September 2023

Independent Auditor’s Report

To the Board of the Wannon Region Water Corporation

Opinion I have audited the performance report of the Wannon Region Water Corporation (the corporation) for the year ended 30 June 2023, which comprises the:

- financial performance indicators
- water and sewerage network reliability performance indicators
- customer responsiveness performance indicators
- water reuse performance indicator
- certification of performance report.

In my opinion, the performance report of the Wannon Region Water Corporation for the year ended 30 June 2023, presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the *Financial Management Act 1994*.

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

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

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

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

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
11 September 2023



Paul Martin
as delegate for the Auditor-General of Victoria

Compliance

Bulk water entitlements

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

Bulk entitlements are commonly held by water corporations to:

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

We operate 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 2022/23.

With regard to the reporting requirements for each of our Bulk Entitlements during 2022/23, 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 2022/23, 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, no water was taken by the Hamilton Pipeline offtake and 34 megalitres was taken 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 2022/23 (ML)	Percentage of Bulk Entitlement extracted in 2022/23 (ML)	Water in storage at 30 June 2023 (ML)	Water level at 30 June 2023 (m)	Reporting requirement clause
Otway System Conversion Order 1998	12,580	7,863	63%	1,884	N/A ¹	Clause 12
Hamilton Conversion Order 1997	3,435	1,823	53%	2,459	N/A ¹	Clause 12
Dunkeld System Conversion Order 1997	170	0	0%	18	3.14	Clause 13
Glenthompson Conversion Order 1997	94	-6 ²	-6%	100	3.7	Clause 13
Coleraine, Casterton and Sandford Conversion Order 1997	885	77	9%	1920	5.96	Clause 13
Wimmera and Glenelg Rivers – Wannon Water Conversion Order 2010	2,120	0 (Hamilton) 34 (Balmoral)	2%	6999	N/A	Clause 13
Willaura System – Wannon Water Conversion Order 2012	58	19	33%	N/A	N/A	Clause 10

¹ Multiple storages

² Water delivered from Willaura by Grampians Wimmera Mallee Water to Glenthompson less (Willaura pipeline customers plus Glenthompson customers). In this period, this equated to $19 - (9.2+15.3) = -5.5\text{ML}$ (rounded to -6ML). The Glenthompson reservoir has a high evaporation rate of $\sim 20\text{ML}$ per year which was 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 2022/23 (ML)
Albert Park	BEE024155 (1152971)	750	494
Bullawin	BEE026192 (911313)	1,102	0
Caramut	BEE021943 (924563)	50	25
Carlisle	BEE029488 (9016487)	1,800	17
Casterton	BEE022551 (885355)	1,000	346
Condah	4001451	N/A	N/A
Curdievale	904309	2,150	0
Darlington	BEE021827 (1082159)	10	2.2
Dartmoor	9016786	150	22
Heywood	900184	333	142
Koroit	BEE029066 (899038)	524	0
Macarthur	BEE021944 (4001451)	130	24
Mocamboro	BEE026109 (903701)	100	0
Mortlake	BEE030858 (907049)	335	20
Penshurst	BEE036146 (914444)	250	78
Port Campbell	BEE026252 (904309)	1,009	311
Port Fairy	890472	1,026	582
Portland	923621	6,222	1,627

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 or the Victorian Ombudsman (details below).

Wannon Water is not able to receive public interest disclosures.

We have 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.

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

Address: Level 1, North Tower, 459 Collins Street, Melbourne Victoria 3000.
Mail: IBAC, GPO Box 24234, Melbourne Victoria 3001
Internet: ibac.vic.gov.au
Phone: 1300 735 135

The Victorian Ombudsman

Address: Level 2, 570 Bourke Street, Melbourne Victoria 3000.
Mail: IBAC, GPO Box 24234, Melbourne Victoria 3001
Email: ombudvic@ombudsman.vic.gov.au
Phone: 1800 806 314

FREEDOM OF INFORMATION ACT

We are 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 us. 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 we hold. This comprises documents created by us or supplied to us 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 us 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.

Under the Act, the processing time for Freedom of Information (FOI) requests received is 30 days. However, when external consultation is required under ss29, 29A, 31, 31A, 33, 34 or 35, the processing time is 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 with a decision we make 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 \$31.80. Access charges may also be payable if the document pool is large and the search for material time consuming. Fees and charges levied under the *Freedom of Information Act 1982* are not subject to GST.

Applications should be addressed to:

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

Freedom of Information statistics/timeliness:

During 2022/23, we received one FOI request. The application was received from a member of the public and it was not proceeded with.

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

The table below outlines the outcome of FOI requests.

FOI statistics/timelines

Full access granted	0
Partial access granted	0
Withdrawn	0
Not proceeded with	1
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

We comply 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 on request from us, 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:

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

We also provide free access to a comprehensive range of information on our website at wannonwater.com.au

BUILDING ACT

We 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.

We continue to comply with the requirements of the Competitive Neutrality Policy.

LOCAL JOBS FIRST

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

We are 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. We entered into one contract of this value during the reporting period for the Warrnambool Sewage Treatment Plant upgrade.

Contracts commenced during 2022/23

Wannon Water started six non-major contracts totaling \$17.56 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 91.80 per cent of the total value for the four non-major contracts
- An average retention or creation of 6.23 full-time equivalent jobs per contract.

All projects are in regional Victoria.

Contracts completed during 2022/23

No contracts were completed to which LJF applied.

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

MAJOR CONTRACTS

One major contract greater than \$10 million was entered into during the reporting period - the Warrnambool Sewage Treatment Plant upgrade at \$66.9 million. The outcomes expected from the implementation of the LIDP and Major Project Skills Guarantee are being assessed periodically as required. The project is in regional Victoria and due for completion in 2024/25 reporting period.

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

- 93.12 per cent local content commitment.
- 19.15 created or retained employee commitment.

CONSULTANCY EXPENDITURE

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

In 2022/23, there were 22 consultancies engaged during the year, where the total fees payable to the consultants was less than \$10,000. The total expenditure incurred during 2022/23 in relation to these consultancies was \$89,355 (excl. GST).

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

In 2022/23, there were 35 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2022/23 in relation to these consultancies was \$2.33 million (excl. GST).

Details of individual consultancies are published on our website at wannonwater.com.au.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

Our total ICT expenditure was \$10,205,304 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
8,144	880	1,181	2,061

- "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

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

EMERGENCY PROCUREMENT

We did not activate emergency procurement during the year.





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Comprehensive operating statement for the financial year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Revenue			
Revenue from contracts with customers	2.1	75,919	74,017
Government grants and contributions	2.2	1,282	779
Interest income		124	55
Other income	2.3	1,622	1,610
Total revenue and income from transactions		78,947	76,461
Expenses			
Direct operational expenses	3.2	(13,294)	(13,887)
Repairs and maintenance expenses	3.3	(3,564)	(3,308)
Other expenses	3.4	(8,900)	(11,381)
Depreciation	4.1.1, 6.2.1	(27,822)	(27,449)
Employee benefits	3.1.1	(23,945)	(22,612)
Interest expense	6.1.2	(908)	(903)
Environmental contribution	8.2.1	(3,167)	(3,167)
Amortisation	4.2	(899)	(1,037)
Total expenses from transactions		(82,499)	(83,744)
Net result from transactions (net operating balance)		(3,552)	(7,283)
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	9.2	(3,410)	(1,712)
Net gain/(loss) on financial instruments	9.2	(433)	15
Other gains/(losses) from economic flows	9.2	(44)	201
Total other economic flow included in net result		(3,887)	(1,496)
Net result before income tax		(7,439)	(8,779)
Income tax benefit/ (expense)	8.1.1	2,227	2,587
Net result for the period		(5,212)	(6,192)
Other economic flows - other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Changes in asset revaluation surplus	9.1	111,863	-
Income tax relating to these items	9.1	(33,282)	-
Total other economic flows-other comprehensive income		78,581	-
Comprehensive result		73,369	(6,192)

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

Balance Sheet
as at 30 June 2023

	Notes	2023 \$'000	2022 \$'000
ASSETS			
Current assets			
Cash & cash equivalents	6.3	8,145	3,015
Receivables	5.1	6,360	6,189
Contract assets	5.2	9,433	9,420
Inventories		856	801
Assets held for sale	4.3	269	216
Other financial assets	5.5	11	11
Other non-financial assets	5.6	2,926	1,903
Total current assets		28,000	21,555
Non-current assets			
Receivables	5.1	4,424	6,202
Infrastructure, property, plant and equipment	4.1	1,053,862	927,389
Intangible assets	4.2	5,179	6,043
Right of use assets	6.2.1	1,675	1,759
Total non-current assets		1,065,140	941,393
TOTAL ASSETS		1,093,140	962,948
LIABILITIES			
Current liabilities			
Payables	5.3	6,978	5,032
Contract liabilities	5.4	4,112	3,656
Lease liabilities	6.1	155	143
Interest bearing liabilities	6.1	4,000	10,000
Other financial liabilities	5.5	525	296
Employee benefits provision	3.1.2	5,077	4,960
Total current liabilities		20,847	24,087
Non-current liabilities			
Interest bearing liabilities	6.1	44,000	15,000
Lease liabilities	6.1	1,646	1,728
Employee benefits provision	3.1.2	545	459
Deferred tax liabilities	8.1.2	193,917	162,861
Total non-current liabilities		240,108	180,048
TOTAL LIABILITIES		260,955	204,135
NET ASSETS		832,185	758,813
EQUITY			
Contributed capital		441,165	441,165
Reserves	9.1	359,675	283,827
Accumulated surplus		31,345	33,821
TOTAL EQUITY		832,185	758,813

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 2023

	Notes	Contributed capital \$'000	Reserves \$'000	Accumulated surplus / (deficit) \$'000	Total \$'000
Balance at 1 July 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
Net result for the year		-	-	(5,212)	(5,212)
Other comprehensive income		-	78,581	3	78,584
Transfer (to)/ from accumulated funds on disposal		-	(2,733)	2,733	-
Closing Balance at 30 June 2023		441,165	359,675	31,345	832,185

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 2023

	Notes	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Receipts			
Service and usage charges		70,080	68,095
Goods and Services Tax received from the ATO		6,575	4,755
Government contributions received		1,282	779
Capital charges received		-	-
Developer contributions		1,206	1,478
Other receipts		4,526	3,893
Payments			
Payments to suppliers and employees		(54,795)	(56,627)
Goods and Services Tax paid to the ATO		(293)	(165)
Interest and other costs of finance paid		(963)	(903)
Environmental contribution		(3,167)	(3,167)
Net cash inflow operating activities	6.3.1	24,451	18,138
Cash flows from investing activities			
Payments for new infrastructure, property, plant and equipment		(25,806)	(6,104)
Payments for renewal/upgrade infrastructure, property, plant and equipment		(16,975)	(9,778)
Proceeds from sale of infrastructure, property, plant and equipment		475	475
Investments - Zero Emissions Water (ZEW)		-	-
Net cash outflow from investing activities		(42,306)	(15,407)
Cash flows from financing activities			
Proceeds/ (Repayment) of borrowings		23,000	(2,000)
Principle payment of lease liabilities		(70)	(160)
Derivative receipts/ (payments)		55	(17)
Net cash outflow from financing activities		22,985	(2,177)
Net (decrease)/increase in cash and cash equivalents		5,130	554
Cash and deposits at the start of the financial year		3,015	2,461
Cash and cash equivalents at the end of the financial year	6.3	8,145	3,015

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.

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.

Notes to the financial statements

Historical cost convention

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

Comparative information

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

Accounting estimates

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

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

Significant judgement and estimation area	Note number
Accrued water usage charges	5.2
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 Revenue from (AASB 15) or AASB 1058 Income of not-for-profit entities (AASB 1058)</i>	2
The timing of satisfaction of performance obligations	2
Determining transaction price and amounts allocated to performance obligations	2
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.

Notes to the financial statements

COVID-19

The Novel Coronavirus (COVID-19) outbreak first reported in late 2019 had 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 provided 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 2023, the Corporation recognised a net loss of \$(5,212,000). The Corporation's net current assets as at 30 June 2023 were \$7,153,000. The Corporation has \$8,144,853 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 note 5.1.2.

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.

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	2023 \$'000	2022 \$'000
Revenue from service, usage and trade waste charges	2.1.1	70,131	67,842
Developer contributions	2.1.2	4,689	5,071
Other revenue	2.1.3	1,099	1,104
Total revenue from contracts with customers		75,919	74,017

2.1.1 Revenue from service, usage and trade waste charges

	2023 \$'000	2022 \$'000
Service charges		
Sewer	28,218	27,305
Water	11,167	10,617
Total service charges	39,385	37,922
Usage charges		
Water	21,560	22,354
Trade waste	9,058	7,467
Recycled Water Charges	128	99
Total usage charges	30,746	29,920
Total revenue from service and usage and trade waste charges	70,131	67,842

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.

Notes to the financial statements

2.1.2 Developer contributions

	2023 \$'000	2022 \$'000
New customer contributions	1,206	1,478
Developer contributed assets	3,483	3,593
Total developer contributions	4,689	5,071

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.

Notes to the financial statements

2.1.3 Other revenue

	2023 \$'000	2022 \$'000
Information statements	310	369
Connection and inspection fees	406	423
Other fees and charges	383	312
Total other revenue	1,099	1,104

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

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
2023									
At a point in time	-	-	-	9,058	-	3,483	1,206	-	13,747
Over time	11,167	21,560	28,218	-	128	-	-	1,099	62,172
Total	11,167	21,560	28,218	9,058	128	3,483	1,206	1,099	75,919
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

Notes to the financial statements

2.2 Government grants and contributions

	2023 \$'000	2022 \$'000
Income recognised as revenue from contract with customers		
Other specific purpose grants	1,282	779
Total government grants and contributions	1,282	779

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).

2.3 Other income

	2023 \$'000	2022 \$'000
Cost recoveries	682	727
Miscellaneous	501	498
Rental income	384	385
ZEW derivative Income	55	-
Total other income	1,622	1,610

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Cost recoveries	Corporation costs on-charged to third party for works completed.	Revenue is recognised over time as services is provided
Miscellaneous	Includes; receipt of septic tank disposal, special meter reading, infrastructure processing and construction/ audit fees, biosolids sales and various sundry revenue.	Revenue is recognised over time as services is provided
Rental income	Lease income from leasing of investment properties which are operating leases are recognised on a straight-line basis over the lease term.	Revenue is recognised over time as services is provided
ZEW derivative income	Relates to the Corporation's investment in Zero Emissions Water Limited (ZEW). Upon expiration or exercise of the cash flow derivative, the Corporation will receive income depending on the position of the cash flow derivative. The fair value of the cash flow derivative is adjusted in OCI upon settlement with the difference being recognised as income or expense.	Revenue is recognised over time as service is provided.

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	2023 \$'000	2022 \$'000
Employee benefit expenses	3.1.1	23,945	22,612
Direct operating expenses	3.2	13,294	13,887
Repairs and maintenance	3.3	3,564	3,308
Operating expenses	3.4	8,900	11,381
Total expenses incurred in delivery of services		49,703	51,188

3.1.1 Employee benefits – comprehensive operating statement

	2023 \$'000	2022 \$'000
Salaries and wages	19,415	18,621
Annual leave	1,748	1,580
Long service leave	577	520
Employer superannuation contributions	2,089	1,777
Defined benefit superannuation expense	116	114
Total employee benefit costs	23,945	22,612

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.

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.

	2023 \$'000	2022 \$'000
Current provisions:		
Annual Leave		
Annual leave- unconditional and expected to settle within 12 months	1,420	1,402
Long Service Leave		
Long service leave -unconditional and expected to settle within 12 months measured at nominal value	416	400
Long service leave -unconditional and expected to settle after 12 months measured at present value	2,684	2,638
On-costs		
Unconditional and expected to settle within 12 months measured at nominal value	61	56
Unconditional and expected to settle after 12 months measured at present value	394	374
Other leave		
Other leave - unconditional and expected to settle within 12 months	102	90
Total current provisions for employee benefits provisions	5,077	4,960
Non-current provisions:		
Long service leave - conditional-measured at present value	475	402
Long service leave on costs - conditional-measured at present value	70	57
Total non-current provisions for employee benefits provision	545	459
Aggregate carrying amount of employee benefits provision		
Current	5,077	4,960
Non-current	545	459
Total provision for employee benefits provision	5,622	5,419

	2023 \$'000	2022 \$'000
On-costs:		
Opening balance	487	470
Additional provision recognised	70	63
Amounts utilised during period	(102)	(64)
Effect of changes in the discount rate	70	18
Closing balance	525	487
Current	455	430
Non-current	70	57

Wages and salaries, annual leave and sick leave

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

The components of this liability are measured at:

- Undiscounted value – the component the Corporation expects to wholly settle within 12 months; or
- Present value – the component the Corporation does not expect to wholly settle within 12 months.

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.

Notes to the financial statements

On-costs

On costs, such as payroll tax, superannuation 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, both are 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 2023 and 30 June 2022 are detailed below:

Scheme	Type of scheme	Rate (%)	2023 \$'000	2022 \$'000
State Superannuation fund	Defined benefits	10.5	22	25
Vision Super	Defined benefits	10.5	94	89
Vision Super	Accumulated Fund	10.5	1,193	1,096
Other	Accumulated Fund	10.5	896	681
Total contributions			2,205	1,891

There were no contributions outstanding or loans issued from or to the above schemes as at 30 June 2023.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2024 is \$96,678.

Notes to the financial statements

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 2023, this was 10.5% as required under Superannuation Guarantee (SG) legislation (2022: 10%)).

Defined benefit plan

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

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of the Corporation in the Fund cannot be measured as a percentage compared with other participating employers.

Therefore, the fund actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

The Corporation makes employer contributions to the defined benefit category of the fund at rates determined by the Trustee on the advice of the fund actuary.

A triennial actuarial investigation is currently underway for the Defined Benefit category which is expected to be completed by 31 December 2023. The Corporation was notified of the 30 June 2023 VBI during August 2023 (2022: August 2022). The financial assumptions used to calculate the 30 June 2023 VBI were:

Net investment returns	5.7% p.a
Salary information	3.5% p.a
Price inflation (CPI)	2.8% p.a

As at 30 June 2022, 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 102.2%. The financial assumptions used to calculate the VBI were:

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

The Corporation was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021).

Vision Super has advised that the estimated VBI at June 2023 was 104.1%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2022 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.

Notes to the financial statements

Employer contributions

Regular contributions

On the basis of the results of the 2022 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 2023, this rate was 10.5% of members' salaries (10% in 2021-22).

This rate will increase in line with the SG increases.

In addition, the Corporation reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the VBI multiplied by the 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 of the shortfall occurring. The fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including 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 2022 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 2022 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:

	2022 Interim (\$m)	2021 Interim (\$m)
A VBI Surplus	44.6	214.7
A total service liability surplus	105.8	270.3
A discounted accrued benefits surplus	111.9	285.2

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

The total service liability surplus means that the current value of the assets in the Fund's defined benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2022.

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 2022.

Notes to the financial statements

The 2023 triennial actuarial investigation

A triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2023. It is anticipated that this actuarial investigation will be completed by 31 December 2023. The financial assumptions for the purposes of this investigation are:

	2023 Triennial investigation	2020 Triennial investigation
Net investment return	5.7% pa	5.6% pa
Salary inflation	3.50 %pa	2.50 %pa for the first two years and 2.75%pa thereafter
Price inflation	2.8% pa	2.0% pa

3.2 Direct operational expenses

	2023 \$'000	2022 \$'000
Electricity	3,469	4,152
Licences	1,849	2,016
Other goods and services	1,514	1,296
Consultancies and contractors	3,327	3,811
Chemicals	1,488	1,032
Testing and sampling	1,308	1,330
Goods and equipment	339	250
Total direct operating expenses	13,294	13,887

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

Notes to the financial statements

3.3 Repairs and maintenance expenses

	2023 \$'000	2022 \$'000
Preventive maintenance	1,432	1,078
Corrective maintenance	1,110	1,204
Other maintenance costs	532	508
Reactive maintenance	490	518
Total repairs and maintenance expenses	3,564	3,308

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.

Notes to the financial statements

3.4 Operating expenses

	2023 \$'000	2022 \$'000
Consultancies and contractors	2,364	4,940
Other goods and services	6,126	5,258
Customer efficiency rebate	-	515
Goods and equipment	290	514
Electricity	120	137
ZEW derivative expense	-	17
Total operating expenses	8,900	11,381

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
ZEW derivative expense	Relates to the Corporation's investment in Zero Emissions Water Limited (ZEW). The Corporation pays or receives the difference between the floating electricity price and the fixed price set under the agreement for the units of energy supplied into the National Electricity Market by the solar farm. The future settlements of Contract for Difference (CFD) are classified as derivative financial instruments. Refer Note 5.5 for further details on the arrangement between the Corporation and ZEW	Upon expiration or exercise of the cash flow derivative, the Corporation will recognise an expense depending on the position of the cash flow derivative. The fair value of the cash flow derivative is adjusted in OCI upon settlement with the difference being recognised as an expense in the Comprehensive operating statement.

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 \$'000	Buildings \$'000	Water Infrastructure \$'000	Sewer Infrastructure \$'000	Plant and equipment \$'000	Capital works in progress \$'000	Total \$'000
2022-23							
Opening net book amount - 1 July 2022	32,263	30,895	492,893	333,705	6,137	31,496	927,389
Additions	-	-	-	-	-	42,643	42,643
Developer contributed assets	-	-	2,245	1,230	8	-	3,483
Revaluations	3,711	3,409	64,766	39,977	-	-	111,863
Disposals	-	-	(1,512)	(2,051)	(283)	(1)	(3,847)
Transfers between categories - Additions	832	429	6,961	4,719	2,495	(15,436)	-
Transfers - to Intangible Assets	-	-	-	-	-	(17)	(17)
Transfers - to assets held for sale	-	-	-	-	-	-	-
Transfers - Reclassifications	-	-	-	-	-	-	-
Depreciation	(13)	(774)	(15,597)	(9,850)	(1,418)	-	(27,652)
Closing net book amount	36,793	33,959	549,756	367,730	6,939	58,685	1,053,862
Gross book value	36,793	33,959	549,756	367,730	21,644	58,685	1,068,567
Accumulated depreciation	-	-	-	-	(14,705)	-	(14,705)
Net book value as at 30 June 2023	36,793	33,959	549,756	367,730	6,939	58,685	1,053,862
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

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 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. The market that the assets are valued in is being impacted by the uncertainty that rising interest rates and increased construction costs have caused. The valuer has advised that the current market environment creates significant valuation uncertainty. The value assessed at the valuation date may therefore change over a relatively short time period.

An assessment of the fair value of land, buildings and infrastructure assets was undertaken as at 30 June 2023, resulting in the carrying value being materially different from its fair value. In response to this difference, a managerial revaluation was completed to bring the carrying value of the Corporation's assets in line with their fair value.

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 in the context of 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.

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. 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.

Notes to the financial statements

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:

	2023 \$'000	2022 \$'000
Net gain/(loss) on disposal		
Buildings	-	(7)
Infrastructure	(3,565)	(1,919)
Motor vehicles	202	260
Office equipment	(36)	(46)
Intangibles	(11)	-
Total gain / (loss) on disposal	(3,410)	(1,712)

4.2 Intangible assets

	2023 \$'000	2022 \$'000
(a) Classes of intangibles		
Computer software - at cost	9,810	9,847
Less: Accumulated depreciation	(9,570)	(8,715)
	240	1,132
Bulk water entitlement-at cost	4,750	4,750
Large - scale generation certificates (LGC) -at cost	189	161
Total intangibles	5,179	6,043

	Large-scale Generation Certificates \$'000	Software \$'000	Bulk water entitlement \$'000	Total \$'000
2022-23				
Opening net book amount at 1 July 2022	161	1,132	4,750	6,043
Disposals	-	(11)	-	(11)
Transfers - to Intangible Assets	-	-	-	-
Additions	28	18	-	46
Amortisation expense	-	(899)	-	(899)
Closing net book amount at 30 June 2023	189	240	4,750	5,179
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

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.

Large-scale generation certificates

Large-scale generation certificates are recognised as an intangible asset on the Balance Sheet at cost as per the Corporation's policy choice as opposed to held for sale or surrender (in accordance with *AASB 138 Intangible Assets* and *FRD 109 Intangible Assets*), and will not be subject to amortisation, as the Large-scale generation certificates have an indefinite life.

Notes to the financial statements

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).

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Recognise as an other expense 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 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 as the costs do not meet the recognition criteria under *AASB 138 Intangible Assets*.

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.

- 1 Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised (i.e. upfront).
- 2 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 did not recognise any costs (2022: \$0.03M) as intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangement.

4.3 Assets held for sale

	2023 \$'000	2022 \$'000
Freehold land held for sale	269	216
	269	216

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.

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

	2023 \$'000	2022 \$'000
Current		
Contractual		
Tariff and charges	3,318	2,960
Other receivables	1,139	2,000
Loans to third parties	1,186	1,121
Schemes/Receivables	45	46
Less: Allowance for expected credit losses	(384)	(305)
	5,304	5,822
Statutory		
GST input tax credit recoverable	1,056	367
Total current receivables	6,360	6,189
Non-current		
Contractual		
Loans to third parties	4,278	5,959
Schemes/Receivables	146	243
Total non-current receivables	4,424	6,202
Total receivables	10,784	12,391

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.

Notes to the financial statements

5.1.1 Impairment of contractual receivables

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

On that basis, the loss allowance as at 30 June 2023 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 2023							
Expected loss rate	0.6%	2.1%	7.2%	21.8%	84.1%	23.7%	
Gross carrying amount							
- receivables from service and usage charges, tenant	54	42	15	14	22	96	243
Gross carrying amount							
- receivables from service and usage charges, owners	1,806	305	72	52	58	782	3,075
Gross carrying amount							
- other receivables	2,111	26	12	13	6	202	2,370
Loss allowance	(24)	(8)	(7)	(17)	(72)	(256)	(384)
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)

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

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

No interest is charged for the first 14 days from the due date of the invoice. Thereafter, interest is charged at 6.9% (from 1 July 2023) 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.

Notes to the financial statements

5.1.2 Reconciliation of expected credit loss allowance

	Notes	2023 \$'000	2022 \$'000
Opening balance 1 July		305	231
Expected credit losses from transactions		283	101
Expected credit losses written off	9.2	(204)	(27)
Net provision movements including expected credit losses recovered		79	74
Balance as at 30 June		384	305

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, current economic conditions and how the residual impacts of the pandemic may impact our industry in particular. To date the Corporation has not experienced any significant impacts on debt collection due to current economic conditions or from the COVID-19 pandemic. Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

5.2 Contract assets

	2023 \$'000	2022 \$'000
Current		
Accrued tariffs and charges	9,433	9,420
Total current contract assets	9,433	9,420

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 sewerage 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

	2023 \$'000	2022 \$'000
Current		
Contractual		
Trade creditors and accruals	4,471	3,151
Contract retentions	834	540
Contract deposits	672	654
Other payables	212	54
Accrued loan interest	29	1
Accrued expenses - employee benefits	760	632
Total current payables	6,978	5,032

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.

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
2023						
Supplies and services	4,471	4,471	4,471	-	-	-
Other payables	2,507	2,507	1,049	248	1,210	-
Total	6,978	6,978	5,520	248	1,210	-
2022						
Supplies and services	3,151	3,151	3,151	-	-	-
Other payables	1,881	1,881	732	195	954	-
Total	5,032	5,032	3,883	195	954	-

5.4 Contract liabilities

	2023 \$'000	2022 \$'000
Current		
Customers paid in advance	2,612	3,013
Unearned income	1,500	643
Total current contract liabilities	4,112	3,656

	Unearned Income \$'000	Customers paid in advance \$'000	Total \$'000
Carrying amount as at 1 July 2021	171	3,383	3,554
Add: Developer contribution received for performance obligation yet to be completed during the year	611		611
Add: Payment 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 obligation	(139)	(3,139)	(3,278)
Closing balance at 30 June 2022	643	3,013	3,656
Add: Developers contribution received for performance obligations yet to be completed during the year	1,259	-	1,259
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	(402)	(3,170)	(3,572)
Total contract liabilities at 30 June 2023	1,500	2,612	4,112

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

Notes to the financial statements

5.5 Other financial assets and liabilities

	2023 \$'000	2022 \$'000
Other financial assets		
Investment in Zero Emissions Water (ZEW) Ltd	11	11
Total other financial assets	11	11
	2023 \$'000	2022 \$'000
Other financial liabilities		
Derivative financial instrument	525	296
Total other financial liabilities	525	296

ZEW transactions and balances

The Corporation is one of 12 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 2023, 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 7.3.3 for more information about the judgements and assumptions used in measuring fair value determination of derivative financial instruments.

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.

Notes to the financial statements

5.6 Other non-financial assets

	2023 \$'000	2022 \$'000
Current		
Prepayments	2,926	1,903
Total other non-financial assets	2,926	1,903

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.

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

	2023 \$'000	2022 \$'000
Current		
Loans from Treasury Corporation of Victoria (TCV)	4,000	10,000
Lease liabilities	155	143
Total current interest bearing liabilities	4,155	10,143
Non-current		
Loans from Treasury Corporation of Victoria (TCV)	44,000	15,000
Lease liabilities	1,646	1,728
Total non-current interest bearing liabilities	45,646	16,728
Total interest bearing liabilities	49,801	26,871

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.

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 2023							
Lease liabilities	1,801	1,738	13	26	116	337	1,309
Loans from TCV	48,000	46,425	-	-	4,000	17,500	26,500
Total	49,801	48,163	13	26	4,116	17,837	27,809
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

Notes to the financial statements

6.1.2 Interest expense

	2023 \$'000	2022 \$'000
Interest on loans - Treasury Corporation of Victoria (TCV)	665	638
Financial accommodation levy	185	211
Interest on lease liability	58	54
Total interest expense	908	903

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.

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

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 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
Total as at 30 June 2022 represented by:				
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
Year ended 30 June 2023				
Carrying amount at beginning of year	49	1,669	41	1,759
Additions to right-of-use assets	-	15	58	73
Derecognition of right-of-use assets	(19)	(20)	-	(39)
Modification adjustments	2	50	-	52
Depreciation expense	(5)	(143)	(22)	(170)
Carrying amount at end of year	27	1,571	77	1,675
Total as at 30 June 2023 represented by:				
Cost	32	2,038	99	2,169
Less: Accumulated depreciation	(5)	(467)	(22)	(494)
Carrying amount at end of year	27	1,571	77	1,675

6.2.2 Amounts recognised in the comprehensive operating statement

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

	2023 \$'000	2022 \$'000
Interest on lease liabilities	58	54
Depreciation on ROU assets	170	117
Total	228	171

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:

	2023 \$'000	2022 \$'000
Total cashflow outflow for leases	212	149
Total	212	149

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.

	2023 \$'000	2022 \$'000
Deposits at call	7,934	2,646
Cash at bank	211	369
Balance as per cash flow statement	8,145	3,015

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

	2023 \$'000	2022 \$'000
Net result for the period after income tax	(5,212)	(6,192)
Add / (less) non-cash flows in net result		
Depreciation and amortisation	28,721	28,486
Interest Expense - Leases	58	54
Net loss on disposal of non-current assets	3,410	1,712
Infrastructure assets acquired at no cost	(3,483)	(3,593)
Movement in value of financial instruments	-	(42)
Income tax Expense	(2,227)	(2,587)
Changes in assets/liabilities		
Decrease (increase) in receivables	1,607	1,595
Decrease (increase) in contract assets	(13)	96
Decrease (increase) in inventories	(55)	(37)
Decrease (increase) in other non-financial assets	(1,076)	(687)
Increase (decrease) in payables	1,888	(636)
Increase (decrease) in contract liabilities	456	102
Increase (decrease) in employee benefits	203	(150)
Increase (decrease) in derivative financial instruments	174	17
Net cash inflow/(outflow) from operating activities	24,451	18,138

6.3.2. Financing facilities

	2023 \$'000	2022 \$'000
Unsecured loan facilities with various maturity dates through to 2022-23 and which may be extended by mutual agreement		
Amount used	48,000	25,000
Amount unused	19,500	15,000
Total	67,500	40,000

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.

Notes to the financial statements

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 2023				
Capital expenditure commitments payable	73,095	5,773	-	78,868
Environmental contribution levy commitments	3,167	-	-	3,167
Other commitments payable	4,636	6,420	-	11,056
Total commitments (inclusive of GST)	80,898	12,193	-	93,091
Less GST recoverable				(8,175)
Total commitments (exclusive of GST)				84,916
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)				23,596

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	Derivative financial liability
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 and liabilities 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.
Listed equity securities, managed investment schemes, and five-year government bonds <ul style="list-style-type: none"> - Investment in ZEW 	Fair value through net result.	Fair value through net result.

Notes to the financial statements

Financial instrument	Initial measurement	Subsequent measurement
Financial liabilities at amortised cost	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.
Financial liabilities include:		
- payables (excluding statutory payables);		
- borrowings (including lease liabilities)		

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 measurement.

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.

Notes to the financial statements

7.1.1 Financial instruments: Categorisation

2023	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	8,145	-	-	-	8,145
Receivables						
Tariff and charges	5.1	-	-	2,934	-	2,934
Scheme receivables	5.1	-	-	191	-	191
Accrued income	5.2	-	-	9,433	-	9,433
Other receivables	5.1	-	-	6,603	-	6,603
Investments and other contractual financial assets						
Investments in ZEW	5.5	-	11	-	-	11
Total contractual financial assets		8,145	11	19,161	-	27,317
Payables						
Trade creditors and accruals	5.3	-	-	-	4,471	4,471
Contract Retentions	5.3	-	-	-	834	834
Contract Deposits	5.3	-	-	-	672	672
Other payables	5.3	-	-	-	212	212
Accrued expenses	5.3	-	-	-	789	789
Borrowings						
Loans from TCV	6.1	-	-	-	48,000	48,000
Derivative financial liabilities						
Financial liabilities designated at fair value through profit or loss	5.5	-	525	-	-	525
Total contractual financial liabilities		-	525	-	54,978	55,503

Notes to the financial statements

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
Total contractual financial assets		3,015	11	21,444	-	24,470
Payables						
Trade creditors and accruals	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

Notes to the financial statements

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

	Net holding gain/(loss) \$'000	Total interest income/ (expense) \$'000	Fee income/ (expense) \$'000	Impairment loss \$'000	Total \$'000
2023					
Contractual financial assets					
Debt instruments mandatorily measured at fair value through profit/loss	-	-	-	-	-
Financial assets at amortised cost - other than on derecognition	-	336	-	(283)	53
Total contractual financial assets	-	336	-	(283)	53
Contractual financial liabilities					
Financial liabilities at amortised cost	-	(850)	-	-	(850)
Financial liabilities designated at fair value through profit/loss	(525)	-	-	-	(525)
Total contractual financial liabilities	(525)	(850)	-	-	(1,375)
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	(296)	(849)	-	-	(1,145)

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.

Notes to the financial statements

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 2022-23 (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 2023, the Corporation has no other significant credit risk. There has been no material change to the Corporation's credit risk profile in 2022-23.

Notes to the financial statements

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
2023					
Financial assets					
Financial assets with loss allowance measured at 12-month expected credit loss:					
Cash and deposits (not assessed for impairment due to materiality)	8,145	-	-	-	8,145
Statutory receivables (with no impairment loss recognised)	-	1,056	-	-	1,056
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	-	-	-	9,728	9,728
Total financial assets	8,145	1,056	-	9,728	18,929
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	3,015	367	-	12,024	15,406

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.

Notes to the financial statements

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 2023							
Derivative liability	525	525	-	-	-	525	-
Total	525	525	-	-	-	525	-
30 June 2022							
Derivative liability	296	296	-	-	-	296	-
Total	296	296	-	-	-	296	-

Price risk

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

Market risk

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

Objectives, policies and processes used to manage these risks are disclosed in the paragraphs below:

(i) Interest rate risk

- The Corporation minimises its exposure to interest rate changes on its long-term borrowings by holding fixed rate debt. Debt is sourced from 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.

Notes to the financial statements

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
2023					
Contractual financial assets					
Cash and deposits	4.14%	8,145	-	8,145	-
Receivables	6.98%	19,159	9,652	-	9,507
Total financial assets		27,304	9,652	8,145	9,507
Contractual financial liabilities					
Payables	0.00%	6,978	-	-	6,978
Loans from TCV	3.61%	48,000	48,000	-	-
Total financial liabilities		54,978	48,000	-	6,978
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
TCV loans	1.93%	25,000	25,000	-	-
Total financial liabilities		30,032	25,000	-	5,032

(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.

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'.

Notes to the financial statements

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
2023					
Cash and deposits	8,145	(46)	46	-	-
Interest bearing liabilities	48,000	10	(10)	-	-
Total		(36)	36	-	-
2022					
Cash and deposits	3,015	(51)	51	-	-
Interest bearing liabilities	25,000	1	(1)	-	-
Total		(50)	50	-	-

As at 30 June 2023, 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 \$0.04 million higher/lower (2021-22 \$0.05 million at +/- 200 basis points) as a result of higher/lower interest expense from variable interest rate borrowings.

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.

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.

Notes to the financial statements

Fair value hierarchy

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

How this section is structured

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

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

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

7.3.1 Fair value of financial instruments measured at amortised cost

	Carrying amount 2023 \$'000	Fair value 2023 \$'000	Carrying amount 2022 \$'000	Fair value 2022 \$'000
Financial Assets				
Receivables				
Loan to third parties	5,464	5,464	7,080	7,080
Financial liabilities				
Lease liabilities	1,801	1,738	1,871	1,777
Loans from TCV	48,000	46,425	25,000	23,742

Notes to the financial statements

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 2023 \$'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	36,793	-	-	36,793
Total of land and land improvements at fair value	36,793	-	-	36,793
Buildings at fair value				
Specialised buildings	33,959	-	-	33,959
Total of buildings at fair value	33,959	-	-	33,959
Water infrastructure at fair value				
Water reticulation & distribution	407,864	-	-	407,864
Water treatment plants	64,997	-	-	64,997
Water reservoirs & service basins	76,895	-	-	76,895
Total of water infrastructure at fair value	549,756	-	-	549,756
Sewer infrastructure at fair value				
Sewer reticulation	298,912	-	-	298,912
Sewer treatment plants	68,818	-	-	68,818
Total of sewer infrastructure at fair value	367,730	-	-	367,730
Plant, equipment and vehicles at fair value				
Vehicles	3,931	-	3,931	-
Plant and equipment	3,008	-	-	3,008
Total of plant, equipment and vehicles at fair value	6,939	-	3,931	3,008

	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

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period ended 30 June 2023.

Notes to the financial statements

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 FRD103I 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 its continued use as a special purpose asset for the fulfilment of community service obligations.

The CSO adjustment is a reflection of the Valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land is classified as Level 3 assets.

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

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

The Corporation conducted an assessment as at 30 June 2023 and determined that there had been material movement in the value of both specialised land and specialised buildings assets since the 2021 valuation. As per the requirements of FRD103I and under the direction of the Valuer-General Victoria (VGV), a managerial revaluation was undertaken on the building asset class as at 30 June 2023. A desktop valuation was performed using municipality indexation factors available from the VGV, to revalue the individual carrying amounts of assets within the class. It was determined that there had been a cumulative increment of 11.2% since the last valuation, resulting in a revaluation amount of \$3.7M being credited directly to equity in the asset revaluation reserve.

Under the same requirements as the buildings assets class above, a managerial revaluation was also undertaken on the land asset class as at 30 June 2023. A desktop valuation was performed using municipality indexation factors available from the VGV to revalue the individual carrying amounts of assets within the class. It was determined that there had been a cumulative increment of 11.2% since the last valuation, resulting in a revaluation amount of \$3.4M being credited directly to equity in the asset revaluation reserve.

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 2023. For all assets measured at fair value, the current use is considered the highest and best use.

Notes to the financial statements

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.

The Corporation conducted an assessment at 30 June 2023 and determined that there had been material movement in the value of all infrastructure assets since the 2021 valuation. As per the requirements of FRD103I and under the direction of the Victorian Valuer-General's Office, a managerial revaluation was undertaken on the network infrastructure asset class as at 30 June 2023. A desktop valuation was performed using Victorian construction indices available from the Australian Bureau of Statistics (ABS), to revalue the individual carrying amounts of assets within the class. It was determined that there had been a cumulative increment of 12.9% since the last valuation, resulting in a revaluation amount of \$104.9M being credited directly to equity in the asset revaluation reserve.

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

Climate related and fair value measurement

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

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

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

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

The Corporation's infrastructure, property, plant and equipment assets are exposed to the risk of damage from extreme weather events such as storms, high winds, floods and drought. Changes in global climate conditions could intensify one or more of these events. In addition, extreme weather events may also increase the cost of operations.

The Corporation has extensive processes in place aimed at monitoring and mitigating these risks through proactive management and early detection. The Corporation has incorporated considerations for climate change into its risk

Notes to the financial statements

management practices, such as proactive land management, increased monitoring during fire danger periods and climate impact considerations when designing new assets. Physical risks arising from fires, floods and drought are to a great extent subject to risk transfer and thereby within the cover of the Corporation's property and business interruption insurance programmes.

However, should the frequency and severity of these events increase as a result of climate change, the cost of such coverage may increase.

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
2023					
Opening balance	32,263	30,895	492,893	333,705	3,299
Additions / purchases	832	429	9,206	5,949	777
Revaluations	3,711	3,409	64,766	39,977	-
Transfers to assets held for sale	-	-	-	-	-
Transfers - Reclassifications	-	-	-	-	-
Disposals	-	-	(1,512)	(2,051)	(35)
Depreciation	(13)	(774)	(15,597)	(9,850)	(1,033)
Closing balance	36,793	33,959	549,756	367,730	3,008
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

Description of significant unobservable inputs to Level 3 valuations

2023 and 2022	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

Notes to the financial statements

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 Department of Energy, Environment and Climate Action's (DEECA) 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 both supply and demand fluctuations. 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 categories these derivatives as Level 3 within the fair value hierarchy.

Fair value measurement hierarchy for financial assets and liabilities as at 30 June 2023

	Carrying amount \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
2023				
Derivative financial instrument (ZEW)	(525)	-	-	(525)
2022				
Derivative financial instrument (ZEW)	(296)	-	-	(296)

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
2023	
Opening balance	(296)
Initial recognition of derivative financial instruments	
Gains/(losses) recognised in profit or loss	(174)
Net cash settlements (paid)/received	(55)
Closing balance	(525)
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)

Notes to the financial statements

Description of significant unobservable inputs to Level 3 valuations

2023	Valuation technique	Significant unobservable inputs	2023 range (weighted average)	Significant unobservable inputs
		Wholesale electricity price forecasts	\$13.16/MWh to \$60.09/MWh (\$29.69/MWh)	An increase/ (decrease) in the wholesale electricity price forecasts of 10% would result in an increase/ (decrease) fair value by \$0.061 million.
Derivative financial instrument (ZEW)	Income approach (discounted cash flow)	Discount rate – risk free rates of zero coupon government bonds	3.9520% to 4.3678% (4.0534%)	An increase/ (decrease) in the discount rate of 1% would result in an increase/ (decrease) fair value by \$0.015 million.
		Credit value adjustment – Australian Corporate Bond Spreads and Yields FNFSBBB10M	176.80 to 262.33 (223.58)	An increase/ (decrease) in the credit value adjustment of 1% would result in an increase/ (decrease) fair value by \$0.015 million.

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.

	2023 \$'000	2022 \$'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	(7,439)	(8,779)
Income tax calculated @ 30% (2021: 30%)	(2,232)	(2,634)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Non-deductible expenses	5	47
Income tax as reported in the comprehensive operating statement	(2,227)	(2,587)

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

	2023 \$'000	2022 \$'000
Amounts recognised in comprehensive operating statement		
Prior and current tax losses	8,428	12,116
Provisions and accrued expenditure not deductible	2,754	2,568
	11,182	14,684
Movements:		
Opening balance 1 July	14,684	16,130
Annual movement	(3,502)	(1,446)
Closing balance 30 June	11,182	14,684

Notes to the financial statements

Deferred tax liabilities

	2023 \$'000	2022 \$'000
Amounts recognised in the comprehensive operating statement		
Depreciation and revaluation	205,099	177,545
Movements		
Opening balance 1 July	177,545	181,578
Annual movement	27,554	(4,033)
Closing balance 30 June	205,099	177,545
Net deferred tax liabilities		
Deferred tax assets	11,182	14,684
Deferred tax liabilities	205,099	177,545
Net deferred asset/(liability)	(193,917)	(162,861)

Unrecognised deferred liability/ tax asset

As at 30 June 2023, 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 Energy, Environment and Climate Action (DEECA). This contribution is recognised as an expense during the reporting period as incurred.

8.2.1 Environmental contribution expense

	2023 \$'000	2022 \$'000
Environmental contribution levy	3,167	3,167
Total environmental contribution levy	3,167	3,167

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

	2023 \$'000	2022 \$'000
Reserves		
Land	4,857	1,998
Building	9,478	7,092
Infrastructure	345,340	274,737
Total reserves	359,675	283,827
Physical asset revaluation surplus		
Balance at beginning of financial year	283,827	285,363
Revaluation increments/(decrements)	78,581	-
Transfers to accumulated surplus	(2,733)	(1,536)
Balance at end of financial year	359,675	283,827

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	2023 \$'000	2022 \$'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	(3,410)	(1,712)
Total net gain/(loss) on non-financial assets		(3,410)	(1,712)
Net gain/(loss) on financial instruments			
Impairment of:			
Loans and receivables		(204)	(27)
Net gain/(loss) arising from derivatives for ZEW transactions		(229)	42
Total net gain/(loss) on financial instruments		(433)	15
Other gains/(losses) from economic flows			
Net gain/(loss) arising from revaluation of long service liability		(44)	201
Total other gains/(losses) from economic flows		(44)	201
Total other gains/(losses) from other economic flows		(3,887)	(1,496)

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.

Notes to the financial statements

9.3 Events occurring after the balance date

No matters or circumstances have arisen since the end of the reporting period, which significantly affected or may significantly affect the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation in future financial years.

9.4 Responsible persons

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

Title	Name	Period of appointment	Period of absence
Minister for Water	The Hon. Harriet Shing MP	1 July 2022 - 30 June 2023	
Chair	Ms Jacinta Ermacora	1 July 2022 - 14 December 2022	1 July 2022 - 21 September 2022 4 November 2022 – 14 December 2022
Acting Chair	Mr Kenneth King	1 July 2022 - 21 September 2022 4 November 2022 - 30 June 2023	
Deputy Chair	Mr Kenneth King	22 September 2022 - 3 November 2022	
Director	Mr Mick Murphy, OAM	1 July 2022 - 30 June 2023	
Director	Mr Michael Crutchfield	1 July 2022 - 30 June 2023	
Director	Dr Helen Scarborough	1 July 2022 - 30 June 2023	
Director	Dr Susan Brumby	1 July 2022 - 30 June 2023	
Director	Dr Adrian Panow	1 July 2022 - 30 June 2023	
Director	Ms Kylie Gaston	1 July 2022 – 10 February 2023	1 November 2022 - 25 November 2022
Managing Director / Accountable Officer	Mr Andrew Jeffers	1 July 2022 - 30 June 2023	

Remuneration

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

	2023 \$'000	2022 \$'000
\$0 - \$9,999	-	1
\$20,000 - \$29,999	2	2
\$30,000 - \$39,999	5	5
\$50,000 - \$59,000	1	1
\$310,000 - \$319,999	-	1
\$330,000 - \$339,999	1	-
Total	9	10
Total remuneration	604	584

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: \$600,000 - \$610,000 (\$580,000 - \$590,000 in 2021-22)

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.

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.

	2023 \$'000	2022 \$'000
Short-term employee benefits	1,300	1,263
Post-employment benefits	140	124
Other long-term benefits	33	30
Termination benefits	-	13
Total remuneration	1,473	1,430
Total number of executives	7	7
Total annualised employee equivalents	6.78	6.31

9.6 Related parties

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

Related parties of the Corporation include:

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

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

Key management personnel

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

Key management personnel (as defined in *AASB 124 Related Party Disclosures*) includes the Portfolio Minister, 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.

	2023 \$'000	2022 \$'000
Short-term employee benefits	1,837	1,787
Post-employment benefits	199	177
Other long-term benefits	41	37
Termination benefits	-	13
Total remuneration	2,077	2,014

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	2023 \$'000	2022 \$'000
Government related entity -receipts			
Department of Energy, Environment and Climate Action (DEECA)	Recreational Values Program delivery	18	74
Department of Energy, Environment and Climate Action (DEECA)	Adaptive Wastewater for Small Towns	60	-
Department of Energy, Environment and Climate Action (DEECA)	Climate Change Adaptation Strategy	2	2
Department of Energy, Environment and Climate Action (DEECA)	Regional Integrated Water Management Grant	164	168
Department of Energy, Environment and Climate Action (DEECA)	Sampling and Testing Reimbursement	-	23
Department of Energy, Environment and Climate Action (DEECA)	Albert Park Roof Water Harvesting	335	-
Department of Energy, Environment and Climate Action (DEECA)	Water Smart Program	181	-
Department of Energy, Environment and Climate Action (DEECA)	Circular Economy	18	-
Department Health and Human Services (DHHS)	Terang Fluoride Project Funding	-	1,235
Department Health and Human Services (DHHS)	Sampling and Testing Reimbursement	34	17
Department of Families, Fairness and Housing	Customer Concession Rebates	3,587	3,633
Department of Families, Fairness and Housing	New Customer Contributions	2	11
Parks Victoria	Operations & Maintenance 12 Apostles site	-	51
Parks Victoria	12 Apostles Project Funding	500	-
State Revenue Office (SRO)	Not for Profit rebate	288	302
Zero Emissions - Power Purchase Agreement (ZEW)	Compensation for project delay	-	-
Treasury Corporation of Victoria (TCV)	Net borrowings during the year	23,000	-
Government- related entity receivables			
Department of Energy, Environment and Climate Action (DEECA)	Sampling and Testing Reimbursement	-	25
Department Health and Human Services (DHHS)	Sampling and Testing Reimbursement	10	8
Department of Families, Fairness and Housing	Customer Concession Rebates	472	404
Parks Victoria	Operations & Maintenance 12 Apostles site	-	11
Parks Victoria	12 Apostles Project Funding	-	741
Government-related entity payments			
Department of Energy, Environment and Climate Action (DEECA)	Environmental Contribution Levy	3,167	3,167
Department of Energy, Environment and Climate Action (DEECA)	Native vegetation Credits	1	605
Department of Energy, Environment and Climate Action (DEECA)	Valuation Fees	-	65
Department of Energy, Environment and Climate Action (DEECA)	Photography Services	205	-
Department of Energy, Environment and Climate Action (DEECA)	Other	89	58
Department Health and Human Services (DHHS)	Safe Drinking Water Administration Levy	24	24
Department Treasury and Finance (DTF)	Financial Accommodation Levy	126	211
Environment Protection Authority (EPA)	Licences	348	-
Essential Services Commission (ESC)	Recovery Fees	60	102
GWM Water (GWM)	Water Service and Supply charges	341	256
Southern Rural Water (SRW)	Licences	76	83
State Revenue Office (SRO)	Payroll Tax	336	300
Treasury Corporation of Victoria (TCV)	Net borrowings during the year	-	2,000
Treasury Corporation of Victoria (TCV)	Borrowing Costs	665	638

Notes to the financial statements

Vic Roads	Vehicle permit fees	84	82
Victorian Auditor Generals Office (VAGO)	Audit Fees	56	58
Zero Emissions - Power Purchase Agreement (ZEW)	Admin. Fees and Large Scale Generation Certificates	10	33
Zero Emissions - Power Purchase Agreement (ZEW)	Investment	-	-
Government-related entity payables			
Department Health and Human Services (DHHS)	Safe Drinking Water Administration Levy	-	24
Department Treasury and Finance (DTF)	Financial Accommodation Levy	59	-
GWM Water (GWM)	Water Service and Supply charges	-	86
Victorian Auditor Generals Office (VAGO)	Audit Fees	68	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

	2023 \$'000	2022 \$'000
Victorian Auditor-General's Office		
Audit or review of the financial statements	68	66

9.8 Ex-gratia expense

	2023 \$'000	2022 \$'000
Forgiveness or wavier of debt	74	84
Total ex-gratia expenses	74	84

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.

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 2023 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 2022-6 Non-current Liabilities with Covenants</i>	Requires a liability be classified as a non-current liability if at the end of the reporting period the entity has a right to defer settlement of the liability for at least twelve months after the reporting period.	1 January 2024	The standard is not expected to have a significant impact

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods but are considered to have limited impact on the Department's reporting.

- AASB 17 Insurance Contracts.
- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definitions of Accounting Estimates.
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- AASB 2021-6 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards.
- AASB 2022-1: Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 Comparative Information.

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 2023 and financial position of the Corporation at 30 June 2023.

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 6 September 2023.



K W King
Acting Board Chair
Wannon Region Water Corporation



A R Jeffers
Managing Director
Wannon Region Water Corporation



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

Dated this 6th September 2023



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 2023 • 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 2023 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
11 September 2023



Paul Martin
as delegate for the Auditor-General of Victoria

Disclosure Index

The 2022/23 annual report of Wannon Region Water Corporation is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of the corporation's compliance with statutory disclosure requirements.

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Notes



Our Region



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



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