South East Water

Annual Report 2020–21

Aboriginal acknowledgement

South East Water proudly acknowledges the Traditional Owners of the land on which we work and live, and pay respect to their Elders past, present and emerging.

We acknowledge their songlines, cultural lore and continuing connection to the land and water. We recognise and value the rich cultural heritage and ongoing contributions of Aboriginal people and communities to our society in Victoria.

Volunteers from South East Water and Mount Eliza Association for Environmental Care completed a planting activity at Ranelagh Beach, Mount Eliza on 25 May 2021.

Case study – Relationships starting to grow

On 25 May 2021 we came together with the Bunurong Land Council Aboriginal Corporation (BLCAC) and Mount Eliza Association for Environmental Care to celebrate National Reconciliation Week. We helped to heal country at a culturally sensitive site at Ranelagh Beach, Mount Eliza where we'd recently completed a large sewer renewal project. Bunurong Elder, Aunty Dyan Summers gave a Welcome to Country and smoking ceremony, while BLCAC CEO, Dan Turnbull, walked and talked us through the stories behind the Cultural Marker posts he'd handcrafted for the site.

We planted 1,100 plants and trees along the beach, sourced from the Willum Warrain Aboriginal Association nursery in Hastings. We worked closely with BLCAC from the start of the renewal project, understanding that the site has high cultural sensitivity for Bunurong Traditional Owners.

Front cover image: Students from Lyndhurst Primary School taking part in a sustainability project, see case study page 31. *Disclaimer: All photos in this document were taken in line with the coronavirus (COVID-19) restrictions and health advice at the time of being photographed.*

Contents

About us

We support healthy and liveable communities

We support healthy and liveable communities by delivering water, sewerage and recycled water services to 1.91 million people who rely on us every day and every night.

Our service area covers the lands and waters of the Bunurong people, some of the lands of the Wurundjeri Woi Wurrung people to our north and an area in our far north east around Longwarry that currently has no Registered Aboriginal Party.

It borders more than 270 km of coastline and covers a land area of 3,640 km^2 from Port Melbourne to Portsea and approximately 30 km east of Pakenham.

Each year we deliver more than 137 billion litres of drinking water and collect and treat more than 108 billion litres of wastewater (waste from the toilet, shower, laundry and kitchen in homes and from businesses) at our local water recycling plants and at Melbourne Water's Eastern and Western treatment plants.

From our water recycling plants, we produce around 2,300 megalitres of recycled water used for residences, businesses, agriculture and open spaces. We also recycle biosolids for soil improvement and generate renewable energy from biogas and solar.

To deliver for our customers, we manage more than 26,500 km of pipeline. We own, operate and maintain $4.8 billion of assets including water, recycled water and sewerage networks.

We're a water corporation under the Water Act 1989

The *Water Act 1989* and the Statement of Obligations issued by the Minister for Water under Section 41 of the *Water Industry Act 1994* govern our activities.

The responsible Minister for the period from 1 July 2020 to 30 June 2021 was the Hon Lisa Neville MP, Minister for Water. The Hon Richard Wynne acted as the Minister for Water from 15 February 2021 to 30 June 2021. The Department of Environment, Land, Water and Planning (DELWP) was our responsible department.

A number of other Acts govern us as a water corporation, including the *Catchment and Land Protection Act 1994*, the *Safe Drinking Water Act 2003*, the *Food Act 1984* and the *Environment Protection Act 1970*.

Environment Protection Authority Victoria (EPA) and the Department of Health oversee our recycled water quality and drinking water quality respectively.

The Essential Services Commission (ESC) is our economic regulator. Every 5 years we're required to submit a price submission which sets out the services and service standards we propose to deliver to customers, and the proposed prices customers will pay for these.

Our 5-year Customer Commitment 2018–23 came into effect on 1 July 2018. We based this on what our customers told us is important to them, and it will continue to set our direction for the next 2 years – so we can deliver on the promises we've made.

2020–21 end of financial year reporting against customer commitments

Overall, we achieved the targets for our customer outcomes and delivered against the commitments made to our customers. Two of our five customer outcomes are on track with the remaining three outcomes met. The coronavirus (COVID-19) pandemic had an ongoing impact on both our business and customers. Our CO2 emissions data for the year will be finalised in September but we are not expected to have met the target this year as a number of solar projects were delayed due to the pandemic. However, we remain on track to meet our commitment to reduce emissions by 45% by 2024-25 from our 2018 baseline. The number of customer complaints has fallen outside the tolerance band which was expected, as we introduced a new complaints framework redefining how we capture customer enquiries and feedback. We remain committed to improving notifications to customers and our customer satisfaction rating continues to increase and remains above target.

Outcome	2020–21 performance against our targets
Get the basics right, always	Met
Warn me, inform me	Met
Fair and affordable for all	Met
Make my experience better	On track
Support my community, protect my environment	On track

Our service region

People

- Our customer base grew by 1.4% to 803,106
- 92% of our customers rely on us for their home's water and wastewater services
- 8% of our customers rely on us for non-household purposes (such as businesses, schools, etc.)
- Our customers speak more than 200 languages
- Our service area is the Country of the Bunurong people, and the Wurundjeri Woi Wurrung people in some areas to our north
- There are more than 8,300 First Nations People living within our region

Assets

- 14,258+ kilometres of water mains
- 1,231+ kilometres of recycled water main
- 8 water recycling plants
- 1 stormwater treatment plant
- 11,230+ kilometres of sewer mains
- 277 sewage pump stations
- 9 recycled water pump stations
- 82 water pump stations
- 8,000+ pressure sewer pumps across our network

Our direction

Healthy Water. For Life.

Our purpose every day and every night – at every level of our organisation – is to deliver a continuous flow of healthy water for life.

This means bringing our customers the clean water they want, and safely managing the wastewater and trade waste they don't want. It means thinking ahead, understanding and even inventing what we need to do now, so that generations to come can rely on us, too.

Our vision

We're creating a better world for our customers with forward thinking water solutions, for all and always, that won't cost the earth.

Our values

We put safety first

The safety and wellbeing of all our people, customers and community comes first.

We care

We listen to understand.

We do all we can to meet the needs of our people, customers and community.

We're real

We embrace diversity.

We take responsibility.

We do what we say and get things done.

We're bold

We strive to excel.

We have the courage to challenge ourselves.

We're future-focused and accept change is constant.

We discover

We search for new ways to deliver value.

We're curious and creative, learn from mistakes and celebrate success.

We deliver sustainably

Our decisions are made with the understanding every drop and action counts.

Our customer outcomes

Our 5 customer outcomes provided us with strategic direction for the year.

These outcomes reflect what our customers told us matters most to them, during consultation to develop our 5-year Customer Commitment 2018–23.

We've promised to deliver on these outcomes.

Get the basics right, always

Our customers want safe and reliable services, now and always. At its essence, this means clean and quality drinking water, and the safe disposal of wastewater and trade waste.

Make my experience better

Our customers told us that they want a better experience with us, every time they talk to us, see us in the street maintaining and repairing our network, or visit us online.

Warn me, inform me

Our customers want to be warned, and kept updated, about disruptions – both planned and emergency.

Fair and affordable for all

Our customers told us that because water is the most essential of services, it must be fair and affordable for everyone.

Support my community, protect our environment

Our customers want us to support their community and protect our environment – delivering long-term water security in a way that honours the environment and ongoing liveability.

Our business enablers

Underpinning our customer outcomes are business enablers that position our organisation to deliver on the priority policy areas outlined in Water for Victoria and to operate in a changing environment.

Our business enablers are:

- People
- Technology
- Financial capability
- Legal and governance

A year in review

Message from our Chair and Managing Director

We're pleased to present our *Annual Report 2020–21*, which provides an overview of our operational performance, audited financial reports and key highlights, along with statements on our governance and management practices.

We're proud of the care and empathy that we provided to all of our customers, communities and stakeholders over the year and thank our team for their hard work and dedication.

Supporting our customers and employees

Coronavirus (COVID-19) impacted many of our customers and employees and we maintained a strong focus on getting extra support to those who needed it most. We helped over 17,000 residential customers and 1,300 business customers with financial support options to help them through this period. We also participated in the sewerage monitoring project – ColoSSoS – to scan for coronavirus (COVID-19) detections in our wastewater. In addition to supporting our customers, we enabled a remote workforce and checked in on employee safety and wellbeing.

Working with and adjusting to the pressures of coronavirus (COVID-19) is something all of us will continue to endure, but we have plans in place so that we always maintain our services – even in lockdown.

Incident response

Our incident response approach has always been from a people and safety perspective. This is increasingly important to ensure we are resilient and can recover quickly from extreme weather events. With coronavirus (COVID-19) impacting our entire community as well as unexpected incidents such as the Silvan Dam and Koo Wee Rup water quality issues and a large sewer spill in Albert Park, the last 12 months have highlighted our ability to be resilient and customer-focused.

Commitment to our community

Our community grants program again provided over $100,000 to 23 community groups in our service area, as well as making a major contribution to the Ramsar Protection Program helping protect Western Port – a Wetlands of International Importance.

Reconciliation took on fresh understanding following the development of our first ever Reconciliation Action Plan (RAP). We promised to deliver a range of positive initiatives that would engage employees and the community. This supports our vision to create meaningful and significant relationships with the Traditional Owners whose lands we service, First Nations People living in our service area, and Aboriginal businesses and communities.

Digital technologies are the future

Over the year we've focused on technologies and connected devices – like digital meters and the Sotto® vibration sensor – that provide increasing access to real-time data, which enables us to detect leaks and prevent bursts in our network and reduces the impacts on our customers. We now have over 40,000 remotely connected devices that send real-time data to our operations team. The impact of these technologies is significant – improving the customer experience and lower servicing costs. See Case study: Saving water and money for our customers – digital metering in action

Enabling better health and environmental outcomes

We're pleased to reaffirm our commitment and continued support for the United Nations Global Compact. We're proud to be part of one of the world's largest corporate sustainability initiatives to fight inequality and injustice and protect our planet for generations to come. We're committed to supporting the principles that align to responsible business practice and support the broader 17 United Nations Sustainable Development Goals.

We also continued our support and commitment to the Department of Health's *Managing Climate Change Risk* guidelines and the Financial Stability Board's Task Force on Climate-related Financial Disclosures.

Our commitment to these initiatives is an important part of realising our vision of creating a better world for our customers with forward-thinking water solutions, for all and always, that won't cost the earth.

Responsible body declaration

In accordance with the *Financial Management Act 1994*, we're pleased to attest that our *Annual Report 2020–21* complies with all statutory reporting requirements.

Lucia Cade

Chair

Lara Olsen

Managing Director

Dated on this 30th day of August 2021

Financial overview

5-year financial summary

Table 1. ***Financial results for year ended 30 June 2021 (extract)***

	2017 ($ million)	2018 ($ million)	2019 ($ million)	2020 ($ million)	2021 ($ million)
Total revenue	1,029.4	1,092.9	1,043.5	1,046.6	1,055.4
EBIT	273.0	316.0	230.4	206.5	208.9
Financial costs	81.0	82.8	83.6	83.8	80.9
Net profit before tax	192.0	235.2	146.7	122.8	128.0
Tax expense	57.7	70.1	43.1	35.7	37.6
Net profit after tax	134.3	165.1	103.6	87.1	90.4

Table 2. ***Financial position as at 30 June 2021 (extract)***

	2017 ($ million)	2018 ($ million)	2019 ($ million)	2020 ($ million)	2021 ($ million)
Total assets	3,993.6	4,224.4	4,439.6	4,630.9	4,767.3
Payables and provisions	641.1	655.7	701.8	710.5	657.6
Borrowings	1,460.2	1,586.3	1,712.3	1,958.0	2,116.5
Net assets	1,892.3	1,982.5	2,025.5	1,962.3	1,993.3

Table 3. ***Cash flows for year ended 30 June 2021 (extract)***

	2017 ($ million)	2018 ($ million)	2019 ($ million)	2020 ($ million)	2021 ($ million)
Operating	136.3	150.9	129.8	132.4	134.0
Investing	(162.7)	(147.3)	(174.9)	(233.3)	(244,3)
Financing	26.7	(3.2)	45.1	101.5	110.3

Current year financial review

We recorded a net profit after tax of $90.4 million, an increase of $3.3 million from the prior year and $37.2 million higher than budget. The favourable result against budget was primarily due to the following:

- Higher revenue from developer-related activity levels due to a combination of higher developer activity and asset values of donated assets.
- Lower operating expenses across the business, such as fringe benefits tax and transport due to working from home arrangements, as well as lower labour costs and insurance premiums.
- Lower finance charges due to savings in interest rates due to low rates in the market and lower than anticipated borrowings.

Our financial position remains sound with gearing at 44% and funds from operations net interest cover at 3.0 times. Total assets have increased by $136.5 million driven by the growth in our infrastructure assets, property, plant and equipment valuation. Total liabilities increased by $105.5 million due largely to additional borrowings of $159.4 million during the year, used to fund capital investments for our infrastructure network as well as payments back to the Victorian Government.

Shareholder returns for the year include a total of $47.9 million in dividend payments to the Victorian Government.

We continue to closely monitor the impacts of coronavirus (COVID-19) on our financial position through ongoing analysis of cash flow, debtors, revenues and our key financial sustainability metrics. We continue to actively engage with our customers in providing financial assistance through various support and hardship options.

Capital projects

Capital expenditure of $257.9 million was driven largely by population growth and the renewal and upgrade to our water and sewerage infrastructure network, bringing a number of long-term benefits to our customers. Major construction upgrades continued on our Boneo Water Recycling Plant Stage 4 and Somers Water Recycling Plant during 2020–21 and further upgrades to support the growth on the Mornington Peninsula sewer network. We continue to enhance our digital capabilities through our digital utility program to drive efficiencies as part of our commitment to customers.

For more information on our other recent capital projects, and those of the broader Victorian public sector, please refer to the most recent Budget Paper No.4 State Capital Program (BP4) available on the Department of Treasury and Finance's website (**dtf.vic.gov.au**). This publication also contains information on Victorian Government departments and their related portfolio agencies' asset investment programs.

Subsequent events

Subsequent to the reporting period, the Government announced a number of economic support packages to assist with the continuing challenges of the coronavirus (COVID-19) pandemic. Further details are provided in Note 9.7 of the financial report on page 138.

Major projects and initiatives

Table 4. ***Major projects and initiatives delivered or underway in 2020–21.***

Month	Highlights
July 2020	• Commenced 'We're here when you need us' campaign supporting customers with their bills • Joined WaterAble network for people with a disability and their allies in the Victorian water industry
August 2020	• Supported over 38,000 of our customers to restore safe drinking water after storms hampered chlorination at Silvan Dam and led to a Boil Water Alert being issued across 98 suburbs. Case study: Supporting our customers through a Boil Water Advisory • Launched our foot-operated hydrant, a new solution for customers to safely access alternative drinking water during planned and emergency interruptions to their water service. Case study: Harnessing new solutions – our foot-operated hydrant
September 2020	• Launched our government-endorsed Corporate Plan 2021–26 • Celebrated Wear it Purple Day in support of LGBTIQ+ inclusion
October 2020	• Joined collaborative Sewage Surveillance of Coronavirus (COVID-19) (ColoSSoS) Project • Reconciliation Australia endorsed our first Reconciliation Action Plan • Continued our 'We're here when you need us' campaign supporting customers with their bills
November 2020	• Commissioned the solar photovoltaic systems at our Pakenham and Somers water recycling plants • Launched a new website at southeastwater.com.au. Case study: Improving our customers' digital experience • Celebrated International Day of Disability, International Men's Day and NAIDOC Week
December 2020	• Announced $100,000 in community grants awarded to 23 organisations across our service area that support community in the areas of affordability; environment; health and liveability; and water security and literacy. Our grants also supported community groups who were impacted by sewer spills. Groups receiving grants ranged from community gardens and lifesaving clubs, to schools, kindergartens, conservation groups, and groups supporting vulnerable community members
January 2021	• Started Aquarevo Urban Cooling Project in partnership with University of Melbourne, the Cooperative Research Centre for Water Sensitive Cities and Lyndhurst Primary School • Reminded customers of the importance of saving water particularly in the summer months with our 'Make Every Drop Count' campaign customers
February 2021	• EPA issued a works approval for the Aquarevo Water Recycling plant • Hosted the W-Lab technology online roadshow for WSAA • Research and development internship program
March 2021	• Celebrated International Women's Day and World Water Day • Acknowledged Close the Gap Day and introduced First Nations Cultural Awareness training for employees

	• Completed a pump upgrade including a major shutdown as part of the Officer South sewerage pump station upgrade. Final works expected to be completed in late 2021, which will ensure its reliability into the future.
April 2021	• Ozwater21' joint stand with Iota services and presentations from our people • Completed construction of Cranbourne West Recycled Water Tank which will help supply up to 7,000 customers with recycled water in Cranbourne West by 2031 • Marched for change at Midsumma • Started public workshops for our Price Submission • Campaigns included a targeted 'Concession Trial' and 'What your bills pay for' helping customers understand their bill and any discounts they may be entitled to • One of our Advanced BlokAid® devices alerted us to a sewer blockage, with the early detection helping us to stop the sewer spill sooner. Case study: Supporting community groups during an incident at Albert Park
May 2021	• Worked with Department of Health to ensure the safety of our community and issue a boil water advisory for Koo Wee Rup due to a water quality issue • Connected Rye Yacht Club to our Pressure Sewer Network. The site was a priority due to its high use over summer and proximity to Rye Bay Beach, it's now serviced by a 5000L tank with dual pumps controlled by a OneBox® device • Celebrated National Reconciliation Week online, and in person at Ranelagh Beach with Bunurong Land Council and Aboriginal Corporation • Celebrated IDAHOBIT Day
June 2021	• Pledged to #IStandForRespect as member of Diversity Council of Australia • Marked World Environment Day with the completion of Watsons Creek rehabilitation and contribution to Ramsar Protection Program. Case study: New lease on life for Watsons Creek • Exchanged over 23,500 digital meters in high-rise and single dwelling premises, enabling us to detect leaks to save customers money and water

Our customers

Serving our customers in 2020–21

Improving our services

Based on more than 26,000 combined responses to customer surveys after interactions with us:

- 85% of our customers trust us
- 73% of our customers perceive we provide value for money
- 84% of our customers are satisfied with our services
- 97% of unplanned water interruptions were restored within 5 hours

Case study: Saving water and money for our customers – digital metering in action

In July 2020, one of our digital meters sprang into action on an Aquarevo property in Lyndhurst alerting us to a major water leak of 27,960 litres over a 24-hour period.

With the property still in the early stages of construction, the meter's high pressure and continuous flow alarms went off, giving us real-time information about the property's water loss. We soon contacted our customer to let them know about the issue so they could fix it quickly to save both water and money. They then contacted their builder who confirmed they may have hit a pipe while working on the slab, but weren't aware of the damage or the leak.

If it wasn't for our digital meter picking up the leak, it would have continued until it was either physically visible on the property and/or when the customer received their high water bill, causing bill shock.

With the next bill 85 days away, and with a high continuous flow, our customer call saved 2,376,600 litres of lost water and a $9,821 water usage charge. It also may have prevented damage to the property, causing building delays.

Service to our customers

- Supported 5,839 new customers through our Customer Care Program
- Delivered over 160 billion litres of water (includes potable, recycled and non-revenue water)
- Treated 14.075 billion litres of sewage at our 8 water recycling plants
- Delivered 6.9 billion litres of recycled water to customers
- Switched 607 customer properties from septic tank to sewer as part of our Peninsula ECO project
- Serviced 48,500 homes with Class A recycled water
- 2.7 million online views across all digital platforms:
    - 445,837 visits to southeastwater.com.au (up 17.25%)
    - 209,000 visits to South East Water LIVE interactive map (emergency works and planned improvements across our service area)
    - our education website had 212,110 visits (up 97%); our natural water cycle game was most popular with 252,648 visits (up 33%)
- 456,081 customer calls
- 144,744 email contacts
- 39,406 properties sent an emergency text and proactive water outage text and/or email

- Customer Portal registrations grew by 52,000 customers (up 16%)
- 48% of customers opting to receive eBills

Supporting our customers

We know anyone can struggle to manage bills and financial commitments – and it can be hard to ask for support. We train our Customer Care team to work with customers who want to pay their water bills, but are unable to pay the whole amount.

We continued our support with Thriving Communities Partnership, which we joined as a founding member in 2016. The program facilitates cross-sector partnerships to better understand the lived experiences of community members who may be experiencing vulnerability and to develop enhanced or new solutions to support them.

How we've supported our customers

- Payment plans to spread the cost of their bill into instalments
- More time to pay
- Regular bill payments deducted from their Centrelink benefits
- Access to concessions and government grants
- Incentive payments and hardship grants and relief
- Water audits and plumbing support

Table 5. ***Community service obligations***

Value of community service obligation provided	2018–19 ($)	2019–20 ($)	2020–21 ($)
Provision of concessions to pensioners[1]	44,167,611	44,822,494	50,077,990
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme[2]	952,094	949,348	943,430
Utility relief grants scheme payments[3]	891,337	1,603,539	1,858,112
Water concession grant on life support machines (haemodialysis)[4]	41,296	19,312	24,093
South East Water hardship grants[5]	347,157	157,306	343,601

1 Customers holding a Pension Concession Card, Gold Repatriation Health Care Card for All Conditions or a Health Care Card are entitled to pay a concessionary amount, the difference is billed to and paid by Services Australia.

2 Not-for-profit entities are entitled to pay a concessionary amount with the difference billed to and paid by the State Revenue Office.

3 Provides assistance for customers unable to pay their utility accounts due to a temporary financial crisis. Customers need to demonstrate unexpected hardship has left them in a position that they cannot pay their utility account without assistance.

4 The Victorian Government provides a rebate for customers required to use a dialysis/life support machines at home, to compensate for water use and sewage disposal charges relating to its use. The amount is determined by Services Australia based on the estimated annual water usage of a dialysis machine (168kL).

5 We offer customers a range of support and payment options to provide some extra help managing their bills. Our approach is based on proactive prevention and early identification strategies. By intervening earlier, we can help customers meet their financial commitments sooner and prevent them from entering into further debt.

Our Customer and Community Advisory Council

Our 15-member council provides unique and diverse input, perspectives and direction into the way we plan for and respond to our customers and communities.

The council met 4 times via online meetings due to coronavirus (COVID-19) restrictions.

Report from the council

Over the past year, our council has reviewed a range of topics and given South East Water management a customer and community perspective on its strategies, actions, responses, planning and support.

These included perspectives on South East Water's responses to water quality incidents that required customers to boil their water before drinking; customer support and hardship programs in light of the impacts of coronavirus (COVID-19); and our first Reconciliation Action Plan (RAP) and the proposed rollout of the 72 deliverables that sit within it.

The council gave feedback on South East Water's climate change strategy and 'Water for Life', the new *Greater Melbourne Urban Water and System Strategy*, which takes a 50-year view of water security across Melbourne.

A subcommittee of the council was formed to observe and provide critical-friend advice to the price submission team about their engagement approach and activities.

Alicia Darvall, Director, Regions and Partnerships at Sustainability Victoria joined the council, while we farewelled departing members Dan Turnbull and Eddie Matt.

Council Chair, David Heeps said, "I thank our members for prioritising their role on the council, meeting online and providing continued guidance to South East Water in what has been an extremely challenging year for both South East Water and its customers. The impacts of coronavirus (COVID-19) on our communities in areas like affordability and vulnerability, reaching our CALD communities and the impacts on business, has meant that all perspectives were needed and valued.

"As a council we talk freely and appreciate how open South East Water is in providing us with honest assessments of its approaches, plans and measures – both in the planning phase and when seeking retrospective feedback.

"We thank both Dan Turnbull and Eddie Matt for sharing Traditional Owner and agricultural knowledge and wish them well. We are now recruiting new members who are able to provide these important lenses to the work of South East Water. I'm also pleased that Alicia Darvall has joined us as a new member and we welcome her expertise and support of the council."

Council members

David Heeps (independent Chair) Customer and community segment: Independent

David has over 40 years' experience in the water industry in a variety of roles, most recently spent six years as Chief Executive Officer (CEO) of the Essential Services Commission (ESC) and is currently a senior associate at Aither Consulting.

Edward (Eddie) Matt (until 31 March 2021) Customer and community segment: Agriculture

Eddie is a beef farmer in Rye, operating the Hillock Downs farm-gate store. He's an active member of the local community and is Lieutenant in the Country Fire Authority (CFA). Eddie is also President of the Victorian Farmers Federation Peninsula Branch.

Jennifer (Jenny) McGowan Customer and community segment: Customers experiencing vulnerability

Jenny is a financial counsellor at Community Information and Support Cranbourne and convenor of the Southern Network for Financial Counsellors. Jenny previously served in the Navy and was a kindergarten teacher.

Rebecca McKenzie Customer and community segment: Local council

Rebecca is CEO of Glen Eira City Council and Chair of Zoos Victoria Board Member. Rebecca has extensive international leadership experience across local and state government, and in the higher education sector.

Jon Onley Customer and community segment: Business customers

Jon is the Membership Manager with the Australian Industry Group and is also a member of CitiPower/Powercor Customer Consultative Committee and a Member of the Australian Gas Networks Reference Group.

Aishwarya Pokkuluri Customer and community segment: Youth

Aishwarya was awarded the 2018 Young Leader of the Year award by the City of Greater Dandenong for her voluntary work in the community. Since joining the City of Greater Dandenong's Young Leaders program, she's helped give the city's most marginalised young people a voice.

Dr Sundram Sivamalai Customer and community segment: Culturally and linguistically diverse

Sundram is a member of the Victorian Multicultural Commission and Board member of the Ethnic Communities' Council of Victoria. He has extensive board membership and community and government advisory experience, including as the current Chair of the Ballarat Regional Multicultural Council.

Max Shifman Customer and community segment: Property development

Max is the Chief Operating Officer of Intrapac Property, sits on the board the Urban Development Institute of Australia (UDIA) Victoria and is the Vice-President of UDIA National.

Professor Liam Smith Customer and community segment: Consumer research and behaviour change

Liam is Director and co-founder of Behaviour Works Australia, a leading behaviour change research enterprise within the Monash Sustainable Development Institute at Monash University.

Kevin Shinners Customer and community segment: Plumbing

Kevin is Vice President of the Master Plumbers Association (MPA) and his company Shinners Plumbing Pty Ltd specialises in commercial and industrial plumbing. Kevin was granted life membership to the MPA in recognition of his continuing contribution to the association and has previously been awarded for his outstanding voluntary service for the development of the plumbing industry.

Dan Turnbull (Until 10 March 2021) Customer and community segment: First Nations

Dan is the CEO of Bunurong Land Council Aboriginal Corporation, Director and previous deputy chair of the Federation of Victorian Traditional Owner Corporations. He's also a member of the Victorian Aboriginal Heritage Council's Legislative Review and Regulatory Functions Advisory Committee. Dan was also co-chair on the Aboriginal Treaty Working Group and an interim director and company secretary of the First People's Assembly of Victoria.

Gidja Walker Customer and community segment: Environment

Gidja is a well-respected ecological consultant and natural systems teacher based on the Mornington Peninsula. She is the President of the Southern Peninsula Indigenous Flora and Fauna Association, was involved in the Clean Ocean Foundation.

Alicia Darvall (joined 10 March 2021) Customer and community segment: Partnerships

Alicia is an accomplished executive director and community cultivator and is Director, Regions and Partnerships at Sustainability Victoria. She was Executive Director of Global Partners for not-for-profit B Lab and is the former chair of both the Melbourne Metropolitan Development Advisory Panel (advising on integrated approaches to metropolitan development) and the Inner South East Metropolitan Partnership.

Peter Day

South East Water Board representative. Peter's biography is on page 65.

Lara Olsen

South East Water Managing Director. Lara's biography is on page 66.

Mikala Hehir

South East Water General Manager Customer and Community. Mikala's biography is on page 69.

Water consumption

Table 6. ***Water consumption report residential and non-residential customers***

	Residential customers				Non-residential customers			
District	Number	Potable water (ML)	Recycled water (ML)	Recycled stormwater (ML)	Number	Potable water (ML)	Recycled water (ML)	Recycled stormwater (ML)
South East Water	741,712	109,440	1,068	0	61,394	28,086	4,501	0

Preliminary estimated per capita is 162.7 litres of potable water per person per day for 2020–21.
Disclaimer: This figure is preliminary only and based on an estimate for Q4 (April–June 2021) as actuals were not yet available at the time of preparing this report. We bill customers 3 months in arrears and therefore Q4 customer usage isn't known until early October. There is uncertainty around estimates this year due to substantial but not yet fully quantified changes in non-residential and residential consumption due to changes in behaviours and the imposition of restrictions on households and businesses during the coronavirus (COVID-19) pandemic during most of Q4. The bill based on average residential consumption of 150 kL was $979.60 (and $1,174.84 on 200kL consumption).

Table 7. ***Total of customers, volumes and consumptions***

District	Total number of customers	Total potable water volume (ML)	Total recycled water volume (ML)	Total consumption (ML)	Average annual consumption (ML)	Total water all sources (ML)
South East Water	803,106	137,526	5,5970	143,096	144,247	146,418

Table 8. ***Non-revenue water***

District	Leakage (ML)	Firefighting (ML)	Other (ML)	Total non-revenue water (ML)
South East Water	10,567	119	6,448	17,134

Table 9. ***Corporate water consumption report***

Location	Average full time equivalent employees and contractors	Office space (m2)	Water consumption (kL)	Average water use per employee (kL per employee)	Water consumption by office space (l/m2)
101 Wells Street, Frankston	673	11,580	1,340	2	116

Data in Table 9 is for our headquarters in Frankston only and excludes water consumption by employees based at water recycling plants and storage sites. Our headquarters also uses rainwater for toilet flushing and garden irrigation. This system isn't metered and therefore isn't reflected in the data.

Major non-residential water users

We supply water to 19 non-residential customers that use more than 100 megalitres per year for uses other than farming, irrigation or domestic purposes.

- Alfred Health
- Australian Meat Properties Pty Ltd
- Bega Cheese Ltd (Port Melbourne)
- Bega Cheese Ltd (Chelsea Heights)
- Chobani Pty Ltd
- Coca-Cola Amatil (Aust) Pty Ltd
- Corval Ingham Pty Ltd
- Cross Yarra Partnership (D&C)
- Crown Melbourne Limited
- Defence Corp Support South Vic
- Fountain Gate Trust
- Lesaffre Australia Pacific Pty Ltd
- Mondelez Australia Pty Ltd
- Pakenham Land Co Pty Ltd
- Parmalat Australia Ltd
- Saurin Investments Pty Ltd
- Southern Health Care Network (Dandenong and District Hospital)
- Southern Health Care Network (Monash Medical Centre Clayton)
- USG Boral Building Products Pty Ltd

Table 10. ***Customer by volume range***

Volumetric range – megalitres (ML) per year	Number of customers
Equal to or greater than 100 ML and less than 200 ML	9
Equal to or greater than 200 ML and less than 300 ML	5
Equal to or greater than 300 ML and less than 400 ML	3
Equal to or greater than 400 ML and less than 500 ML	2
Equal to or greater than 500 ML and less than 750 ML	–
Equal to or greater than 750 ML and less than 1,000 ML	–
Greater than 1,000 ML	–
Total number of customers	19

Participation in water conservation programs

We provide water efficiency support to all business customers through the availability of water and energy calculators and a national industry water use benchmarking resource.

We started a trial of an anomalous water use analytics solution with a number of councils in our region. Developed in-house, the solution uses historical consumption data to identify potential leaks, and the trial focuses on development of timely and manageable insights and alerts to customers.

The water management action plan (WaterMAP) program became voluntary in 2011. None of our business customers participated in the program in 2020–21; however, we continue to support water-efficient behaviours for businesses.

Trade waste

We work with trade waste customers to manage the quality and quantity of the waste they discharge.

In 2020–21, over 11,000 customers contributed a combined volume of more than 5,711 megalitres of trade waste, consisting of 4,852 megalitres to Melbourne Water's Eastern Treatment Plant at Carrum and 859 megalitres to the Western Treatment Plant at Werribee.

We also treated a combined volume in excess of 428 megalitres of trade waste received at our local water recycling facilities.

A total 11.9 megalitres of septic waste was discharged at the Boneo Water Recycling Plant (8.6 megalitres) and Upwey receival facility (3.3 megalitres).

Coronavirus (COVID-19) response and assistance to impacted trade waste customers

Throughout the coronavirus (COVID-19) pandemic, and recognising the significant business impact to our customer base due to the various restrictions and lockdowns, we provided assistance to over 860 customers in the form of waiving or deferral of fixed charges in the order of over $148,000.

Our community and environment

Supporting First Nations communities

Reconciliation is an important issue for all Australians and, as an organisation, it's an area we're working hard to address both internally and in the community. A large part of that work has been the delivery of our Reconciliation Action Plan (RAP) which was endorsed by Reconciliation Australia in October.

We started by focusing internally to continue building a safe and culturally aware organisation.

- Engaged employees in cultural awareness and cultural safety training (undertaken by 292 employees as of 30 June 2021)
- Welcomed 3 First Nations interns under the Barring Djinang summer internship program
- Welcomed First Nations guest speakers to share their lived experience on topics like racism and the purpose of reconciliation
- Shared stories and progress about our Reconciliation Action Plan with employees, including a dedicated Town Hall event during National Reconciliation Week, visual minutes from Reconciliation Action Plan Working Group meetings drawn by First Nations artists, and ongoing articles and updates on our intranet
- Worked with the Bunurong Land Council Aboriginal Corporation (BLCAC) to develop acknowledgement plaques that are now displayed at operating sites, including at our office, WatersEdge

Externally, we focused on building relationships with Traditional Owners and First Nations communities throughout the area we operate in.

- Continued our annual service agreement with BLCAC and started quarterly engagement forums to set strategic priorities.
- Engaged with Registered Aboriginal Parties connected to or supplying water to our service area including the BLCAC, the Wurundjeri Woi Wurrung Cultural Heritage Aboriginal Corporation and the Gunaikurnai Land and Waters Aboriginal Corporation, to involve them in 'Water for Life', the new *Greater Melbourne Urban Water and System Strategy*, to learn from them, and to understand how we can best engage into the future
- Established working groups with other water authorities where our service regions cross Traditional Owner boundaries
- Engaged Aboriginal and Torres Strait Islander community groups to learn about and participate in key milestone occasions like National Reconciliation Week, including promoting upcoming community events to our employees for significant dates such as National Apology Day, Close the Gap Day, NAIDOC Week, National Sorry Day and Mabo Day
- We came together with BLCAC to celebrate National Reconciliation Week to heal country at a culturally sensitive site at Ranelagh Beach, Mount Eliza. See case study – Relationships starting to grow
- Spent $129,544 with Aboriginal and Torres Strait Islander businesses, also signing on as a platinum partner of Kinaway Chamber of Commerce

Reconciliation Action Plan Working Group

The Reconciliation Action Plan Working Group is responsible for driving governance, planning and action to deliver the public commitments within our *Reconciliation Action Plan*

2020–22. The working group consists of a mix of employees from across the organisation and several external members.

It met 4 times during 2020–21: twice online due to coronavirus (COVID-19) restrictions, and twice in person at gathering places (once at Willum Warrain Aboriginal Association in Hastings, once at Nairm Marr Djambana in Frankston).

Our Reconciliation Action Plan group at Nairm Marr Djambana in May 2021.

Our group welcomed 4 external members who have educated us and guided the delivery of our Reconciliation Action Plan actions to date.

Here's some feedback from our members:

"This past year has shown with all the difficulties the world faces we can all work together with an insightful narrative. Reconciliation more than a word, it takes action. Working together for tangible sustainability.

As an Elder representing for the Bunurong Land Council Aboriginal Corporation and being myself Uncle Anthony Egan a Bunurong man who works and hears the needs of Country.

Feeling comfortable being myself working side by side with South East Water.

Your respect of traditional responsibilities and engaging Bunurong Land Council Aboriginal Corporation I thank you."

Uncle Anthony Egan, Traditional Owner, Bunurong / Trawlwoolway

"Willum Warrain has been very impressed by the commitment to reconciliation (both practical and symbolic) shown by South East Water's working group. There is a genuine interest to learn from and build relationships with First Nations' Peoples, and a desire to affect change in the way they do water business."

Peter Aldenhoven, Executive Officer/Men's Business, Willum Warrain Aboriginal Association

"It has been absolutely amazing to work with a team of people passionate about creating genuine change that are always more than happy to adjust and learn. Especially as a young Indigenous woman, it's great to have my voice heard and considered in corporate decision making processes. I would like to see the RAP working group look beyond 'Indigenous related' affairs and potentially seek advice on other topics though, like land management!"

Samantha Beaumont, Youth Ambassador, Product and Service Design Specialist, Telstra

"I have enjoyed working with South East Water as they have been incredibly respectful and open into listening to all our stories. They have been fantastic at implementing the knowledge received by the elders, on the water used throughout the community."

Sharon Brindley, Founder, Cooee Café and Jala Jala Treats

Case study: A focus on First Nations employment pathways

We once again supported the Victorian Public Sector Commission's (VPSC) Barring Djinang Program in partnership with CareerTrackers. Three First Nations interns joined us over the summer period in our Communications, Learning and Development and Environment teams – with all students joining us virtually this time around.

We were fortunate enough to welcome back one of our 2019 Barring Djinang interns for a second year, and also accepted one of our former Barring Djinang interns into our 2020 graduate program. The Barring Djinang program aims to place Indigenous university students across various sectors of the VPSC that resonate with the participants' respective degree.

We also welcomed our Aboriginal Employment and Cultural Coach, who is actively developing and seeking out new employment opportunities for First Nations people.

Protecting our environment

Greenhouse gas emissions abatement

In our Emissions Reduction Pledge we made a promise to reduce our greenhouse gas emissions by 45% from our 2018 baseline by 2024–25. We're on track to meet this commitment, which supports our longer-term goal of achieving net zero emissions by 2030.

We commissioned the solar photovoltaic systems at our Pakenham and Somers water recycling plants in November 2020. Based on initial analysis they're supplying up to 20–30% of total site electricity requirements.

The Kiamal Solar Farm became fully operational in January 2021 and as part of the Zero Emissions Water (ZEW) program started supplying us with a minimum of 10,000 large-scale generation certificates (LGCs) annually (equivalent to 10,000 MWh of renewable electricity). We've also entered into a contract to procure at least another 10,000 LGCs from the Cherry Tree Wind Farm located near Seymour, Victoria.

Targeting sewage spills

To minimise sewage spills, we developed Advanced Blokaid® and are developing other Internet of Things (IoT) enabled devices (Multix Manhole and Multix Float). These devices, which are installed at the top of the sewer maintenance holes to monitor sewage levels in the network, can help us potentially reduce the number of significant spills (EPA reportable) from critical asset failure. As we progressively streamline our systems and refine analytics to deliver more useful operational insights (e.g. minimise false positives), we're also increasing our understanding of the economic value of monitoring versus conventional approaches to sewer management and preventing spills.

Case study: Supporting community groups during an incident at Albert Park

In April, one of our Advanced BlokAid® devices alerted us to a sewer blockage. This early warning meant that we knew about the blockage and were able to stop sewer spill sooner, potentially reducing the size and impact of the spill. Investigations showed the blockage was because of a damaged sewer pipe caused by a third party. This led to sewage spills on private properties, into Albert Park Lake and at St Kilda West Beach.

Over several days and working around the clock to limit the impact to the environment, our team cleaned up the spills at impacted locations and repaired the damaged pipe. This involved setting up a large bypass pump to safely carry sewage away while we repaired the pipe.

Our customer liaison officers were out in force, making site visits to support customers whose properties had been impacted.

To protect the community, Parks Victoria closed the lake during the incident. We worked closely with them on a coordinated response. This included erecting signs around the lake and at the beach, publishing updates on social media and informing impacted community groups and sporting clubs on the details of the incident and when it was safe to return to the lake.

Working with local government, community groups and other agencies

Health and liveability

Our Community Grants program supported 23 local community groups with their community and environmental projects. Due to coronavirus (COVID-19), we expanded the eligibility criteria and program funding to provide around $100,000 in support. Recipients included schools, community gardens, lifesaving clubs, Aboriginal associations, conservation and community groups, and more.

Other highlights included:

- supplied community events with free drinking water from our hydration stations (where permissible between April and May 2021), reaching 52,000 people across 3 events
- part of the enliven and Deakin University Obesity Prevention Group Modelling project, which tackles issues that can contribute to obesity

Government and council partnerships

We prioritised council partnerships, representing the needs of our customers on:

- Cardinia Shire's Liveability Partnership Group, which oversees implementation of its Liveability Plan
- Cardinia Shire's culturally and linguistically diverse (CALD) Network, to better support customers who don't have English as a first language.

Our local members of parliament and Councils helped us inform the community about some of our proactive programs as well as incidents like sewer spills and water outages that might affect them. We also worked with them to efficiently resolve a range of customer issues.

Water security and literacy

Our education website offers parents, students and educators helpful resources about water and water efficiency.

We continued to support the Victorian Government's Schools Water Efficiency Program (SWEP), with 286 schools participating in our area. SWEP uses data loggers to help schools identify leaks and over the past year participating schools in our area saved 261 million litres, worth $989,000. We also sponsored and/or participated in:

- 2020 Kids Teaching Kids Conference, which encourages and inspires young people to learn and care for their local environment.

- CMP Consulting Group's Gems in STEM program, inspiring year 10 students to take up STEM (science, technology, engineering and maths) subjects at school and consider a career in engineering within the water industry.

Campaigns and partnerships

We continue to deliver campaigns across our customer channels and water bills. This not only helps to promote water-wise behaviour to our customers but also meets our Statement of Obligations. These activities align with the Target 155 and Make Every Drop Count initiatives.

Working with our Choose Tap partners we installed 5 bottle filler/water fountains at sites across our service region, including Bayside City Council (Middle Brighton Baths and Royal Avenue Park, Sandringham); Metro Trains (2 fountains at Caulfield Station); and Villawood Homes (Aquarevo Estate, Lyndhurst).

Environmental sustainability

Throughout 2020–21 numerous projects and strategies supported and promoted sustainable water use and sustainable and resilient water services systems.

Recycled water

Our 8 water recycling plants each produce Class A or Class C recycled water. We also source Class A recycled water from Melbourne Water's Eastern Treatment Plant. We commissioned our Lang Lang Class A Recycling Water Plant in 2020–21.

48,000 homes across our region receive recycled water. This is in addition to open spaces and sporting ovals local councils irrigate with recycled water. Vineyards, golf courses, market gardens, nurseries, a commercial laundry and turf growers also rely on recycled water to support their businesses.

The volume of recycled water used in 2020–21 was 5.6 billion litres which represents a 0.3 billion litre decrease compared to the previous year. This reduction in recycled water usage is the result of experiencing much wetter conditions across our service area over the summer and autumn periods.

Integrated water solutions

As part of our commitment to the *Water for Victoria* plan, and as part of our *Urban Water Strategy*, we've continued to collaborate with stakeholders through Integrated Water Management (IWM) Forums.

We've led 4 co-funded IWM Forum projects across our 3 catchments: Western Port, Dandenong and Yarra and have completed 3 of these projects. The completed projects include:

- Tyabb and Dingley economic frameworks and benefit/costs analysis
- Sandown racecourse alternative water project developer guidance including linking indicators to outcomes
- Fishermans Bend flood risk assessment for understanding which land uses are compatible
- Pakenham water for work is still ongoing in parallel with the next stage of work.

Other 2020–21 highlights include:

- Collaboration on a citywide alternative network planning project with the Department of Environment, Land, Water and Planning (DELWP), other urban and rural water businesses, Victorian Planning Authority (VPA) and local government. This has identified potential options for recycled water and stormwater supply to support urban growth and greening, agriculture and water supply resilience.
- Supported DELWP in the development of the draft Central and Gippsland Region Sustainable Water Strategy.
- Collaboratively developed catchment-scale IWM plans for Dandenong, Western Port and Yarra catchments in partnership with DELWP, other water authorities, councils, the VPA and Traditional Owner organisations. These plans have outlined collaboratively agreed measures, indicators and targets (for 2030 and 2050) for IWM outcomes in each catchment.

- Completed a distributed storages investigation project with Knox City Council and Melbourne Water, to reduce flood risks and improve water reuse in a catchment using smart rainwater tanks.
- Completed the IWM strategy and a developer guidance document for Sandown racecourse development precinct in collaboration with City of Greater Dandenong, Melbourne Water and the VPA. The IWM strategy optimised on the opportunities for alternative water reuse within the development to enhance liveability and environmental outcomes and reduce the flood risks around the Sandown precinct.
- Progressed the Pakenham Regional Recycled Water Scheme including starting a working partnership with Southern Rural Water on groundwater in Westernport.
- The Fountain Gate IWM project in Narre Warren will connect stormwater storages and deliver a stormwater alternative water network for 220 ML/year, saving up to 90 ML/year of valuable drinking water. The project is taking a staged approach to using stormwater for residential use, with the initial stage treating to a Class A standard with higher standards of treatment tested.

Aquarevo

In February 2021, the EPA issued a works approval for the Aquarevo Water Recycling plant, a culmination of 18 months of work. Once completed the water cycle loop in the estate will be closed with all wastewater treated and its reuse maximised within the estate.

At the start of Aquarevo, all homes built must have achieved at least a 6-star energy rating. In 2021 it was mandated that for all remaining lots sold, houses built must achieve a 7-star energy rating. We believe this is readily achievable without adding significant cost to houses, sending a positive sustainability message to customers and the building industry.

Our Aquarevo House, which achieved 8-stars at no additional cost, is part of an urban cooling project in partnership with the Cooperative Research Centre for Water Sensitive Cities and the University of Melbourne. We used the house for research, development and education purposes, as the team develops and tests new applications for some of the water saving initiatives within the estate. In addition to the data collected from the on-site climate station and smart irrigation system, we've also secured a 'control site' at Lyndhurst Primary School.

Case study: Lyndhurst students support sustainability project

In collaboration with our partners University of Melbourne and the Cooperative Research Centre for Water Sensitive Cities, we've installed a climate station at Lyndhurst Primary School. We've given students access to data from the climate station via an online bespoke portal that we've created especially for them.

The project involves using our OneBox® controller to manage and monitor sensors, irrigation and misting to cool the landscape, mitigating inner city warming, also known as the urban heat island effect. This research aims to test a hypothesis that water may be cheaper than electricity when cooling an urban environment.

We've also supplied wicking garden beds, some of which have been planted with indigenous edible plants, so the students can get hands on experience in planting, watering and maintaining plants. With our initiatives at the school we hope to support their curriculum and help enhance students understanding of the project, and of water and its role in the environment.

Drought response and alternative water sources

Permanent Water Use Rules were in place for Melbourne at 30 June 2021. We published our Drought Preparedness Plan in 2016–17, incorporating our Uniform Drought Response, although we didn't invoke the plan in 2020–21.

We joined other metropolitan water utilities and Melbourne Water to jointly publish the Annual Water Outlook in December 2020. This outlined a number of individual and joint industry short- and medium-term actions to improve future drought response.

The Victorian Government ordered 125 billion litres of desalinated water from the Victorian Desalination Plant for 2020–21, with 125 billion litres delivered in 2020–21. In March 2021, the Victorian Government ordered 125 billion litres of desalinated water to secure our future water supply for 2021–22.

Environmental flow

Environmental flow refers to water released from a dam to maintain river health downstream. We have water management strategies in place, including with metropolitan water utilities and Melbourne Water, to ensure we meet our obligations in this area for the Melbourne water supply system.

Key strategies and policies

Urban Water Strategy

We've started preparing our next 50 year urban water strategy in collaboration with other Melbourne metropolitan water organisations, Greater Western Water and Yarra Valley Water, and with Melbourne Water. This incorporates the Melbourne Water Systems Strategy and is called 'Water for Life', the *Greater Metropolitan Urban Water and Systems Strategy* (*GMUWSS*). The strategy will be our plan for managing the increasing demand for water and rising sewage volumes in the face of population growth and climate change in the Melbourne metropolitan and connected regional areas. It will incorporate relevant aspects of sewerage strategies, integrated water management planning and drought preparedness planning. The *GMUWSS* will inform the Central and Gippsland Region Sustainable Water Strategy by identifying likely future demands and local options to meet water demands, informed by customer and stakeholder preferences and values.

In addition, we:

- collaborated with the other Melbourne metropolitan water organisations, Melbourne Water and DELWP to monitor water security, prepare the Annual Water Outlook and Desalinated Water Order Advice and develop residential and non-residential water efficiency programs
- collaborated with DELWP and other water organisations to manage water supply security for consumptive and environmental water users through various processes including the Long-Term Water Resource Assessment, the Central and Gippsland Region Sustainable Water Strategy and the south central market trial.

Regional Catchment Strategy

We're a founding stakeholder of the Port Phillip and Westernport Catchment Management Authority Living Links catchment program. Living Links is a large-scale collaborative environmental program to create a web of green spaces in Melbourne's south east, underpinning the Regional Catchment Strategy.

Victorian biodiversity strategy

We contributed to Biodiversity 2037, guided by our Biodiversity Master Plan, and during 2020–21 we:

- completed our ongoing annual pest and noxious weed control program
- contributed to the protection of the Jam Jerrup and Blind Bight Ramsar-listed wetlands organised by Port Phillip and Westernport Catchment Management Authority which manages key threats to wetland values through control and eradication of pest animals
- partnered with Melbourne Water to enhance vegetation through strategic works in Deep Creek in Pakenham, Balcombe Creek in Mount Martha and Tootgarook wetlands
- completed works to enhance Dwarf Galaxias (a native freshwater fish) habitat in the upper section of Watsons Creek and a translocation program moving fish from further downstream into the impacted spill zone.

Project requiring native vegetation renewal	Planning permit number	Native vegetation removed	Offsets
P00092 Cranbourne to Clyde Recycled Water Main	PlnA00536/20	0.116 hectares	No offsets required
P00111 Craigie Road Sewer Renewal	P21/0242	0.002 hectares	No offsets required
Boneo WRP Entrance Tree Removal	P20/0287	Removal of 10 trees that required a permit	Replant at least 20 canopy trees indigenous to the area

Environment Mitigation Levy

The *Melbourne Strategic Assessment (Environment Mitigation Levy) Act 2020* came into effect on 1 July 2020. The construction of utility infrastructure on private land is not a 'levy event' and as such no MSA levies apply.

The construction of utility infrastructure is only considered a 'levy event' when it occurs on Crown land.

There were no infrastructure projects during 2020–2021 period that triggered a levy event.

Victorian Waterway Management Strategy

We maintain strong relationships with those who have a responsibility to manage stormwater, rivers and creeks, including Melbourne Water and local councils, particularly to address incidents that may impact waterways.

Together we engage on specific environmental improvement programs, including collaboration with universities, other water organisations and community groups to assess the impacts of our operations on waterways and improve environmental monitoring.

To ensure our sewer system has the capacity to handle population growth, we're investing in the upkeep of existing pipes to reduce spills, an ongoing backlog program (switching properties from septic tanks to mains sewer) and actively engagement to improve septic tank management. We regularly monitor waterway health in key creeks and rivers and share this information with councils to improve the health of local waterways.

We've completed our pilot program memorandum of understanding (MOU) with Mornington Peninsula Shire Council (MPSC) funding a waste water officer to assist council to meet its obligations to inspect and support the community to maintain septic tanks. During this MOU we:

- started an education program with Mornington Peninsula residents
- conducted around 1,000 customer property inspections and helped manage failing septic tank systems in priority areas
- targeted selected areas of our Peninsula ECO project and encouraged connections to sewer, particularly where septic tank systems are failing
- improved water quality of receiving waters such as Portsea Lagoon and Boes Road, Tyabb.

The Mornington Peninsula has a significant number of septic tank systems, and failing systems are a contributor to waterway pollution. Our MOU has been commended by the Victorian Auditor-General's Office (VAGO) in the "Managing the Environmental Impacts of Domestic Wastewater" report, as a collaborative and innovative approach. We are currently working with the Shire to continue this program, which will include an enhanced 5-year MOU with MPSC leading to better monitoring of the performance and maintenance of septic tanks systems and promotion of connection to PenEco, where it’s the best option.

Environment Protection (Amendment) Act 2018

The new Environment Protection Regulations came into effect on 1 July 2021. In consideration of these regulations, over the past year we developed an interactive map of local environmental features across our network to easily identify sensitive flora, fauna or habitat nearby. We’ve also been busy completing a series of workshops to better understand all the ways our activities could impact the environment and ensure we are reducing any negative effects as much as possible.

The development of a new digital platform will enable us to store all environmental data in one place and help identify trends and share good environmental practices across everything we do.

Victorian Water Efficiency Strategy

We continue to deliver on the Victorian Water Efficiency Strategy 2017–22. To contribute to each of its 4 strategic objectives, we have:

- played leading roles in the Water Services Association of Australia Water Efficiency Network and Victorian Water Efficiency Resources Committee
- continued to research water efficiency initiatives like reward programs and recycled water uptake
- continued to partner with metropolitan water organisations to run the Make Every Drop Count campaign
- continued to work through Smart Approved WaterMark to develop the home water use calculator and other water efficiency tools

In addition to these activities, we have worked closely to support the Central and Gippsland Region Sustainable Water Strategy and Greater Melbourne Urban Water and Systems Strategy to ensure that water efficiency is fully considered in those strategies.

Adaptation to climate change

While the extent of climate change is uncertain, current forecasts suggest heightened risks to our organisation include storms, climate events disrupting water and wastewater services, droughts, sea-level rise, rainfall changes and temperature changes reducing water security and quality while increasing costs.

Using the framework established by the Taskforce on Climate-related Financial Disclosures' we'll demonstrate climate-related risk and opportunities, structured around governance, strategy, risk management and metrics.

Governance

Our adaptation and mitigation responses, are discussed at executive and Board meetings and key risks and actions are captured in our corporate and environment risk registers. Our response to climate change risks is reported to our Customer Service Solutions Committee and Finance Assurance and Risk Management Committee of the Board.

Our governance group (the Climate Adapt Steering Committee) undertook a comprehensive risk assessment of physical and transitional risks across the business to inform our monitoring plan. This included looking at the impact to our services due to changes at 2030, 2050 and 2090 if the world drastically reduces greenhouse gas emissions (Representative Concentration Pathway (RCP) 2.6); slowly reduces emissions (RCP 4.5); and if the world continues to increase their emissions (RCP 8.5). We found that most of the threats to our services come from bushfire and drought, and consequences could be costs paid by our customers.

Strategy

We identified 178 climate-related risks, with 19 rated high or extreme in threat in the near term (2030). Most high-threat risks were from physical changes if the world doesn't drastically reduce emissions (13 risks). Other risks, resulting from the costs of our unavoidable emissions, occur if we do drastically reduce emissions (6 transition risks). 10 opportunities were found across the scenarios, relating to technological opportunities and alternative water production.

We assessed the climate-related risks and opportunities for our annual financial statements against Australian Accounting Standards Board and Auditing and Assurance Standards Board guidance, determining that costs have so far been absorbed.

Risk management

Climate-related risks are integrated within our Risk Management Framework, including in our Risk Register, Aspects and Impacts Register, Environmental Management System and Asset Management Planning processes. The registers capture all 178 risks and assign each a responsible risk and resilience manager – enabling climate risk assessments to be made for all services, systems and assets from both a planning and operational perspective. A revised 'Climate change' section of our website will show how we manage these risks in more detail in the future.

Metrics

We'll monitor key climate hazard metrics and impacts as new data becomes available (on 5-yearly intervals). As well as our existing reporting requirements, these will be key to maintaining our awareness of climate change and its impacts. The monitoring plan will be available on our website.

Research

We continued to invest in our strategic research partnerships, regularly leveraging other funding sources through our Research, Development and Innovation Program to drive better outcomes for our customers. We're currently collaborating on strategic research projects with 10 universities across Australia and 5 research centres, including:

- Soils Cooperative Research Centre (CRC)
- Water Research Australia
- Australian Research Council (ARC) Training Centre for the Transformation of Australia's Biosolids Resource
- Smartcrete CRC
- ARC Research Hub for Energy-Efficient Separation.

Key highlights

Resource recovery: worked with RMIT University producing carbon materials from the biosolids sludge waste from our sewerage treatments plants, and showed how chemicals of emerging concern can be destroyed and removed by this process and materials.

Intelligent networks: demonstrated at a scale of over 700 digital water meters with integrated Sotto® vibration sensors that leaks could be detected in our network before they became disruptive to customers. We also developed new technology for remotely detecting fill events from hydrants and, with Latrobe University, robots for probing the integrity of our sewer pipes. Collaboration with Monash University has resulted in the development of low-cost sensors to give us early warning of spills and enable real-time monitoring and control of water sources such as wetlands.

Customer behaviour change: started a rewards trial with new digital meter customers to understand if we can encourage reduced water usage.

Future risks: partnered in Water Research Australia's ColoSSoS Program for coronavirus (COVID-19) sewer monitoring, and supported poly-fluoroalkyl substances (PFAS) and microplastics projects.

Resilience: continued to optimise the performance of the rainwater hot water systems of Aquarevo; analysed the improvement in stormwater drainage due to our TankTalk® technology; and developed with University of Melbourne a cooling network around our Aquarevo houses based on evaporation, irrigation and misting.

To protect our investment in technology, we maintain an active intellectual property (IP) portfolio of trademarks, patents and registered designs. This supports future innovation and provides commercialisation opportunities for Iota to ensure our IP is available for the Australian water industry. Over the last year we added significant assets to our IP portfolio with international patents granted across eight different product lines in 10 different countries. These granted patents include Sotto® vibration sensors for residential and network leak detection, Advanced Blokaid® for preventing sewer spills and TankTalk® for intelligent control of domestic rainwater tanks.

Our collaborative research continues to be recognised as leading in the industry with our work on biochar, Aquarevo, Advance Blokaid®, Smart Tanks, and customer behaviour systems being published in international peer review journals, shortlisted for awards and being accepted for presentations at major conferences and events.

Iota

Iota plays an important role in achieving our vision to ‘create a better world for our customers with forward thinking water solutions, for all and always, that won’t cost the earth’. Iota takes our new innovations and commercialises them for use beyond our service area. This not only helps other water organisations around the world become more efficient, but delivers economic and social benefits for our organisation, our customers, and Victoria.

Following several successful deployments of its OneBox® technology with utilities in Australia, New Zealand and as far as Ireland, Iota has continued to expand through the commercialisation of additional technology solutions.

There are now a dozen utilities trialling its Advanced BlokAid® technology to monitor levels in sewer and stormwater drains in near-real time, and Iota is sharing our digital meter and IoT Platform with industry, including Greater Western Water, following successful trials and preliminary installations in our network. Iota also manages our Priority Plumbing business, offering industrial and residential plumbing services in Melbourne’s south-east and beyond.

For more information visit **iota.net.au** or see page 67.

OneBox® monitors and controls network flows, minimising the spill risk on the network and the impact downstream. Using an online portal customers can remotely monitor and control the network.

Case study: Taking OneBox® across the Tasman

Iota partnered with Christchurch City Council to deliver smart pressure sewer systems controlled by OneBox®. This is the first time Iota has deployed the technology outside of Australia.

Significant damage to the city in the wake of the 2011 earthquakes meant that budget for new infrastructure was limited. Installing OneBox® units has significantly reduced the need for wastewater infrastructure, resulting in savings of NZ $8 million.

Through the use of this smart system, the Council is now alerted and can resolve an issue before the customer even knows there’s a problem, helping to provide customers with a better experience.

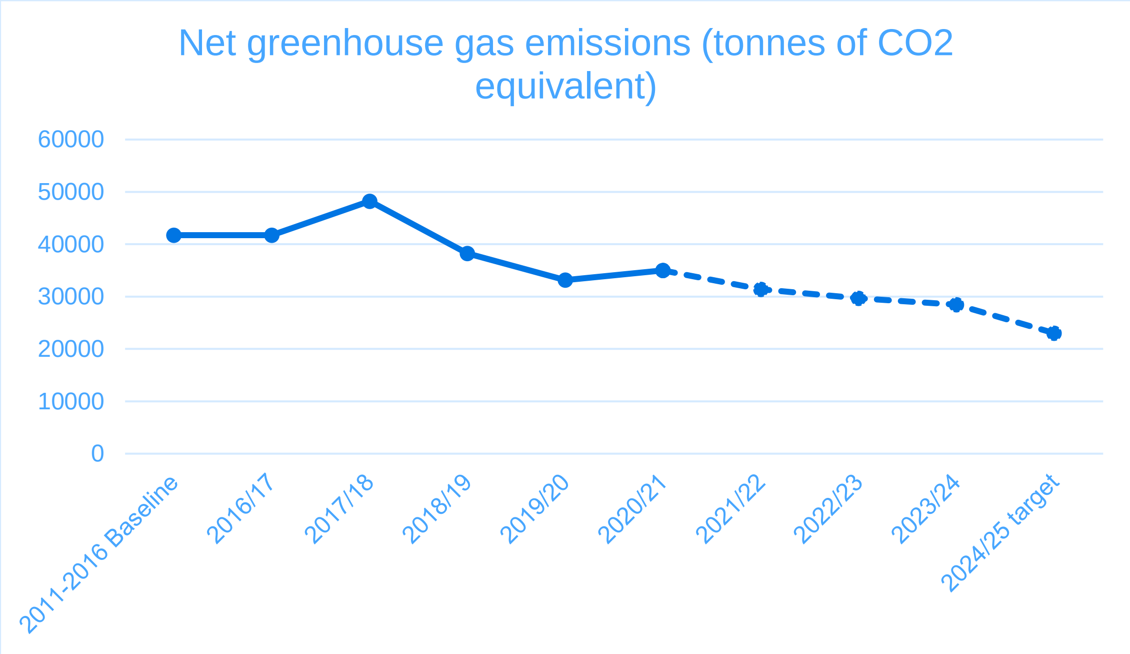
The project’s success has led to OneBox® being installed in all new developments within the city. This includes over 10,000 houses and some commercial premises in greenfield sites, and areas where there are wastewater capacity constraints.

Other statutory obligations

Greenhouse gas emissions and energy consumption

Table 11. ***Greenhouse gas***

Performance indicator		Tonnes CO2-e					Variance to baseline	Commentary
	Baseline	2019–20	2020–21 target	2020–21 scope 1	2020–21 scope 2	2020–21 total		
Water treatment and supply	5,607.0	5,243.1		0.0	4,994.3	4,994.3	-10.9%	
Sewage collection, treatment and recycling	32,259.0	35,774.9		10,755.7	23,403.1	34,158.8	5.9%	
Transport	1,448.9	1,400.6		940.2	0	940.2	-35.1%	There was a decrease in the amount of driving due to COVID-19 restrictions
Other	2,430.0	-9,269.6		97.4	-5,201.2	-5,103.8	-310.0%	6,382 LGCs voluntary surrendered
Net total emissions	41,744.0	33,149.1	33,978.0	11,793.3	23,196.2	34,989.5	-16.2%	3.0% above annual corporate target



Dashed line represents future targets, not future forecasting.

Explanatory Notes

The emissions of 34,989.5 tonnes of CO_2 equivalent (tCO_2-e) is an early estimate of the 2020–21 net total emissions.

There is expected scope 1 fluctuations year-to-year due to the nature of sludge management practices including holding times, holding capacity and weather conditions. This year's data collection process was delayed due to coronavirus (COVID-19) lockdowns which restricted our ability to sample at some treatment facilities. For this reason, the estimate on scope 1 emissions this year is more uncertain than usual and can vary +/- 30%.

An increase in GHG emissions since last year was due to the fact that we voluntarily surrendered 10,450 LGCs last financial year from a one-off compensation payment we received as a result of a delay of commissioning Kiamal Solar Farm. This was done as a one-off purchase and surrender to support better environmental outcomes.

Our first solar array projects are generating electricity at Somers and Pakenham water recycling plants and a Combined Heat and Power Unit at Mt Martha will be commissioned in the 2021–22 financial year. The unit uses waste biogas from the treatment process to generate energy. We're also investigating ways to make our operations more energy efficient and are investigating projects identified in our Energy Master Plan which reviewed the most viable projects for our sites. We have jointly invested in Kiamal Solar Farm, commissioned in January 2021, along with other corporate entities to secure a bulk purchase to minimise costs to our customers. The delays in commissioning Kiamal Solar Farm were due to connection delays to the electricity grid managed by the Australian Energy Market Operator (AEMO). A number of renewable electricity generators in the region were delayed until additional infrastructure was put in place to ensure the stability of the grid.

Table 12. ***Energy consumption***

Service delivery category	2019–20 result (MWh)	2020–21 result (MWh)
Water treatment and supply	5,145.13	5,125.99
Sewage collection, treatment and recycling	24,169.81	24,499.09
Other	1,390.31	1,204.75
Total	30,714.25	30,829.82

Table 13. Renewable electricity consumption

Renewable electricity consumption categories	2019–20 renewable electricity consumption (MWh)	2020–21 renewable electricity consumption (MWh)	2020-21 renewable electricity consumption (% of total consumption)	Commentary
Renewable electricity consumption from the electricity South East Water receives from the electricity grid as a result of the Commonwealth Government's LRET				
Total grid-sourced: mandatory	5,793.34	5,687.28	18.4%	
Renewable electricity consumption as a result of corporation-led/self-sourced activities and initiatives				
Biogas	**-**	**-**	**-**	
Hydroelectric	**-**	**-**	**-**	
Solar	10,600.60	7,160.15	23.2%	Behind-the-meter solar panels and 6,382 LGCs voluntarily surrendered
Wind	**-**	**-**	**-**	
Other	**-**	**-**	**-**	
Total corporation-led/self-sourced	10,600.60	7,160.15	23.2%	
Total renewable electricity consumption	16,393.94	12,847.43	41.7%	

Our performance

Outcome 1: Get the basics right, always

Our customers have told us that they want safe and reliable services, now and always. At its essence, this means clean and high-quality drinking water, and the safe disposal of wastewater.

Case study: Harnessing new solutions – our foot-operated hydrant

Our new foot-operated hydrants provide a COVID-19-safe solution which helps provide drinking water to our customers during interruptions.

Our foot-operated hydrant is a new solution for customers to safely access alternative drinking water during planned and emergency interruptions to their water service.

The hydrant allows for a hands-free, coronavirus (COVID-19) safe way to fill water bottles and containers from alternate water sources such as a tap on hydrant or emergency water tanker.

It also works in conjunction with our digital water supply interruption notifications to customers. While an early warning pre-notification for emergency works gives customers time to collect water from their own taps before water mains are isolated to undertake repairs, the hydrants can be set up in the disrupted area to enable customers to continue accessing water when it's needed.

In August 2020, the hydrants proved their value when a water quality incident caused by a power outage at Silvan Dam disrupted supply and we set up six specially fabricated foot-operated hydrants connected to water carter tanks for impacted customers.

Key initiatives	Our progress in 2020–21
We'll continue to meet our safe drinking water regulations to maintain public health in our community.	We enjoy some of the best drinking water in the world. We monitor it 24 hours a day and carry out thousands of tests each year to make sure it stays healthy and safe to drink. Demonstrated during the Koo Wee Rup boiled water advisory incident that while E.coli was detected, our chlorine strategy meant that the levels were unlikely to have had an impact on public health as we continue to put the safety of our community first.
We'll review our maintenance service delivery model with a view to developing strategic partnerships with our service providers, working more collaboratively to achieve better outcomes for our customers and environment, and to continue to meet our efficiency commitments.	Completed the expression of interest process with several parties shortlisted. Board approval for recommended candidates to be sought in December 2021.
We'll use new and emerging technology to minimise unplanned water and sewer interruptions and prioritise renewals in areas with high community and/or environmental impact.	Installed 700 new Advanced BlokAid® devices and over 4,100 digital meters with Sotto® vibration sensors to detect leaks in our network. Work continues to develop other IoT-enabled devices (Multix Manhole and Multix Float). Water main renewals are continuing.
We'll prepare for future population growth in new and existing service areas by increasing capacity in our water and sewerage network. For example, we're significantly upgrading the Boneo Water Recycling Plant (now near capacity) and starting the design of the Longwarry Water Recycling Plant upgrade.	Completed construction of the Boneo Water Recycling Plant with commissioning ongoing. Progressed the Longwarry Water Recycling Plant upgrade by working with EPA to obtain a new discharge license and we started the business case preparation.
We'll continue to plan for the security of our future water supply by developing an urban water strategy to secure our water supplies for the next 50 years.	Progressed our next 50-year urban water strategy in collaboration with other Melbourne metropolitan water organisations, Greater Western Water and Yarra Valley Water, and with Melbourne Water. This incorporates the Melbourne Water Systems Strategy and is called 'Water for Life', the Greater Metropolitan Urban Water and Systems Strategy (GMUWSS).

Throughout this section we've highlighted how our performance aligns with the United Nations Sustainable Development Goals (SDGs). See page 170 for more details.

UN Sustainable Development Goals

6, 9, 5, 10, 14, 15, 16

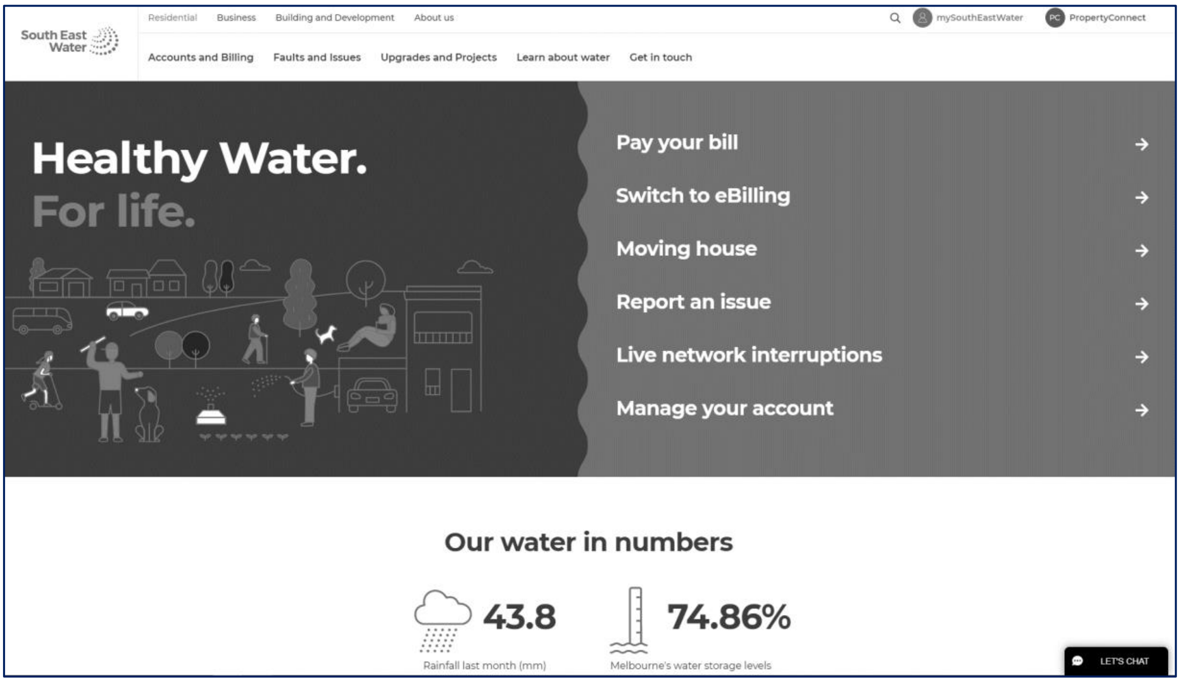
UN Principles

2, 3, 10

Outcome 2: Make my experience better

Our customers want a better experience with us, every time they talk to us, see us out and about or visit us online.

Case study: Improving our customers' digital experience



The new website homepage is easier for our customers to use and find the information they need quickly.

With our website one of our main customer touchpoints it's important that we ensure this experience is as easy to navigate as possible. That's why, following feedback from customers that they wanted a better online experience, we launched a brand new website at southeastwater.com.au.

The new site adopts our updated brand styling and tone of voice, is easier to use with improved site navigation and page structure, has significantly increased capacity, includes new and easy to use forms and is compliant with web content accessibility guidelines.

Since the website's launch in November 2020, we've seen a 7.5% increase in website traffic and a one minute and 35 second decrease in the average time spent on site – indicating to us that customers are able to find what they need much faster.

Key initiatives	Our progress in 2020–21
We'll deliver an improved online customer experience by redesigning our website to make it more user and mobile friendly, and accessible for people of all abilities.	Launched a new website for southeastwater.com.au replacing 3 legacy systems, applying our new brand and improving customer experience across all devices and in a more accessible format for people with disabilities.
We'll explore and test new research and development products and services for our customers and external partners (like Water Sensitive Cities and universities).	Progressed a 'rewards' trial for water savings with a small group of digital meter customers. The sample size is too small to draw any significant conclusions but additional trials to support peer comparisons and social norms have started.
We'll continue to monitor customer satisfaction, complaints, trust and value to identify opportunities to improve the customer experience.	Strengthened our ongoing customer feedback program through the adoption of a new complaints framework which has provided valuable insights into better shaping our customer experience. We've continued focusing on providing customers with access to meaningful data and information about their service through enhancements to our South East Water Live website and have partnered with our water counterparts to develop industry-wide high-usage guidelines providing a consistent and fair experience for all customers.
We'll increase the supply and use of fit-for-purpose water by expanding the recycled water network in the Cranbourne, Pakenham and Clyde areas. We'll also continue to work with our stakeholders to co-create sustainable communities through projects including Fishermans Bend.	Progressed works in all suburbs; however, a number of delays resulted in some targets not being met. Overall these delays have not impacted our customers, with the increase in supply and use of fit-for-purpose water by expanding the recycled water network still underway to co-create sustainable communities.

Throughout this section we've highlighted how our performance aligns with the United Nations Sustainable Development Goals (SDGs). See page 170 for more details.

UN Sustainable Development Goals

6, 3, 8, 11, 12, 17

Outcome 3: Warn me, inform me

Our customers want to be warned, and kept updated, about disruptions – both planned and emergency.

Case study: Supporting our customers through a Boil Water Advisory

Impacted residents during a water quality incident brought kettles, drink bottles, saucepans and various containers to collect emergency water from our new our foot-operated hydrant.

In August 2020 we worked with Yarra Valley Water, Melbourne Water and the Department of Health to issue our first ever Boil Water Advisory to customers across 98 suburbs. The three-day advisory, which affected over 38,000 of our customers and close to 100,000 Yarra Valley water customers, was issued after severe storms and widespread power outages impacted the power sources that control the treatment processes at Melbourne Water's Silvan Reservoir. This resulted in un-chlorinated water entering the supply network over six hours.

Compounding this issue was the impact of coronavirus (COVID-19) restrictions, as well as electricity and gas outages.

Our coordinated customer care response during this incident involved a range of initiatives. Customers received regular updates through email, SMS, website and social media while we also worked with media outlets to provide updates and information on affected areas. We supplied alternative water via water tankers at multiple locations where impacted customers could fill up from our foot-operated hydrants. We also offered refunds to those customers who had purchased bottled water, with a total of 652 credits for purchases equalling $19,291.67 issued.

Key initiatives	Our progress in 2020–21
We'll continue to make better use of data to increase the number of customers we contact about planned and unplanned water service interruptions.	We continue to improve the way we communicate and connect with our customers. We have seen a 10% increase in email penetration, with 404,079 emails sent to customers in 2020-21. Our social media reach continues to grow with the number of followers increasing across all of our platforms: Facebook 81% increase, LinkedIn 16% increase, Instagram 21% increase and Twitter 8% increase. Facebook remains our main platform to connect with customers, with a reach of 758, 271 and 1,802 average organic monthly engagements.
We'll use insights from our digital meter field trials to find better ways to inform and educate customers about water-efficient behaviours.	Progressed a 'rewards' trial for water savings with a small group of digital meter customers. The sample size is too small to draw any significant conclusions but additional trials to support peer comparisons and social norms have been started.
We'll empower customers to better manage their water use (and bills) by continuing to trial digital technologies that allow customers to see their water use in near real-time. For example, customers with a digital meter will be able to view their daily water use in the mySouthEastWater customer portal.	Exchanged more than 23,500 digital meters in high-rise and single-dwelling premises, including a trial installing over 4,100 digital meters with Sotto® vibration sensors to detect leaks in our network. 590 customers (2.6% of customers with a digital meter) have been notified of a potential leak detected by their digital meter. On average, customers with leaks have saved an estimated $150 and over 28 megalitres of water. Billing for more than 15,000 customers has transitioned to digital readings, avoiding manual meter reads and/or billing estimates. Residential customers are also able to view their daily water use in the mySouthEastWater customer portal.

Throughout this section we've highlighted how our performance aligns with the United Nations Sustainable Development Goals (SDGs). See page 170 for more details.

UN Sustainable Development Goals

6, 4, 16

Outcome 4: Fair and affordable for all

Our customers expect our services to be delivered in a fair and affordable way across our entire service region.

Case study: Supporting customers in need

We provided support and advice to customers to help them throughout the coronavirus (COVID-19) pandemic.

With coronavirus (COVID-19) continuing to impact our customers, we maintained our strong focus on getting extra support to those who need it most.

To make sure customers knew about our support options, we continued communication across our channels and reached out prior to distributing bills to explain our payment support options.

We provided customers with payment extensions, hardship grants and support, and paused restrictions on water supply. We reached out to our 200 highest-use business customers with direct updates on water supply quality and security, and ongoing help available through our trade waste and account support.

Key initiatives	Our progress in 2020–21
We'll continue to support affordability by proactively identifying, educating and assisting our residential and business customers through various initiatives.	Ongoing high focus on supporting our most vulnerable customers, especially considering the impacts of the coronavirus (COVID-19) pandemic. Our marketing campaigns have been targeted towards our most vulnerable customers to ensure they are aware of the support options available. We know these services, will be heavily relied upon moving forward especially as coronavirus (COVID-19) continues to have an impact.
We'll develop and start a targeted customer engagement program to inform our 2023 price submission outcomes and tariff proposals to ensure we're meeting their current and future needs.	Continuing customer engagement with workshops completed across all local government areas in our region and preparations underway for the next stage, which entails willingness-to-pay research.
We'll help business customers explore ways to reduce their water, trade waste and sewerage costs through a range of initiatives including drinking water substitution, leak detection and account consolidation.	Continuing work with major trade waste customers to consider best practice "at source" waste reduction and pre-treatment initiatives to improve performance of the sewerage system, provide capacity for future growth and enhance resource recovery. One such project which has received approval is with yeast manufacturer Lesaffre.
We'll develop a robust economic evaluation and governance framework to capture long-term economic and social benefits, and environmental impacts to inform strategic decisions about the projects we invest in.	Embedded the economic evaluation framework across the business. The business case for Fisherman's Bend is being updated utilising this framework.
We'll review the business impacts associated with coronavirus (COVID-19) and identify opportunities in terms of how we support customers and mitigate the future challenges and trends caused by coronavirus (COVID-19).	Finalised our corporate plan and submitted it to government. The proposed initiatives have given consideration to coronavirus (COVID-19) and the associated opportunities in terms of how we support customers.

Throughout this section we've highlighted how our performance aligns with the United Nations Sustainable Development Goals (SDGs). See page 170 for more details.

UN Sustainable Development Goals

6, 9, 1, 7, 11, 12

UN Principles

1

Outcome 5: Support my community, protect our environment

Our customers want us to support their community and protect our environment – delivering long-term water security in a way that honours the environment and ongoing liveability.

Case study: New lease on life for Watsons Creek

Watsons Creek is a known breeding location for the endangered dwarf galaxias fish.

Following a large sewer spill to Watsons Creek in Baxter/Langwarrin South in 2019, we've been undertaking a number of rehabilitation initiatives to give the creek a new lease on life and enhance the natural habitat for the endangered Dwarf Galaxias fish.

With the help of our project partners Melbourne Water, Aquatica and Naturelinks, improvements to the area and its fish habitat include:

- *weed control and plant revegetation for restoration and rehabilitation of the fish habitat*
- *ongoing surveys to monitor the fish population and health which is now back to normal*
- *once-off translocation to move the fish back upstream to an area that the spill impacted.*

We also worked with Mornington Peninsula Shire Council to offer septic tank pump outs to several properties in the area to improve the creek's overall water quality.

It's important to us to restore the environment, especially wherever a spill or our works have had an impact, and this rehabilitation project is one example of how we do this.

Key initiatives	Our progress in 2020–21
We'll keep delivering on the Energy Master Plan and continue our pathway to net zero emissions by 2030 to meet our commitments to limit long-term global warming.	Awarded a tender to Iberdrola for large generation certificates. This will enable us to achieve our 2024–25 Emissions Pledge target and set us on our pathway to net zero by 2030. Investigations at Somers and Blind Bight Water Recycling Plant have been completed with possible aeration efficiencies identified. Functional design works at Mt Martha Water Recycling Plant to improve aeration are underway and expected to be completed in September 2021.
We'll build on our Climate Adapt program (which seeks to understand future threats and put plans in place to increase our resilience) to prepare us for the impacts of a changing climate.	Identified 178 climate-related risks to our assets, customers, employees and local environment considering 2030, 2050 and 2090 time horizons under 3 scenarios: aggressive mitigation; haphazard mitigation; and increasing emissions. Ongoing management of key risks will be guided by the Taskforce on Climate-related Financial Disclosure's framework for managing and reporting climate-related risks and opportunities. A monitoring plan will be developed to ensure key risks are tracked and revaluated.
We'll continue to raise awareness about how customers can support long-term water security through water efficient behaviours at home through targeted campaigns and education. For example, we'll work with Melbourne Water, Yarra Valley Water and Greater Western Water on joint water education campaigns.	Continued collaboration with Greater Western Water, Melbourne Water and Yarra Valley Water on supporting the 'Make Every Drop Count' campaign as part of the 3 year strategic commitment. Based on the events of the last 12 months the metro water organisations agreed to reduce the paid advertising spend and deliver our messaging through our owned channels. Customer research indicates that understanding water supply and the challenges ahead are important to our customers.
We'll continue to work with and support the community on issues they say matter most through programs like our community grants, Kids Teaching Kids, employee volunteering and local council partnerships.	Focused on understanding who we should partner with, what on and why. We did this by understanding the types of community groups best able to build mutually beneficial relationships with us, and support us through advocacy or influence in our 4 community issue areas of affordability, environment, health and liveability, as well as water security and literacy. Our Community Grants program helped make important community projects and initiatives possible, offering between $500 and $10,000 to support the health and liveability of the communities in our service area. We built our first organisational-wide Community App, allowing centralisation of community group knowledge and interactions and enabling training across the business.
We'll deliver on our Reconciliation Action Plan actions.	Our first Reconciliation Action Plan was endorsed by Reconciliation Australia in October 2020, promising the delivery of 72 actions over 2 years that lead toward our vision of co-creating meaningful and significant relationships with the Traditional Owners and Aboriginal communities in the areas we operate in, based on respect and appreciation for First Nations cultures and histories. We started by focusing internally to continue building a safe and culturally aware organisation, while externally, we concentrated on building relationships with Traditional Owners and First Nations communities throughout the area we operate in.

We'll expand and share our capability and knowledge about how we manage and respond to bushfire events with others in our industry.	Shared information internally through lunch and learn sessions involving employees at all levels of the organisation. Externally we delivered presentations on topics including Mutual Aid Coordination Cell and Emergency Water Relief Drinking Program to Emergency Management Victoria (EMV), our Commissioner for Emergency Management (Andrew Crisp), Emergency Service Directors across Australia, councils across Victoria, the Municipal Association of Victoria (MAV) (via DELWP) and the University of Chicago.
We'll work with partners, including authorities, industry bodies, business customers, developers, plumbers and local councils, to keep building healthier communities and deliver liveability projects.	Developed and initiated the implementation of the stakeholder engagement plan for our 2023 Price Submission. This covers key stakeholders who will either be informed of our progress to date or consulted to hear their requirements of South East Water during the next price submission regulatory period. Our Customer and Community Advisory Council and Reconciliation Action Plan working group continue to provide an excellent avenue in advising strategic guidance.

Throughout this section we've highlighted how our performance aligns with the United Nations Sustainable Development Goals (SDGs). See page 170 for more details.

UN Sustainable Development Goals

6, 11, 13, 17, 2, 8, 7, 14, 15

UN Principles

7, 8, 9

Enabling our business

4 business enablers support our customer outcomes: **people**, **technology**, **financial capability** and **governance**.

Key initiatives	Our progress in 2020–21
People We strive to ensure that our organisation reflects the community that we service. We put safety first. We'll continue to build on our capability and develop a diverse, inclusive workplace.	
We'll continue our commitment to safety and wellbeing by implementing a new health, safety and environmental management system that will enable us to maintain a safe and healthy workplace for all our employees, contractors and the community.	Due to ongoing coronavirus (COVID-19) restrictions we were unable to implement the system in 2020-21. We have progressed this with SAI Global (vendor) signing off the specification documentation. Implementation is expected in 2022.
We'll focus on attracting talent to meet our future capability needs and increase our workforce diversity. To achieve this we'll refresh our employee value proposition, increase our inclusive culture and deliver our gender equity and Reconciliation Action Plan initiatives. In turn, this should increase employee trust, which is a lead indicator of customer trust.	Continued to deliver on the Inclusion and Diversity Strategy promoting the benefits of diversity through various internal feature articles including supporting our parents; the Gender Equality Act; flexibility; celebrating National Reconciliation Week and committing to a campaign to make our workplace respectful and safe for everyone. We launched a gender equality employee experience survey in June. We'll analyse the results with workforce data to inform strategies and measures in our Gender Equality Action Plan due 1 December 2021. A number of actions were delivered in our Reconciliation Action Plan. See Supporting First Nation communities page 25.
We'll establish a future workforce capability plan and start to deliver this through team level development initiatives. We'll base these on our future organisational capability needs and advances in technology.	Although we deferred this project due to prioritising more immediate projects relating to coronavirus (COVID-19) and the organisational re-structure, it's still an important project to be undertaken in the next financial year.
Technology Technology enables us to deliver innovative solutions that provide better outcomes for our customers and the management of our assets, while enhancing our IT systems and their security.	
We'll pro-actively manage cyber security and protect our customer data and organisational assets.	Security continues to be a threat but over the last 12 months we've seen a significant shift and uplift in security, with a focus across information, physical, systems and data. This has been reflected in our policies and guidelines. People remain a key focus with ongoing awareness and training around security.
We'll deliver a new digital strategy that's focused on data-driven, innovative solutions help us deliver our customer outcomes.	The platform is near completion and supporting over 25,000 meters from reading to billing. We continue to build our business processes in line with the program roadmap. We upgraded Salesforce to the Lightning version, allowing us to take advantage of the latest features. We completed the People Central project providing a centralised human resource information system. We continue to extend our capacities to work remotely as a result of the coronavirus (COVID-19) pandemic, with Microsoft Teams and supporting tools deployed.

Financial capability Our focus on efficiency, innovation and prudent financial management will continue to drive our financial strength over the next 5 years and ensure we deliver on our customer outcomes.	
We'll focus on continuous improvement of the business planning and forecasting processes. This will make sure we're prudently managing operating expenditure and continuing to meet our efficiency commitments. By doing this we'll ensure that customer bills remain affordable while reprioritising expenditure in line with our priorities.	Operating expenditure for 2020–21 was below budget with savings in labour, consulting and training costs. In response to the coronavirus (COVID-19) pandemic, we have continued to manage additional costs incurred for the increased support that we offer our customers and our employees. In addition, we have seen procurement savings from recruitment services, debt recovery and various maintenance contracts. Business expenditure budgets for 2021–22 are complete, capturing the efficiency commitments included in the price submission 2018–23.
Governance We're committed to the highest standards of governance to ensure that we comply with all relevant legal, regulatory and internal policy requirements.	
We'll review our risk appetite statements to confirm alignment with our strategic shifts and embed this into our working practises to support better decision making.	The 2021–22 financial year will be the first year that we must attest against the revised Victorian Government Risk Management Framework (VGRMF) requirements, and specifically the risk appetite statements annual review.
We'll develop and embed our social procurement framework.	We released our first Social Procurement Strategy in 2020 which aligns with the Victorian Government's Social Procurement Framework and has put in place new policies, procedures and documents to help us prioritise our purchasing choices when choosing suppliers.
We'll protect our customers' data by refreshing our privacy training.	As part of ongoing training and education, we've designed a new privacy course to be rolled out to employees.

Throughout this section we've highlighted how our performance aligns with the United Nations Sustainable Development Goals (SDGs). See page 170 for more details.

UN Sustainable Development Goals

5, 10, 8, 11, 16, 17

UN Principles

4, 5, 6

Our people

About our people

We're proud to provide a safe workplace for everyone. An inclusive, diverse workplace benefits all by helping us better understand and serve our employees, customers and community.

Behind the scenes we have the full-time equivalent of more than 712 employees (683.5 FTE) working as engineers, scientists, analysts, emergency technicians, information technology and customer support people.

These people are supported by our highly skilled service providers, including property developers, plumbers, builders, real estate agents and council workers, among others.

We also work with a number of key contractors who help us to keep providing our services to the community through their support 24 hours a day, 365 days a year. From keeping our water flowing to building additional infrastructure to support our growing population, without their skills and expertise we wouldn't be able to continue providing the high level of services our customers expect.

Over the year we had a strong internal community culture with several donation drives:

- $1,665 donation (matched dollar-for-dollar by the organisation to total $3,330) to the Red Cross and UNICEF supporting those affected by coronavirus (COVID-19) in India.
- Christmas presents for vulnerable children and their families through Mums Supporting Families in Need.
- Food hampers filled with Christmas goodies for vulnerable members of First Nations communities in our service area, coordinated by First People's Health and Wellbeing and distributed to local gathering places.
- $7,645 donation for Foodbank Victoria during Anti-Poverty Week (October) providing more than 15,000 meals for families in need.

Adapting our organisation in light of coronavirus (COVID-19)

With ongoing lockdowns and restrictions, we introduced a hybrid way of working, providing employees with balance. By splitting time between the workplace and remote working, employees are afforded more flexibility to do their job to the highest possible standards. When considering hybrid working options employees are encouraged to consider the needs of the business and our customers, any support their team may need and how we can continue to collaborate across teams and the organisation, support for the local community but also importantly how the arrangement will work for their individual needs and circumstances.

We also put new safety measures in place for those who were required to be on site, such as people working in the field, water recycling plant operators and our teams across water quality, business technology services, and faults and emergency teams.

Further, we regularly reminded employees of the options available to them to support them throughout the coronavirus (COVID-19) pandemic. These included special leave for those that needed help with home schooling, and compassionate, cultural and ceremonial leave.

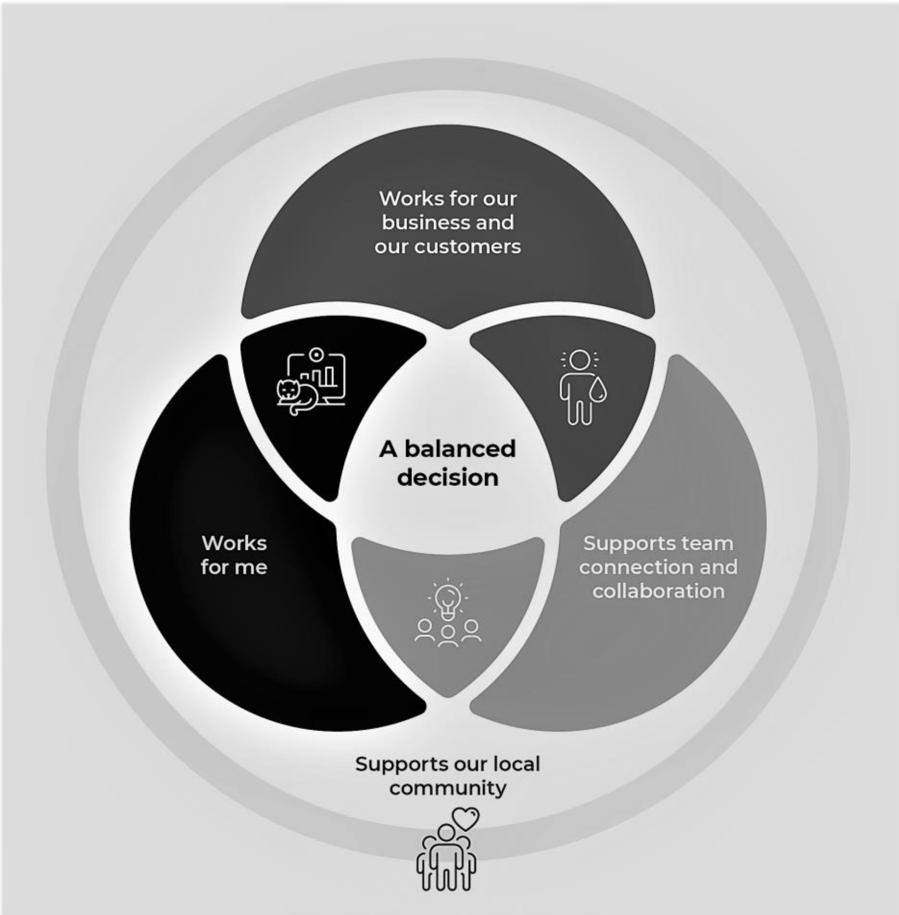
Embracing new ways of working

With the impacts of coronavirus (COVID-19) likely to continue, we need to remain flexible and adapt to new ways of operating. While we've been pleased at how our people have adapted to flexible and hybrid working during the pandemic it's been exciting that employee led ideas through our Workspaces and Workplaces project resulted in a number of trials of new, better ways of working and collaborating.

Our main areas of focus were:

- Office neighbourhoods – dedicated zones to suit different ways of working
- Building and tech capability – having the facilities and technology available to enable new ways of working
- Flexible working – working hours, locations and fit for purpose facilities
- Health communities – areas and projects promoting wellbeing, connection, creativity and sustainability

The below diagram demonstrates how hybrid and flexible working can provide a balance for our employees.



Inclusion and diversity in our workplace

In 2020–21, we engaged Inclusive Australia to provide us with robust external data and insights to help inform our new inclusion and diversity approach. Recommendations supported gender equality in leadership, employment opportunities for Aboriginal and Torres Strait Islander people and building a diverse workforce that reflects our customers and community.

We implemented our new Inclusion and Diversity Strategy focusing on valuing an inclusive and diverse workplace culture that fosters respect, connection and fairness for all, celebrating individual difference to enhance collaboration and innovation to deliver on our customer outcomes.

We achieved FlexReady certification, with FlexCareers recognising us as an employer who demonstrates a genuine commitment to workplace flexibility, and we partnered with Work180 as an endorsed employer who is genuinely committed to driving equality.

As a member of Diversity Council Australia, we committed to the #IStandForRespect pledge to make our workplace respectful and safe for everyone by standing against gendered harassment and violence in all its forms.

Engaging employees was a bit different due to the coronavirus (COVID-19) pandemic. We held monthly virtual town hall events and shared intranet feature articles to celebrate and raise awareness in recognition of various dates of significance. See Major projects and initiatives page 13.

Safety and wellbeing

Occupational health and safety (OHS)

Our continued commitment to a safe and healthy workplace, along with visible safety leadership, has enabled us to grow our proactive safety culture in partnership with our contractors.

Additional wellbeing initiatives helped our people during coronavirus (COVID-19), including:

- Employee Assistance Program wellbeing webinars
- remote workplace ergonomic workstation assessments
- employee-led wellbeing and social connect groups
- mindfulness workshop pilot in May
- extended our clinical psychology support offering
- expanded our Mental Health First Aider Committee

Wellbeing case management support helped 158 employees across the financial year, including 85 newly reported cases.

We developed a new Wellbeing Framework complementing our Safety, People and Wellbeing Strategy. The framework focuses on psychosocial safety, mental health literacy and resilience, and calls for all employees to play their important part when it comes to achieving a safe and happy workplace.

We reviewed over half of safety and wellbeing procedures and created a number of additional procedures for high-risk work with the support from our cross-business groups, which has helped us strengthen our safety management system.

This year our total recordable injury frequency rate (TRIFR) increased to 14.06 per million work hours (30% more than 2019–20) against the target of 9.0. The addition of working from home injuries has been a new contributor to our injury frequency. This includes injuries such as sprains and strains, slips and trips or hazardous manual handling.

The significant reduction of medical treatment injuries (less than half of 2019–20) and increase of restricted work injuries (double of 2019–20) indicates a positive shift in lowering the severity of injuries. Restricted work injuries mean that employees can return to work with modifications or may get temporarily assigned to alternate duties without any lost time. Medical treatment injuries or lost time injuries are mostly related to serious injuries that may require medical intervention and/or hospitalisation.

We recorded 8 lost time injuries (LTIs) for the year (a combination of our employees and contractors) which resulted in time lost from work, compared to 4 in the previous year. The LTI frequency is 3.21 injuries per million work hours an increase from 1.58 last year. We set a target of zero LTIs for the year.

Table 13. ***Performance against our OHS indicators (based on employee data only)***

Measure	KPI	2018–19	2019–20	2020–21
Incidents*	Number of reported incidents	6	7	11
	Rate for 100 FTE	0.86	0.99	1.61
Hazards**	Number of reported hazards	140	58	32
	Rate for 100 FTE	20.02	8.19	4.68
Claims (WorkCover)	Number of standard claims	10	6	9
	Number of lost time clams	6	1	4
	Rate per 100 FTE	0.86	0.14	0.59
Fatalities	Fatality claims	nil	nil	nil
Claim costs	Average cost per standard claim	$52,027	$67,317	$11,729
Management commitment	Management participation in planned safety observations	157	163	175
Consultation and participation	OHS committee meetings including employee elected and management representatives	30	29	6
Risk management	Safety management system audit actions closed	100%	100%	100%
Training	Safety compliance training completed within 10 days of commencement	98%	94%	95%

Note:

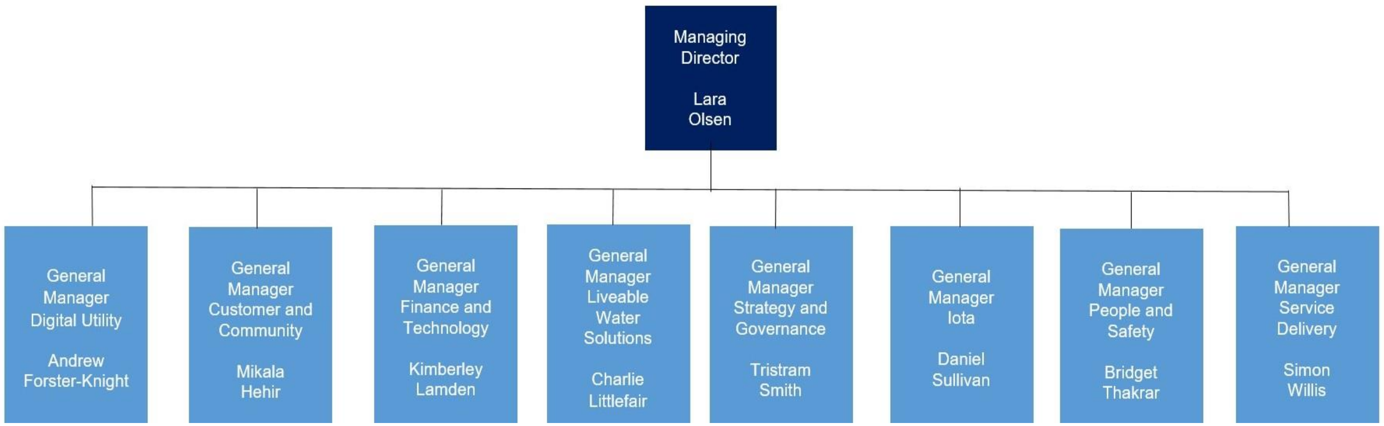
* Incidents include the sum of lost time injury (LTI), medical treatment injury (MTI) and restricted work injury (RWI) for the year for our employee data only.

**South East Water employee data only

Organisation and governance chart

Governance structure as at 30 June 2021

Organisation structure as at 30 June 2021



Our Board of Directors

We have 8 non-executive directors (including the chair), and a managing director on our Board (at 30 June 2021).

They represent a diverse mix of skills, experience and backgrounds. The Minister for Water appoints the Board of Directors in consultation with the Treasurer. The Board's main role is to preside over all significant strategic, commercial, regulatory, financial and risk-focused business decisions as well as safety, people and customer matters.

The Board is of the view that each non-executive director is independent. No Board members have any relationships or interests, business or otherwise, that compromise their autonomy. The Board annually reviews and reports on its performance and effectiveness as required under the Statement of Obligations.

The Board conducts an annual assessment of its performance and effectiveness. Directors and members of the executive participated in individual interviews as part of this review. The annual assessment includes discussion and review of the Board, each of its sub-committees, improvements from the previous year and consideration of future requirements, to make sure they're delivering what they need to.

We engage external experts as required to review certain aspects of the Board's activities and assist in the continuous improvement process. We compile these results and provide a written report to the chair.

Bringing the outside in

We report monthly to the board on media, social media and engagement with key stakeholders. Our board member W Peter Day is also a member of our Customer and Community Advisory Council and provides updates from Council meetings to the Customer Service Solutions Committee and the Board.

We regularly invite industry experts and members of our community to attend our board and/or sub-committee meetings – bringing the outside in and sharing real customer stories.

Month	Guest stakeholder
July 2020	John O'Driscoll, Chief Information Security Officer at Department of Premier and Cabinet
August 2020	Mark Dingle, Deloitte
October 2020	Peter Williams, Centre for the Edge Dr Raj Aseervatham, Director of Engineers Australia
December 2020	Jenny McGowan, Advocacy Support Worker and Financial Counsellor with Community Information Support Services and member of South East Water's Customer and Community Advisory Council Michael Wandmaker, Managing Director at Melbourne Water
February 2021	Kate Symons, ESC Chair and Commissioner Marcus Crudden, ESC Executive Director, Price Monitoring and Regulation
March 2021	Dan Sullivan, Marsh Insurance Victorian Energy and Power Lead Martine Nield, Marsh Insurance
April 2021	Dr Angie Bone, Deputy Chief Health Officer (Environment) at Department of Health Suzie Sarkis, Manager Water Program at Department of Health
May 2021	Madeleine Greenlee, Acting Project Director of the Greater Melbourne Urban Water System Strategy

Lucia Cade – Chair

BEng (Civil) (Hons), BEc, MEngSc, MBA, FAICD, FIEAust

Ms Cade was appointed Chair of South East Water in October 2015 and is a director of Iota, a wholly owned-subsidiary of South East Water. She has executive experience in the water utility, engineering consulting and construction industries. Ms Cade is currently Chair of Paintback and a non-executive director of Engineers Australia, Carbon Revolution, FLAIM Systems and the Cooperative Research Centre for Future Fuels. She is an advisory member of the Engineering Dean's Advisory Council at Monash University.

Committees

- Finance Assurance and Risk Management Committee
- Customer Service Solutions Committee
- Safety, Wellbeing, People and Remuneration Committee

Kim McGrath – Deputy Chair

LLB, BA, GAICD

Kim McGrath is an experienced company director who was appointed to the board of South East Water in October 2015. She was appointed Deputy Chair in 2019. She served on the board of South Gippsland Water from 2010 to 2012 and joined VicForests Board in June 2018.

Ms McGrath is Principal Consultant at BKE Consulting. She has provided advice to governments, private companies, universities and not-for-profit organisations on governance, international development, energy and climate change policy for over 3 decades. She was the water policy adviser to the Premier of Victoria during the millennium drought.

Committees

- Safety, Wellbeing, People and Remuneration Committee
- Customer Service Solutions Committee

The Honourable Louise Asher – Director

BA (Hons), MA, DipEd, BEc

Ms Asher was appointed as a Director of South East Water in October 2019. She is a retired Member of Parliament with considerable experience in government operations. Her expertise includes legislation and regulation, formulating budgets and policy development gained from her ministerial and shadow ministerial responsibilities in diverse portfolios such as trade, innovation, tourism, industry, water and manufacturing. It supports her deep understanding of industry and the importance of collaboration and compromise to achieve successful political and commercial outcomes. Ms Asher is a former director of Playbox Theatre and a former council member of Victorian College of the Arts.

Committees

- Safety, Wellbeing, People and Remuneration Committee

Gabrielle Bell – Director

LLB (Hons), BEng (Chem) (Hons), GAICD

Ms Bell was appointed as a Director of South East Water in October 2015 and is currently Chair of Iota, a wholly-owned subsidiary of South East Water. Ms Bell is a corporate lawyer with broad experience working in Australia and South East Asia. During her legal career, her practice has focused on corporate advisory (including corporate governance), mergers and acquisitions and capital markets. She is also a Director of Aware Super Pty Ltd and the Victorian Water Industry Association. Ms Bell was a Director of Southern Rural Water from October 2012 to September 2015.

Committees

- Finance Assurance and Risk Management Committee

W Peter Day – Director

LLb (Hons), MBA, FCA, FCPA, FAICD

Mr Day was appointed as a Director of South East Water in October 2015, he retires from the board at the expiration of term on 30 September 2021. Mr Day previously held executive positions as Chief Financial Officer of Amcor, Chief Financial Officer and Executive Director at Bonlac Foods and Managing Director Business Services with the Rio Tinto group. He is currently a non-executive Director of several ASX listed companies including Alumina, Ansell, and Australian Unity Office Fund. Mr Day is also a Director of Authorities Online, Glaucoma Australia and Maurice Blackburn. Mr Day was a past Director of Gippsland Water from October 2008 to September 2015.

Committees

- Finance Assurance and Risk Management Committee (Chair)
- Customer Service Solutions Committee
- Safety, Wellbeing, People and Remuneration Committee
- Customer and Community Advisory Council

Jason Kambovski – Director

LLB (Commercial Law), BCom (Accounting, Finance), GAICD

Mr Kambovski was appointed as a Director of South East Water in October 2019 and is a director of Iota, a wholly-owned subsidiary of South East Water. He brings more than 25 years of experience in the financial services, legal and accounting sectors and is currently Global Head of Public Sector at Westpac Institutional Bank. He is a former Member of the Board of Directors at Lower Murray Water where he was the Chair of the Finance and Audit Committee.

Committees

- Finance Assurance and Risk Management Committee

Timothy Lyons – Director

BA, DipFinSvcs, GAICD

Mr Lyons was appointed as a Director of South East Water in October 2015 and is Chair of South East Water's People, Remuneration, Safety and Wellbeing Committee. Mr Lyons is a qualified and experienced company director with an extensive track record in governance, accountability and risk management. His most recent role was Assistant Secretary at Australian Council of Trade Unions. Mr Lyons is Director at Host Plus and member of Shareholder Advisory Board and ME Bank. He has also served on several other boards including LUCRF Super, HESTA Super Fund, The Union Education Foundation Ltd and Industry Super Australia Pty Ltd.

Committees

- Customer Service Solutions Committee
- Safety, Wellbeing, People and Remuneration Committee (Chair)

Arron Wood – Director

BForSc, GAICD

Mr Wood was appointed as Director of South East Water in October 2017 and a director of Iota, a wholly-owned subsidiary of South East Water. He is also Chair of South East Water's Customer Service Solutions Committee. He is Director of Firestarter Pty Ltd, an environmental communication and education consultancy business he founded in 2001. He is a former board member of the Port Phillip and Westernport Catchment Management Authority and Sustainability Victoria and has previously held water and environment management roles in state and local government entities. Mr Wood holds a Bachelor of Forest Science and is a graduate of the Australian Institute of Company Directors.

Committees

- Customer Service Solutions Committee (Chair)

Lara Olsen – Managing Director

BEng (Chem) (Hons), BArts, MBA, GAICD

Lara was appointed Managing Director on 17 February 2020. Lara is also a director of Iota, a wholly-owned subsidiary of our organisation, a director of Water Services Association of Australia (WSAA) and a director on the Frankston Revitalisation Board. Lara has extensive experience in the utility sector, focused on customer experience and innovation. Before joining us, Lara was the Global Head of Business Development and Industrial Products at Tesla Energy based in the USA and also led the Business Development and Industrial Products team for Tesla Australia. Previous roles include Head of Strategy for CitiPower PowerCor and the Australian Renewable Energy Agency (ARENA), Project Leader with the Boston Consulting Group and co-founder of Billcap, an energy platform that helps customers and retailers manage their usage and bills.

Committees

- Finance Assurance and Risk Management Committee (attendee only)
- Customer Service Solutions Committee (attendee only)
- Safety, Wellbeing, People and Remuneration Committee (attendee only)

Board committees

Three committees provide the Board with strategic guidance and help deliver its responsibilities.

The Board determines and reviews membership at least every 2 years. The Board selects a non-executive director to chair each committee, and each has its own charter which sets out its role, responsibilities, composition, structure, membership requirements and operation. Their performance is discussed and reviewed as part of the Board's annual assessment.

Our Board committees are made up of members of our Board with key members of our executive team as attendees. Right now, we don't have anyone identifying as Aboriginal or Torres Strait Islander on any of our Board committees.

Finance Assurance and Risk Management Committee

This committee helps the board deliver its duties regarding our organisation's financial management, risk and control framework. The Victorian Auditor-General's Office and the internal auditor regularly attended these meetings.

Customer Service Solutions Committee

This committee develops, reviews and monitors our strategies, frameworks, plans and processes for the delivery of services to our customers, community and stakeholders.

It provides direction and oversight of strategic planning and sustainable delivery of services, to make sure that performance is delivered in an effective, efficient, affordable and environmentally sustainable manner.

Safety Wellbeing People and Remuneration Committee

This committee helps the board to drive sustainable business performance by ensuring we provide a safe, constructive and rewarding employment environment.

It reviews, monitors and recommends to the board for approval relevant policies and strategies particularly in relation to our executive remuneration, employer brand and reputation, strategic workforce planning, wellbeing and safety and delivery of our organisational cultural objectives.

Iota Board

Iota, a wholly-owned subsidiary of South East Water, has a Board to fulfil its functions effectively and to ensure it complies with its governance framework. The Iota board is accountable to South East Water and presides over all significant strategic, commercial, regulatory, financial and risk focused elements of Iota.

Iota Board members

Board member	Position and tenure
Gabrielle Bell	Independent director since October 2015 and Chair since December 2017
Lucia Cade	Independent director since October 2015
Jason Kambovski	Independent director since October 2019
Arron Wood	Independent director since December 2017
Lara Olsen	Director since February 2020
Phil Johnson	Director until 2 June 2021

Table 14. ***Attendance at board and committee meetings***

	South East Water Board		**Finance Assurance & Risk Management (FA&RM)**		**Customer Service Solutions (CSS)**		**Safety, Wellbeing, People & Remuneration (SWP&R)**		**Iota Board**	
	Eligible attendance	Attended	Eligible attendance	Attended	Eligible attendance	Attended	Eligible attendance	Attended	Eligible attendance	Attended
Lucia Cade	9	9	4	4	4	4	4	4	6	6
Gabrielle Bell	9	9	4	4	N/A	N/A	N/A	N/A	6	6
Peter Day	9	9	4	4	4	4	4	4	N/A	N/A
Tim Lyons	9	7	N/A	N/A	4	2	4	4	N/A	N/A
Kim McGrath	9	9	2	2	4	4	2	2	N/A	N/A
Arron Wood	9	8	N/A	N/A	4	3	N/A	N/A	6	3
Philip Johnson	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5	3
Lara Olsen	9	9	4	4	4	4	4	4	6	6
Louise Asher	9	7	N/A	N/A	N/A	N/A	4	3	N/A	N/A
Jason Kambovski	9	7	2	1	2	2	N/A	N/A	6	5

Jason Kambovski was appointed as a member of the FA&RM committee and ceased being a member of the CSS committee from 7 December 2020

Kim McGrath was appointed as a member of the SWP&R committee and ceased being a member of the FA&RM committee from 7 December 2020

Phil Johnson ceased being a director of the Iota Board from 2 June 2021

Our executive team

Lara Olsen – Managing Director

BEng (Chem) (Hons), BArts, MBA, GAICD

Lara's biography is on page 66.

Andrew Forster-Knight – General Manager Digital Utility

BEng, BSci

Andrew is leading the Program, Customer Change, Digital Field Services and Digital Analytics and Performance teams within our Digital Utility group. Over the last 18 years, Andrew has pioneered the development of a range of technology-based innovations that have delivered efficiency and reliability benefits to water network operators, and helped to increase liveability and affordability for water utility customers. In his position as Operational Technology Manager, Andrew has played a key role in the development and delivery of our Digital Utility program, including the trial and roll out of Advanced BlokAid®, OneBox® and digital meter technology in our network.

Mikala Hehir – General Manager Customer and Community

Mikala leads the Customer and Community group, which is responsible for our customer contact centre, accounts and billing, customer experience, marketing, communications and engagement. Mikala brings a wealth of experience to this position from roles at Australia Post, Medibank, NAB, Sensis, Ansett and Myer. Her functions have spanned from external communications, PR and promotions, strategic reputation management, media, government and stakeholder relations, internal communications and change and project management. Mikala joined South East Water in 2018.

Kimberley Lamden – General Manager Finance and Technology, Chief Financial Officer

BBus (Acc), CPA, MBA, GAICD

Kimberley leads the Finance and Technology group, which oversees the finance, procurement, business improvement and business technology services functions that support the business. Kimberley has extensive experience in finance and has worked across a number of industries. Kimberley has previously held senior financial management roles in the energy and gas sector as well as financial management roles for other industries including medical, pharmaceutical and insurance. Kimberley joined South East Water in 2016.

Charlie Littlefair – General Manager Liveable Water Solutions

BEng (Civil), FIEAust, CPEng, EngExec, NER, APEC Engineer, IntPE(NZ), CMEngNZ, GAICD

Charlie leads the Liveable Water Solutions group, which is responsible for developing asset and service strategies and manages the land development, resource recovery, liveability, connections, reliability, growth, liveable and sustainable futures and strategic asset management functions of the business. Previously he was General Manager Asset Investment and prior to that General Manager Operations for Metrowater in Auckland. Charlie has more than 30 years of international experience in the water and sewerage industry, having worked for both private and public water utility organisations including Opus International Consultants, Acer Engineering (a subsidiary of Severn Trent Water) and NZ Forest Products across New Zealand, Australia and the United Kingdom. Charlie joined South East Water in 2008.

Tristram Smith – General Manager Strategy and Governance

BCom, BIS, MAF, GAICD

Tristram leads the Strategy and Governance group, which is responsible for our organisation's legal, compliance, risk, audit, corporate secretarial, research and development, and planning and regulation functions. Tristram has over 15 years of senior management experience in governance related fields, working across a variety of industries including the utilities sector, big 4 accounting and global financial institutions, both locally and overseas. Tristram joined South East Water in 2015.

Daniel Sullivan – General Manager Iota

BBus, MBA, GAICD

Daniel leads Iota, South East Water's commercial arm. He has 20 years' experience in senior management across a variety of sectors, holding senior roles in technology and consulting organisations. Daniel also has 12 years of international experience working with Austrade as a diplomatically-posted senior trade official. He has worked out of Australian embassies in Washington, D.C and Latin America where he developed a sectoral focus on water resource management. Daniel joined South East Water in 2017.

Bridget Thakrar – General Manager People and Safety

BCom, GAICD

Bridget leads the People and Safety group, which is responsible for overseeing South East Water's key people functions of human resources, payroll, employee experience, and safety and wellbeing. She brings a wealth of experience in the people field, gained across various industries including construction and manufacturing at Grocon and Fonterra respectively. She is an Activator as part of the SheEO movement and a co-founder of In The Game, a game-based culture and leadership consultancy. Bridget joined South East Water in 2012.

Simon Willis – General Manager Service Delivery

BEng Civil, CPEng EngExec, PMP

Simon leads the Service Delivery group, which is responsible for the maintenance of our water and sewer assets, network operations, operational technology, treatment and recovery services and asset performance and resilience functions of the business. Having dedicated his professional career to the water industry, and deeply passionate about the safety and wellbeing of our people, Simon brings a wealth of experience founded in complex technology enabled infrastructure spanning across strategic asset planning, procurement, design, construction, commissioning, and asset service. Simon joined South East Water in 2015.

Workforce data

Application of employment conduct principles

We have a comprehensive employment and conduct policy framework. It provides our employees with clear expectations about their conduct at work and operates in alignment with public sector values.

We ensure all employees are familiar with the policy framework and that their application is met by ensuring policies are read and understood during onboarding, and providing refresher sessions as required.

We review each employment policy periodically in collaboration and consultation with relevant employee groups and other key stakeholders, to ensure best practice.

Legislation including the *Public Administration Act 2004* guides our policy framework. This ensures compliance and alignment with the public sector.

The policy framework ensures equal employment opportunity for all employees.

Table 15. ***Full time equivalents (FTE (including on-going and fixed term and casual)) staffing trends at 2021, 2020, 2019, 2018 and 2017***

2021	2020	2019	2018	2017
683.5	656.0	645.7	571.4	567.0

Table 16. ***Employment levels at June 2017, 2018, 2019, 2020 and 2021***

	Ongoing employees				Fixed-term and casual
	Total	Full-time	Part-time	FTE	FTE
June 2021	660	565	95	633	50.5
June 2020	654	558	96	618.8	37.2
June 2019	653	541	112	620.2	25.5
June 2018	585	474	111	550.8	21
June 2017	569	469	100	536.9	30.1

Aims for gender parity

Our new Inclusion and Diversity Strategy continues to support moves towards gender parity ensuring gender-balanced candidate shortlists and interview panels with both female and male representatives.

We've significantly increased the inclusion of women in senior leadership positions and are actively working towards achieving 50% gender balance in all leadership positions by 2025.

Table 17. ***Gender distribution in management positions in June 2018, 2019, 2020 and 2021***

June 2021						
Classification*	Total	Female	Male	Self-described	Female %	Male %
Executive	9	4	5	0	44.4	55.6
Senior officers	198	63	135	0	31.8	68.2
June 2020						
Classification*	Total	Female	Male	Self-described	Female %	Male %
Executive	9	4	5	0	44.4	55
Senior officers	187	51	136	0	27.3	72.7
June 2019						
Classification	Total	Female	Male	Self-described	Female %	Male %
Executive	9	5	4	0	55.6	44.4
Group managers	16	4	12	0	25.0	75.0
Senior officers	152	38	114	0	25.0	75.0
June 2018						
Classification	Total	Female	Male	Self-described	Female %	Male %
Executive	9	5	4	0	55.6	44.4
Group managers	18	3	15	0	16.7	83.3

Table 18. ***Details of employment levels at 30 June 2021***

	All employees		Ongoing			Fixed term and casual	
	Number	FTE	Full-time	Part-time	FTE	Number	FTE
Gender							
Male	388	385.1	351	10	358.6	27	26.5
Female	323	297.4	213	85	273.4	25	24
Self-described	1	1.0	1	0	1.0	0	0
Age							
15–24	23	23.0	8	0	8.0	15	15.0
25–34	142	135.1	103	18	115.0	21	20.1
35–44	225	212.2	173	40	200.4	12	11.8
45–54	198	192.7	171	25	190.7	2	2.0
55–64	107	103.9	94	12	102.9	1	1.0
65+	17	16.6	16	0	16.0	1	0.6
Classification*							
Executive	9	9.0	9	0	9.0	0	0.0
Senior officers	198	193.7	175	17	188.2	6	5.5
Officers	505	480.8	381	78	435.8	46	45.0
TOTAL	712	683.5	565	95	633	52	50.5

Note: *Post organisational restructure in 2018, the classification Group manager no longer exists. These employees have since been captured under Senior Officers classification.

Executive officer disclosure

Annualised total salary, by $20,000 bands, for executives and other senior non-executive employees who have a total salary of $159,999 or more.

Table 19. ***Annualised total salary for senior employees***

Income band (salary)	Executives	Senior non-executive employees
<$160,000	-	123
$160,000–179,999	-	35
$180,000–199,999	-	22
$200,000–219,999	-	12
$220,000–239,999	1	6
$240,000–259,999	2	-
$260,000–279,999		-
$280,000–299,999	4	-
$300,000–319,999	-	-
$320,000–339,999	1	-
$340,000–359,999	-	-
$360,000–379,999	-	-
$380,000–399,999	-	-
$400,000–419,999	-	-
$420,000–429,999	1	-
Total	9	198

Notes:

The salaries reported above are as at 30 June 2021 and based on headcount, and the salary brackets based on FTE $ (not actual $ paid PTE).

Total remuneration package reported, inclusive of superannuation.

We employed 17 individuals on a part-time basis while seven further individuals were on purchased leave arrangements.

Governance and risk

We maintain a comprehensive framework of governance practices. The frameworks are embedded into our organisation and support what we do to manage performance, processes and activities, to ensure we consistently and safely deliver our products and services at a high standard and comply with any regulatory or statutory requirements.

These systems, frameworks and standards are subject to independent auditing and certification, including:

- ISO 9001 (Quality Management System)
- ISO 14001 (Environment Management System)
- AS/NZS 4801 (Occupational Health and Safety)
- Hazard Analysis and Critical Control Point (HACCP) for drinking water and recycled water management
- ISO 22000 (Food Safety Management) for sewage quality management.

We also apply ISO 31000 (Risk Management), ISO 19600 (Compliance Management System) and have committed to ISO 55001 (Asset Management) and ISO 27001 (Information Security Management including Victorian Protective Data Security Standards).

Our systems are important in providing appropriate levels of assurance and accountability across our organisation. They perform a key role in ensuring the processes and controls against strategic and operational risks are functioning effectively.

Material risks

Managing risk is central to our ability to remain a reliable and successful essential services provider for our customers, today and tomorrow. Our risk framework incorporates risk appetite in line with our strategy to provide boundaries for better decision making and ensure appropriate governance.

We maintain an enterprise risk management framework consistent with the Australian/New Zealand Risk Management Standard (AS/NZS 31000) and the requirements of the Victorian Government Risk Management Framework.

Our framework provides for a consistent, forward-looking approach to identifying and assessing risk that may positively or negatively impact our ability to achieve our purpose and ambition.

Our framework reflects the following key elements:

- A board-approved risk management policy, framework and appetite statements
- Active management and review of the key strategic risks that may impact the achievement of our objectives through our board and committees
- An internal attestation over the management of our material risks at both board and executive level to ensure an appropriate level of risk governance
- Continuity and emergency resilience management plans to guide our business in case of disruption or to manage incidents and emergencies when they occur
- Assurance over key controls through a risk-based audit plan
- A comprehensive insurance program

The following table describes, at a whole of entity level, our material risk areas and how we seek to manage them. Details on how we manage various financial risks are explained within the 'Financials' section.

Risk area	Description	Plans to manage
Safety and wellbeing	To reduce serious workplace injury which may be physical, mental, health or wellbeing related.	We believe safety and wellbeing are not just important, but absolutely essential. We're always improving our certified safety management system and have a comprehensive wellbeing program aimed at improving employee health.
Water quality	To provide safe drinking water that meets expectations of customers and complies with regulatory obligations.	Our vision is to provide healthy water for life. This underpins everything we do so our focus in this area is strong, comprising a number of product quality management systems and standards the organisation abides by and that are subject to stringent audit.
Customers and communities	To better understand the customers and the communities we serve (and for them to better understand its services) and to provide them with a positive experience that meets their expectations.	Our customer engagement program informs our strategy on how to improve services in areas that matter most to our customers. A number of key programs strive to constantly deliver value for money and enhanced outcomes for our entire customer base. Ensuring we communicate with our customers around disruption at the right time and in their preferred method is important. We're managing this exposure by ensuring we have up-to-date customer contact details (across a number of different channels), exploring different forms of communication as well as managing disruption.
People	To attract, recruit and retain the right people for the right role to take our business forward and help achieve our strategic goals.	As the needs of our business evolve, we've committed to initiatives that continually improve our culture, capability and diversity and inclusion practices so that we develop our people and attract high calibre talent.
IT/OT and data security	To effectively manage the information technology and operational technology (IT/OT) assets that underpins business operations and to protect customer and corporate data in line with regulatory and customer expectations.	We manage IT/OT infrastructure aligned to asset management plans to ensure the stability and reliability of all of our platforms. We align our data security to the Victorian Protective Data Security Standards and have mandatory data security awareness training and network controls in place to protect the data we store.
Asset management	To plan, build, operate, maintain and dispose assets reliably and efficiently to meet the service expectations of customers.	We have comprehensive asset management plans in place and constantly monitor asset condition. We're driving further improvement in this area by aligning our practices to ISO 55001 Asset Management.
Regulatory environment and stakeholder management	To respond and influence the regulatory and policy environment to outcomes aligned to strategic goals, with the proactive and consistent engagement of key stakeholders.	We've fostered and continue to develop strong relationships with key stakeholders, built on a platform of transparency and trust. Our underlying approach is to engage in a constructive and collaborative manner to achieve positive solutions for our customers. We also take compliance seriously and manage our compliance obligations in line with AS/ISO 19600 Compliance management systems.
Climate change	To understand and plan for the impacts of a changing climate on assets and effectively	Climate change is real and we've refined our climate adapt plans for our assets and business operations.

	transition to a carbon free future.	We're also committed to reducing our greenhouse gas emissions and formalised our pledge of net zero emissions by 2030.
Disruption and non-traditional markets	To be able to adapt our business and positively respond to major changes in industry composition, technology or consumer behaviours.	We have a long and proud history of innovation and continue to monitor shifts inside (and outside of) the industry and trial emerging technologies. We see innovation and our investment in becoming increasingly digital as a key platform to deliver greater benefits to our customers.
Organisational resilience	To effectively manage and learn from planned or unplanned significant impact events that disrupt the services provided to our customers.	We have a comprehensive resilience framework in place that comprise business continuity plans, incident and emergency management response as to help prevent service interruptions and to respond and recover in the event they occur.

Financials

Contents

Statutory certification

We certify that, in our opinion, the attached consolidated financial statements for South East Water Corporation and its controlled entity (the Group) have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer issued under 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 consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2021 and the financial position of the Group as at 30 June 2021.

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

We authorise the attached financial statements for issue on this 30th day of August 2021.

Lucia Cade	Lara Olsen	Kimberley Lamden
Chair	Managing Director	Chief Financial Officer

Independent auditor's report

Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

To the Board of South East Water Corporation

Opinion	I have audited the consolidated financial report of South East Water Corporation (the corporation) and its controlled entity (together the consolidated entity), which comprises the: • consolidated entity and corporation balance sheet as at 30 June 2021 • consolidated entity and corporation comprehensive operating statement for the year then ended • consolidated entity and corporation statement of changes in equity for the year then ended • consolidated entity and corporation cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • statutory certification. In my opinion, the consolidated financial report presents fairly, in all material respects, the financial position of the consolidated entity and the corporation as at 30 June 2021 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the Auditor's Responsibilities for the Audit of the Financial 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 financial report in Victoria. My staff and I 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.
Key audit matters	Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the consolidated financial report of the current period. These matters were addressed in the context of my audit of the consolidated financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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<table>
<tr><th>Key audit matter</th><th>How I addressed the matter</th></tr>
<tr><td colspan="2">Revenue from service and usage charges
Note 2.1 – Revenue from contracts with customers</td></tr>
<tr><td>Revenue from service and usage charges: $898.7 million.
I considered this to be a key audit matter because:
→ revenue is financially significant to the corporation
→ the corporation’s IT billing system and business rules are complex, and it uses several inputs, some from different sources
→ a key input, customer water volume consumption, relies on external service providers to conduct meter readings
→ revenue includes a significant accrual for unbilled water and sewerage services at year end that involves a higher degree of estimation uncertainty
→ the applicable accounting standard AASB 15 Revenue from Contracts with Customers requires detailed and complex financial report disclosures.</td><td>My key procedures included:
→ testing the operating effectiveness of key application controls in the billing system and key manual controls in the billing process
→ assessing management's model, key assumptions and inputs for estimating the value of unbilled water and sewerage services accrued revenue at 30 June 2021
→ performing substantive analytical procedures by developing an expectation of usage and service charges revenue for the period based on water volumes, number of serviced properties and approved prices, compared against the revenue recorded by the corporation
→ reviewing the adequacy of revenue recognition and measurement policies
→ assessing the adequacy of financial statement disclosures against AASB 15 Revenue from Contracts with Customers.</td></tr>
<tr><td colspan="2">The fair value estimate of infrastructure assets
Note 4.1 – Infrastructure, property, plant and equipment</td></tr>
<tr><td>Fair value estimate of infrastructure assets: $3.756 billion
I considered this to be a key audit matter because:
→ infrastructure assets are financially significant to the corporation
→ the fair value estimate is derived from an income-based valuation approach that uses a discounted cashflow (DCF) model
→ the fair value estimate relies on management’s use of an external valuation expert
→ the DCF model is highly complex and involves significant management judgements, underpinned by various subjective assumptions
→ the calculated value is sensitive to small changes in key assumptions used in the DCF model
→ the model's forecast period is long, and includes a terminal value, which increases the difficulty in accurately estimating the fair value
→ accounting standard AASB 13 Fair Value Measurement (AASB 13) and the Assistant Treasurer issued Financial Reporting Direction 103I Non-financial physical assets (FRD 103I), both require extensive financial report disclosures.</td><td>My key procedures included:
→ obtaining an understanding of management's approach to estimating the fair value of infrastructure
→ assessing the competence and capability of management's expert engaged to assist with the valuation process
→ engaging a subject matter expert to assist us in obtaining sufficient appropriate audit evidence, including:
- the appropriateness of using an income-based valuation approach
- identification of any changes to the DCF model and/or assumptions
- the reasonableness and consistency of all the assumptions used in the DCF model
- the reasonableness of all inputs used in the model, with specific reference to underlying data and supporting documentation
- the DCF model’s computational accuracy
- assessing the completeness and adequacy of the financial report disclosures with regard to AASB 13 and FRD 103I, including the significant observable and unobservable inputs utilised in the model and the sensitivity analysis
→ evaluating our subject matter expert's workings and concluding the work was adequate for the purposes of our audit.</td></tr>
</table>

Board's responsibilities for the financial report	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 *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.
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 consolidated financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 our 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 and the consolidated entity'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 and the consolidated entity'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 and the consolidated entity 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 consolidated financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Auditor's responsibilities for the audit of the financial report (continued)	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. From the matters communicated with the Board, I determine those matters that were of most significance in the audit of the consolidated financial report of the current period and are therefore key audit matters. I describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

MELBOURNE
3 September 2021

Paul Martin
as delegate for the Auditor-General of Victoria

Consolidated statement of comprehensive income

For the year ended 30 June 2021

Consolidated entity	Note	2021 $'000	2020 $'000
Revenue from contracts with customers [a]	2.1	1,052,949	1,043,245
Other income [a]	2.2	2,480	3,360
Total revenue		**1,055,429**	**1,046,605**
Operating expenses [b]	3.1	(632,866)	(643,787)
Employee benefits [b]	3.2.1	(53,225)	(51,622)
Depreciation and amortisation	4.2, 4.3, 5.5	(117,027)	(103,976)
Finance costs	6.2	(80,871)	(83,780)
Environmental contribution	7.3	(43,461)	(40,693)
Total expenses		**(927,450)**	**(923,858)**
Net profit before income tax		**127,979**	**122,747**
Income tax expense	7.1	(37,586)	(35,668)
Net profit after income tax		**90,393**	**87,079**
Other comprehensive income			
Items that will not be reclassified to net profit			
Change in asset revaluation surplus - infrastructure assets	4.2	(166,479)	(18,795)
Change in asset revaluation surplus - land and buildings assets	4.2	105,651	-
Actuarial gains/(losses) on defined benefit fund	9.3	9,707	(6,585)
Deferred income tax relating to other comprehensive income		39,579	7,613
Other comprehensive income		**(11,542)**	**(17,767)**
Total comprehensive income		**78,851**	**69,312**

[a] Revenue from contracts with customers and other income from 2019–20 have been restated to reclassify ZEW related income. There was no impact to total revenue reported. Refer to Note 2.1.3 and Note 2.2 for further details.
[b] Operating expenses and employee benefits from 2019–20 have been restated to reclassify IT related costs. There was no impact to total expenses reported. Refer to Note 3.1 and Note 3.2 for further details.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

As at 30 June 2021

Consolidated entity	Note	2021 $'000	2020 $'000
CURRENT ASSETS			
Cash		2,827	2,788
Receivables	5.1	92,073	82,229
Contract assets	5.3	78,345	71,145
Other assets	5.6	10,544	13,864
Non-financial physical assets classified as held for sale	4.4	9,117	4,640
Total current assets		**192,906**	**174,666**
NON-CURRENT ASSETS			
Infrastructure, property, plant and equipment	4.1	4,402,310	4,297,868
Intangible assets	4.3	162,207	147,975
Right-of-use assets	5.5	9,225	10,379
Other financial assets	5.7	15	-
Defined benefit superannuation asset	9.3	682	-
Total non-current assets		**4,574,439**	**4,456,222**
TOTAL ASSETS		**4,767,345**	**4,630,888**
CURRENT LIABILITIES			
Payables	5.2	98,586	115,313
Interest bearing liabilities	5.5, 6.1	52,600	53,169
Employee benefits provision	3.2.2	23,157	21,675
Income tax payable	7.1	13,559	2,561
Contract liabilities	5.3	18,433	17,056
Deposits and advances	5.4	13,814	12,304
Other provisions		1,481	4,045
Total current liabilities		**221,630**	**226,123**
NON-CURRENT LIABILITIES			
Interest bearing liabilities	5.5, 6.1	2,063,897	1,904,870
Deferred tax liabilities	7.1	484,459	527,397
Employee benefits provision	3.2.2	2,982	2,755
Other financial liabilities	5.7, 8.2	1,096	-
Defined benefit superannuation liability	9.3	-	7,413
Total non-current liabilities		**2,552,434**	**2,442,435**
TOTAL LIABILITIES		**2,774,064**	**2,668,558**
NET ASSETS		**1,993,281**	**1,962,330**
EQUITY			
Contributed equity		386,148	386,148
Reserves		858,740	877,079
Retained profits		748,393	699,103
TOTAL EQUITY		**1,993,281**	**1,962,330**

Contingent assets and contingent liabilities – Note 8.3
Commitments – Notes 2.3, 3.3, 4.5, 7.3

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2021

Consolidated entity	Note	Contributed equity $'000	Asset revaluation surplus: Land and buildings $'000	Infrastructure assets $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2019		**386,148**	**194,431**	**695,805**	**749,134**	**2,025,518**
Total comprehensive income for the year						
Net profit after income tax		-	-	-	87,079	87,079
Other comprehensive income		-	-	(13,157)	(4,610)	(17,766)
Total comprehensive income		**-**	**-**	**(13,157)**	**82,469**	**69,313**
Total transactions with the State in its capacity as owner						
Dividends paid	7.2	-	-	-	(132,500)	(132,500)
Total transactions with the State in its capacity as owner		**-**	**-**	**-**	**(132,500)**	**(132,500)**
Balance at 30 June 2020		**386,148**	**194,431**	**682,648**	**699,103**	**1,962,330**
Balance as at 1 July 2020		**386,148**	**194,431**	**682,648**	**699,103**	**1,962,330**
Total comprehensive income for the year						
Net profit after income tax		-		-	90,393	90,393
Other comprehensive income		-	98,197	(116,536)	6,797	(11,542)
Total comprehensive income		**-**	**98,197**	**(116,536)**	**97,190**	**78,851**
Total transactions with the State in its capacity as owner						
Dividends paid	7.2	-	-	-	(47,900)	(47,900)
Total transactions with the State in its capacity as owner		**-**	**-**	**-**	**(47,900)**	**(47,900)**
Balance at 30 June 2021		**386,148**	**292,628**	**566,112**	**748,393**	**1,993,281**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated cash flow statement

For the year ended 30 June 2021

Consolidated entity	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers		975,940	990,396
Interest received		35	403
GST refunded from the ATO [(a)]		29,610	27,090
Payments to suppliers and employees		(759,472)	(773,102)
Interest and other costs of finance paid		(82,132)	(84,415)
Income tax paid		(29,948)	(28,017)
Net cash inflow from operating activities	6.3.1	**134,033**	**132,355**
Cash flows from investing activities			
Proceeds from sale of infrastructure, property, plant and equipment		1,768	1,659
Payments for infrastructure, property, plant and equipment, and intangibles		(257,850)	(249,389)
Net proceeds from joint arrangements - Aquarevo		11,791	14,386
Net cash (outflow) from investing activities		**(244,291)**	**(233,344)**
Cash flows from financing activities			
Proceeds from borrowings [(b)]		320,000	392,600
Repayment of borrowings [(c)]		(160,600)	(157,500)
Payment of principal element of lease liabilities		(1,203)	(1,060)
Dividends paid		(47,900)	(132,500)
Net cash inflow from financing activities		**110,297**	**101,540**
Net increase/(decrease) in cash held		**39**	**551**
Cash at the beginning of the financial year		2,788	2,237
Cash at the end of the financial year		**2,827**	**2,788**

[(a)] GST refunded from the Australian Taxation Office (ATO) is presented on a net basis.
[(b)] Proceeds from borrowings includes the amount of borrowings that are new and refinanced during the year.
[(c)] Repayment of borrowings represents borrowings that were paid down and refinanced during the financial year.

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Notes to the financial statements

1. About this report

The consolidated financial report is a general purpose financial report that consists of a consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, statutory certification and notes accompanying these statements for the year ending 30 June 2021. These are the consolidated financial statements for South East Water Corporation and its controlled entity, Iota Services Pty Ltd, collectively referred to as the Group. South East Water Corporation is a state government owned corporation which has been classified as a for-profit entity for the purposes of financial reporting.

This general purpose financial report has been prepared in accordance with the requirements of Australian Accounting Standards (including Australian Interpretations) and the *Financial Management Act 1994* and other mandatory professional reporting requirements.

The consolidated financial report has been prepared on an accrual and going concern basis and under the historical cost convention, except for infrastructure, property, plant and equipment, derivative financial instruments and the defined benefit obligation, which have been measured at fair value. The consolidated financial report is presented in Australian dollars and all amounts have been rounded to the nearest $1,000 unless otherwise stated.

The consolidated financial report of South East Water Corporation (the Group) for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors on 30 August 2021.

Principles of consolidation

The Group consists of South East Water Corporation (Parent entity) and its controlled entity, Iota Services Pty Ltd. Information relating to the parent entity is disclosed in Note 9.6. In preparing the consolidated financial statements, all intercompany balances and profit and losses resulting from intra-group transactions have been eliminated. Refer to Note 9.6 for information relating to the parent entity and details of the controlled entity.

Significant accounting judgements, estimates and assumptions

In the application of Australian Accounting Standards, management is required to make judgements, estimates and assumptions about the financial information presented. Estimates and associated assumptions are based on professional judgements derived from historical knowledge and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Areas involving a high degree of judgements, estimates and assumptions that can materially impact the financial statements include:

- Note 2.1 – revenue from contracts with customers
- Note 3.2.2 – employee benefits provision
- Notes 4.1 and 8.2.2 – fair value of infrastructure, property, plant and equipment
- Note 4.1 – estimated useful lives of assets and impairment of non-financial assets
- Note 5.1.1 – impairment of contractual receivables
- Note 5.3 – accrued revenue
- Note 5.5 – lease liabilities
- Note 7.1 – income tax and deferred tax recognition
- Note 5.7, 8.2 – estimated fair value of derivative financial instrument
- Note 8.3 – contingent assets and liabilities
- Note 9.3 – actuarial assumptions on defined benefit superannuation

Financial impacts of the Novel Coronavirus

The Novel Coronavirus (COVID-19) outbreak was first reported in late 2019 and has continued to have an unprecedented health and economic impact both internationally and domestically. To reduce the spread of the virus, a series of public health measures were imposed across the world and in Australia, including travel restrictions, a nation-wide call to work from home and significantly reduced levels of activity in both the economy and community. In response to the global health pandemic, the Federal and State governments have been providing a number of economic stimulus packages and policies in support of Victorian families and businesses during 2019–20 and into the 2020–21 reporting period.

The consequential impacts on the Group 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 South East Water customers;
- supporting our employees transition to a hybrid working environment under our new flexible work arrangements framework;
- uplifting our IT network capability to support our new ways of working and strengthening cyber security measures;
- continuing to support our customers experiencing financial difficulties through arrangements such as our hardship program, more time to pay arrangements and payment plans; and
- providing waivers to our trade waste customers and commercial tenants who are experiencing financial hardship.

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.

The main account balances that are currently affected by COVID-19 based on management's judgement and assumptions about the future and sources of estimating uncertainty include:

- Note 5.1.1 – impairment of contractual receivables
- Note 8.2.2 – fair value of infrastructure, property, plant and equipment.

Joint arrangements - Aquarevo

Joint arrangements are contractual arrangements between the Group and one or more other parties to undertake an economic activity that is subject to joint control.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities of the joint arrangement require the unanimous consent of the parties sharing control.

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

The Group has a 39 per cent interest in the joint operation called Aquarevo with Villawood Properties to develop, subdivide, market and sell land owned by the Group at Evans Road in Lyndhurst through the signing of a Development Deed on 8 December 2015. The Group established that joint control of the operation exists as a Project Control Group (PCG) is in place which:

1. Consists of four members, two from each party to the arrangement
2. Decisions made by the PCG require a majority vote, which therefore requires consent from both parties
3. Major project decisions made by the PCG require unanimous approval.

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

The Group retains ownership of the land throughout the project until sold to a third party and therefore it remains an asset of the Group and is recognised as such in the financial statements. As the land associated with the arrangement is subdivided and made available for sale, the value is transferred from non-current assets to current assets held for sale, refer Note 4.4.

Accounting policies

All accounting policies applied are consistent with those of the prior year, unless otherwise stated.

2. Funding delivery of our services

Introduction:

This section provides information on revenue and income generated by the Group and accounting policies, key estimates and judgements relevant to the understanding of the items recognised in the financial statements.

Structure:

2.1 Revenue from contracts with customers
- 2.1.1 Revenue from service and usage charges
- 2.1.2 Revenue from developer contributions
- 2.1.3 Other revenue

2.2 Other income

2.3 Commitments from lease receivables

2.1 Revenue from contracts with customers

The Group derives revenue from the transfer of goods and/or services over time and at a point in time in the following revenue streams.

Revenue is recognised when, or as, the performance obligations to the customer are satisfied. Consideration received in advance of recognising the associated revenue from the customer is recorded as a contract liability (refer Note 5.3). Where the performance obligations are satisfied but not yet billed, a contract asset is recorded (refer Note 5.3).

Summary of revenue from contracts with customers

Consolidated entity	**Note**	**2021**	**2020**
		$'000	**$'000**
Revenue from service and usage charges	2.1.1	898,730	888,702
Revenue from developer contributions	2.1.2	103,036	99,090
Other revenue	2.1.3	51,183	55,453
Total revenue from contracts with customers		**1,052,949**	**1,043,245**

2.1.1 Revenue from service and usage charges

Consolidated entity	**Service charges**		**Usage charges**		**Total**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Major services						
Water	78,671	87,408	403,666	397,540	**482,337**	**484,948**
Sewerage	279,888	268,059	103,488	104,682	**383,376**	**372,741**
Trade waste	6,026	5,960	20,762	19,909	**26,788**	**25,869**
Recycled water	1,010	891	5,219	4,253	**6,229**	**5,144**
Total	**365,595**	**362,318**	**533,135**	**526,384**	**898,730**	**888,702**

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

Service charges are billed quarterly based on a fixed fee and revenue is recognised evenly throughout the financial year to reflect continuous services being provided to customers. Where payments are made in advance by customers to unbilled accounts at reporting date, these payments are classified as contract liabilities as the Group has yet to provide the service (refer Note 5.3). The charges are payable within 14 days.

Water usage and sewerage disposal charges are billed quarterly in arrears and revenue is recognised when water is consumed by customers and sewage waste is disposed by customers. Meter reading is undertaken progressively during the year. An estimation of usage and disposal charges is made at the end of each reporting period for connection where meters were not read at balance date. This is calculated by determining the level of billable service provided multiplied by the cost of each service. The charges are payable within 14 days.

At balance date, the charges for fully satisfied performance obligations that are not yet billed are estimated and classified as contract assets (refer Note 5.3). Where payments are made in advance by customers to unbilled accounts at reporting date, these payments are classified as contract liabilities as the Group has yet to provide the service (refer Note 5.3).

Revenue from ***trade waste disposal charges*** is recognised at a point in time as the service is provided based on the volume of waste disposed by customers.

Revenue from ***recycled water charges*** is recognised over time as the performance obligation is satisfied. The Group measures these charges based on the regulated prices and the volume of water consumed by customers.

2.1.2 Revenue from developer contributions

Consolidated entity	2021	2020
	$'000	$'000
Developer contributed assets	70,051	64,679
New customer contributions	32,985	34,411
Total developer contributions	**103,036**	**99,090**

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

Revenue from developer contributed assets is recognised at a point in time when the Group has satisfied its performance obligation. Depending on the type of developer application, this can result in the performance obligation being satisfied:

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

Revenue is recognised at the fair value of the gifted assets by assessing the value of the works using schedule of rates.

New customer contributions represents non-refundable upfront charges applicable when customers request to build or develop a property and connect to the Group’s water supply and sewerage infrastructure network. The charges contribute towards to the cost of augmenting the Group's water supply distribution systems and sewerage disposal systems.

Revenue from new customer contributions is recognised at a point in time when the Group has satisfied its performance obligation. The point in time when the Group satisfies its performance obligation will vary depending on the type of application submitted by the customer. As a result, a performance obligation could be satisfied when:

- the Statement of Compliance is issued to the customer, or
- the customer is connected to the Group’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 Group to proceed with their application.

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

2.1.3 Other revenue

Consolidated entity	2021	2020
	$'000	$'000
Sale of goods and services - Iota	6,814	6,984
Other services rendered	27,869	32,816
Net gain on sale of non-current physical assets	617	192
Net gain on sale of asset classified as held for sale	3,116	4,112
Miscellaneous revenue [(a)]	12,767	11,349
Total other revenue	**51,183**	**55,453**

[(a)] ZEW settlement income from 2019–20 has been reclassified under other income in Note 2.2.

Sale of goods and services (Iota) relate to the sale of Iota's products, such as OneBox® products, pumps, and the provision of services, such as plumbing solutions and field services. Revenue from sale of goods is recognised at a point in time, where the performance obligation is satisfied when the customer receives the goods purchased and has the ability to direct use of the goods. Revenue from the provision of services is recognised at a point in time, where the performance obligation is satisfied when the services are completed. These services are billed at the completion of the service.

Revenue from **other services rendered** is recognised following completion of services being performed and certified, relating to various plumbing services, application, recycled water inspection and meter installation fees. Revenue associated with other services rendered is recognised at a point in time when the Group satisfies its performance obligation for the specified service requested by the customer.

A **net gain on sale of non-current physical assets** is recognised at a point in time when the asset is disposed and transferred to the customer, therefore the performance obligation is satisfied. It is measured as revenue from the sale of an asset less the asset's book value and costs of disposal.

A **net gain on sale of assets classified as held for sale** is recognised at a point in time when the asset is disposed and transferred to the customer, therefore the performance obligation is satisfied. The net gain on sale is calculated as the net of the sales proceeds of the joint operation less costs associated with the development and the carrying value of the land (refer Note 4.4).

Miscellaneous income mainly consists of charges for services to third parties such as administration fees for the collection of drainage and parks rates on behalf of Melbourne Water and the Department of Environment, Land, Water and Planning. The Group acts as an agent to the third parties. Revenue is recognised over time based on the number of customers serviced the customer simultaneously receives and consumes the benefits provided by the third parties.

Revenue from contracts with customers

Consolidated entity	**2021**	**2020**
	$'000	**$'000**
Total revenue recognised over-time [a]	906,852	896,525
Total revenue recognised at a point in time	146,097	146,720
Total revenue from contracts with customers	**1,052,949**	**1,043,245**

[a] Revenue is recognised over a period of time (over-time) when an entity transfers control of a good or service and therefore satisfies the performance obligation, otherwise revenue will be recognised at a point in time.

2.2 Other income

Consolidated entity	**2021**	**2020**
	$'000	**$'000**
Rent income	2,278	2,552
Interest income	35	402
ZEW settlement income [b]	167	406
Total other income	**2,480**	**3,360**

[b] ZEW settlement income from 2019–20 has been reclassified. It was previously disclosed under miscellaneous revenue in Note 2.1.

Rent income is recognised in accordance with AASB 16 *Leases* on a straight line basis across the term of the rental lease agreement.

Interest income is recognised using the effective interest rate method, in the period in which it is earned.

ZEW settlement income relates to the Group's investment in Zero Emissions Water Limited (ZEW). The Group recognised compensation settlements received during the reporting period due to delays in reaching the commercial operational date. Refer Note 5.6 for further details on the arrangement between the Group and ZEW.

2.3 Commitments from lease receivables

Revenue from operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as revenue in the periods in which they are incurred. These commitments recorded below are at their nominal value and inclusive of GST. These commitments primarily represent mobile telephone tower rental income on the Group’s land and infrastructure, sublease of the depot office area and leases for shop space at Frankston office.

The following table represents non-cancellable operating leases, contracted for at balance date but not recognised in the financial statements, receivable:

Consolidated entity	**2021**	**2020**
	$'000	**$'000**
Not later than 1 year	1,789	1,503
Later than 1 year and not later than 5 years	5,498	3,291
Later than 5 years	5,153	2,896
Total lease receivables (inclusive of GST)	**12,440**	**7,690**
Less GST payable to Australian Taxation Office	(1,131)	(699)
Total lease receivables (exclusive of GST)	**11,309**	**6,991**

3. Cost of delivering our services

Introduction:

This section provides information on the expenses incurred by the Group in delivering its services and generating income. It also includes accounting policies, key estimates and judgements that are relevant for an understanding of how these items are recognised in the financial statements.

Structure:

3.1 Operating expenses

Consolidated entity	**2021**	**2020**
	$'000	**$'000**
Bulk water and sewerage charges	521,367	530,400
Operating contracts	78,610	78,221
Taxes, fees and charges	4,284	4,637
Bad debts and expected credit losses	1,300	4,474
Asset write-offs	1,172	637
Impairment write down of assets to recoverable amount	172	-
Initial recognition – expense from derivative financial instruments	1,144	-
Other expenses [(a)]	24,817	25,418
Total operating expenses	**632,866**	**643,787**

[(a)] Other expenses from 2019–20 has been restated to reclassify IT related costs that were previously reported under salaries and wages in Note 3.2. In 2019-20, other expenses was reported as $15.587 million.

Bulk water and sewerage charges, comprising of fixed and variable charges, are levied by Melbourne Water for the cost of water the Group purchases, and for sewage treated at Melbourne Water's eastern and western treatment plants. Fixed charges are levied once a month, and are recognised on receipt of an invoice from Melbourne Water. Variable charges are levied in arrears and recognised as an expense upon receipt of an invoice. Any variable charges that remain outstanding at period end are accrued.

Operating contracts relate mainly to costs incurred for maintenance services, chemicals, electricity costs are expensed in the reporting period in which they are incurred.

Taxes, fees and charges are made up of land tax, fringe benefits tax, council valuation charges and commercial expenses. They are expensed in the period in which they are incurred.

Initial recognition – expense from derivative financial instruments relates to the Group's investment in Zero Emissions Water Limited (ZEW). Refer Note 5.7 for further details on the arrangement between the Group and ZEW.

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

The Group has initially recognised the CfD derivative financial instrument and is measured at fair value based on the best available information. The initial recognition expense represents the fair value of the expected future settlements at the initial recognition, currently in a liability position. Refer to Note 8.2 for more information about the judgements and assumptions used in measuring fair value determination of derivative financial instruments.

Other expenses comprise of materials, insurance and IT costs, which are all recognised as an expense in the reporting period in which they are incurred.

3.2 Our people

3.2.1 Employee benefits cost

Consolidated entity	2021 $'000	2020 $'000
Salaries and wages, annual leave and long service leave [(a)]	44,524	43,486
Superannuation expense	8,701	8,136
Total employee benefits cost	**53,225**	**51,622**

[(a)] Salaries and wages, annual leave and long service leave from 2019–20 has been restated to reclassify IT related costs, which should have been reported in other expenses in Note 3.1. In 2019-20, this balance was reported as $53,317 million.

Salaries and wages, annual leave and long service leave
Employee expenses include all costs related to employment including salaries and wages, 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.

Superannuation expenses
The amount charged to the consolidated statement of comprehensive income in respect of superannuation represents the contributions made by the Group to superannuation funds for the current service of current staff. Contributions to superannuation plans are charged to the consolidated statement of comprehensive income as the contributions are paid or become payable. The Group's defined benefit superannuation is further disclosed in Note 9.3.

3.2.2 Employee benefits provision

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

Consolidated entity	2021 $'000	2020 $'000
Current		
Annual leave:		
Unconditional and expected to settle within 12 months	5,324	4,628
Unconditional and expected to settle after 12 months	1,298	766
Long service leave:		
Unconditional and expected to settle within 12 months	1,513	1,551
Unconditional and expected to settle after 12 months	11,407	11,438
Provisions for on-costs:		
Unconditional and expected to settle within 12 months	1,242	1,223
Unconditional and expected to settle after 12 months	2,373	2,069
Total current employee benefits provision	**23,157**	**21,675**
Non-current		
Long service leave - conditional	2,512	2,333
On-costs	470	422
Total non-current employee benefits provision	**2,982**	**2,755**
Total employee benefits provision	**26,139**	**24,430**

Salaries and wages, annual leave and sick leave

Liabilities for salaries and wages (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefits provision as current liabilities because the Group does not have an unconditional right to defer settlements of these liabilities. The liabilities are measured using remuneration rates which are current at the reporting date.

Depending on the expectation of the timing of settlement, liabilities for salaries and annual leave are measured at:

- undiscounted value – if the Group expects to wholly settle within 12 months
- present value – if the Group does not expect to wholly settle within 12 months

No provision has been made for sick leave as all sick leave is a non-vesting benefit and is not expected to exceed current and future sick leave entitlements. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income as it is taken.

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

Long service leave (LSL)
Unconditional long service leave is disclosed as a current liability even where the Group does not expect to settle the liability within 12 months because it will 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 Group expects to wholly settle within 12 months
- present value – if the Group does not expect to wholly settle within 12 months.

Conditional long service leave is disclosed as a non-current liability and measured at present value. In this case there is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

Any gain or loss following revaluation of the present value of the non-current liability is recognised as an income or expense.

Discount rates, probability factors and wage/salary growth assumptions are provided by Victoria's Department of Treasury and Finance as part of its long service leave financial model.

3.3 Commitments for operating expenditure

Commitments for operating expenditure arise from contracts entered into prior to balance date. These commitments disclosed below are at their nominal value and inclusive of GST.

These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the balance sheet.

Consolidated entity	**2021 $'000**	**2020 $'000**
Not later than one year	9,417	9,132
Later than 1 year and not later than 5 years	24,143	21,910
Later than 5 years	22,089	25,534
Total expenditure (inclusive of GST)	**55,649**	**56,576**
Less GST recoverable from Australian Taxation Office	(5,059)	(5,143)
Total expenditure (exclusive of GST)	**50,590**	**51,433**

Refer Note 4.5 and Note 7.3 for details on capital and environmental commitments, respectively.

4. Key assets available to support delivery of our services

Introduction:

This section provides information on infrastructure, property, plant and equipment, and intangible assets that are controlled by the Group and used to deliver its services. It includes relevant accounting policies, key estimates and judgements.

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 8.2 in connection with how those fair values were determined.

Structure:

4.1 Infrastructure, property, plant and equipment
4.2 Reconciliation of movements in carrying values of infrastructure, property, plant and equipment
4.3 Intangible assets
4.4 Assets classified as held for sale
4.5 Capital commitments

4.1 Infrastructure, property, plant and equipment

Consolidated entity	**Gross carrying amount**		**Accumulated depreciation**		**Net carrying amount**	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
Infrastructure assets at fair value	3,756,200	3,765,700	-	-	**3,756,200**	**3,765,700**
Land at fair value	261,806	181,900	-	-	**261,806**	**181,900**
Buildings at fair value	94,928	87,014	-	(2,512)	**94,928**	**84,502**
Plant and equipment at fair value	71,053	58,143	(40,998)	(34,839)	**30,055**	**23,304**
Leasehold improvements at fair value	2,188	2,164	(2,069)	(1,924)	**119**	**240**
Capital works in progress at cost	259,202	242,222	-	-	**259,202**	**242,222**
Total	**4,445,377**	**4,337,143**	**(43,067)**	**(39,275)**	**4,402,310**	**4,297,868**

Initial recognition
Items of infrastructure, property, plant and equipment are recognised initially at cost. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition, being the actual or estimated cost of construction. The Group has a capitalisation threshold of greater than $100 exclusive of GST and the asset must be used for more than one reporting period.

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.

The cost of leasehold improvements is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful lives.

In accordance with the Group's land development policy, the Group will reimburse developers, subject to the nature of additional works involved, for all or part of their costs incurred in constructing water, sewerage and/or recycling assets. Reimbursements are generally paid on completion of the works, however, in cases where reimbursements are to be paid at an agreed date in the future, a contingent liability is recognised (refer Note 8.3). Developer reimbursements are capitalised with the asset recognised as infrastructure, property, plant and equipment in the consolidated balance sheet.

The accounting policy relating to Right-of-Use assets have been disclosed in Note 5.5

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

Revaluations
Revaluations are performed annually for infrastructure assets and for all other assets on a cyclical basis in accordance with FRD 103I *Non-financial physical assets* such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period. A full revaluation normally occurs every five years, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations.

Revaluation increases or decreases arise from difference between an asset's carrying value and fair value. Revaluation increments are credited directly to equity in the revaluation surplus, except to the extent that an increment reverses a revaluation decrement in respect of the same asset previously recognised as an expense in the net result, the increment is then recognised as revenue in determining the net result. Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the revaluation surplus in respect of the same asset then they are debited to the asset revaluation surplus.

The Group's assets relating to land and building were independently valued by the Valuer-General Victoria (VGV) as at 30 June 2021. The market is being impacted by the uncertainty caused by COVID-19. As at the date of the valuation, the valuer considers that there is market uncertainty resulting in significant valuation uncertainty.

If land and buildings were measured at historical cost, the carrying amount would be $91.3 million. The carrying amount for infrastructure assets would be $3,148.1 million if measured using the cost model.

Refer Note 8.2.2 for additional information on fair value determination of infrastructure, property, plant and equipment.

Derecognition and disposal
The carrying amount of an item of infrastructure, property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

Gains or losses on the sale of infrastructure, property, plant and equipment are calculated in accordance with AASB 116 *Property, Plant and Equipment*. This is the gross sale proceeds less the book value of the asset less selling expenses (refer Note 2.1.3). Losses are written off as an expense and gains are recognised as revenue in the consolidated statement of comprehensive income. When significant revalued assets are sold, amounts included in the asset revaluation surplus relating to that asset are transferred to retained earnings.

Depreciation
The depreciable amount of all non-current physical assets, excluding land, is depreciated over their useful lives, commencing from the time the asset is held ready for use.

Depreciation rates are reviewed annually and adjustments made where appropriate.

Items of infrastructure, property, plant and equipment are depreciated over their expected useful lives to the Group on the following basis:

Description	Depreciation method	Useful life
Buildings	Straight line	20 – 50 years
Leasehold improvements	Straight line	2 – 10 years
Infrastructure assets	Straight line	2 – 99 years
Plant and equipment	Reducing balance	4 – 25 years
Plant and equipment (Iota)	Straight line	3 – 20 years

Impairment of assets
Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be less than its recoverable amount. For the purposes of assessing for impairment, assets are grouped at a whole of business level which is considered to be the lowest level for which there are separately identifiable cash flows (cash generating unit).

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an 'other economic flow', except to the extent that it can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal shall 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 infrastructure assets held primarily to generate net cash inflows is measured at the higher of the value in use and fair value less costs to sell. The recoverable amount for the remaining assets is measured at the higher of current replacement cost and fair value less costs to sell.

The impact of climate risk is not yet at a level commensurate with the key assumptions in the current replacement cost and fair value less costs to sell. Risks and opportunities relating to climate change and its impact on costs and the economic environment are continuously being monitored and assessed as part of the Climate Adapt program.

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

2021 Consolidated entity	Infrastructure assets	Land	Buildings	Plant and equipment	Leasehold improvements	Capital works in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July	3,765,700	181,900	84,502	23,304	240	242,222	4,297,868
Additions	-	-	-	15,976	24	260,088	276,088
Fair value of assets received from developers	66,925	-	-	-	-	(66,925)	-
Transfers between asset classes	176,183	-	-	-	-	(176,183)	-
Disposals	(328)	(2,997)	(497)	(1,135)	-	-	(4,957)
Revaluations	(166,479)	92,020	13,459	-	-	-	(61,000)
Depreciation expense	(85,801)	-	(2,536)	(8,090)	(145)	-	(96,572)
Transfer to assets classified as held for sale	-	(9,117)	-	-	-	-	(9,117)
Balance at 30 June	**3,756,200**	**261,806**	**94,928**	**30,055**	**119**	**259,202**	**4,402,310**

2020 Consolidated entity	Infrastructure assets	Land	Buildings	Plant and equipment	Leasehold improvements	Capital works in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July	3,697,199	187,590	85,881	21,612	379	123,295	4,115,956
Additions	-	1,112	1,132	10,398	22	285,133	297,797
Fair value of assets received from developers	63,438	-	-	-	-	(63,438)	-
Transfers between asset classes	102,768	-	-	-	-	(102,768)	-
Disposals	(505)	(2,162)	-	(1,457)	-	-	(4,124)
Revaluations	(18,795)	-	-	-	-	-	(18,795)
Depreciation expense	(78,405)	-	(2,511)	(7,249)	(161)	-	(88,326)
Transfer to assets classified as held for sale	-	(4,640)	-	-	-	-	(4,640)
Balance at 30 June	**3,765,700**	**181,900**	**84,502**	**23,304**	**240**	**242,222**	**4,297,868**

4.3 Intangible assets

2021 Consolidated entity	IT software	Works in progress	Water entitlements	Patents and Trademarks	Large-scale generation certificates	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount							
Balance at 1 July	148,382	7,109	96,916	-	-	-	252,407
Additions	152	33,478	-	-	72	-	33,702
Transfers between asset classes	26,102	(26,657)	-	555	-	-	-
Balance at 30 June	**174,636**	**13,930**	**96,916**	**555**	**72**	**-**	**286,109**
Accumulated amortisation							
Balance at 1 July	(104,432)	-	-	-	-	-	(104,432)
Amortisation	(19,470)	-	-	-	-	-	(19,470)
Balance at 30 June	(123,902)	-	-	-	-	-	(123,902)
Net book value at 30 June	**50,734**	**13,930**	**96,916**	**555**	**72**	**-**	**162,207**

2020 Consolidated entity	IT software	Works in progress	Water entitlements	Patents and Trademarks	Large-scale generation certificates	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount							
Balance at 1 July	121,250	9,089	96,916	-	-	373	227,628
Additions	41	25,232	-	-	-	-	25,273
Transfers between asset classes	27,212	(27,212)	-	-	-	-	-
Disposals	(121)	-	-	-	-	-	(121)
Balance at 30 June	**148,382**	**7,109**	**96,916**	**-**	**-**	**373**	**252,780**
Accumulated amortisation							
Balance at 1 July	(89,862)	-	-	-	-	(326)	(90,188)
Amortisation	(14,570)	-	-	-	-	(47)	(14,617)
Balance at 30 June	(104,432)	-	-	-	-	(373)	(104,805)
Net book value at 30 June	**43,950**	**7,109**	**96,916**	**-**	**-**	**-**	**147,975**

Intangible assets comprise of IT software, works in progress, trademarks and patents, Large-scale Generation Certificates (LGCs) and water entitlements arising from the Group's investment in Stage 1 of the Goulburn-Murray Water Connections Project (formerly Northern Victoria Irrigation Renewal Project).

Internally generated intangible assets primarily include the development costs of information management systems. These costs are capitalised only if they satisfy the criteria as defined by AASB 138 *Intangible assets*.

Intangible assets acquired separately are initially recognised at cost.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Group.

Intangible assets with finite useful lives are amortised as an expense, commencing from the time the asset is available for use, on the following basis:

Description	Amortisation method	Useful life
IT software	Reducing balance	2 – 5 years
Patents	Straight line	20 years
Other	Straight line	15 years

The amortisation periods are reviewed and adjusted if appropriate at each balance date.

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses. Water entitlements, LGCs and trademarks have an indefinite useful life as they are held in perpetuity. As such they are not amortised.

Impairment of intangible assets

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified.

4.4 Assets classified as held for sale

Consolidated entity	**2021** **$'000**	**2020** **$'000**
Freehold land held for sale	9,117	4,640
Total assets classified as held for sale	**9,117**	**4,640**

The land held for sale balance of $9.1 million is the portion of land at Evans Road, Lyndhurst in relation to the Aquarevo joint arrangement (refer Note 1) that is available for immediate sale as at 30 June 2021 and will remain in land held for sale until settlement which is expected within 12 months from the date of classification. The total book value of the land to be sold under the joint arrangement is currently valued at $11.8 million and the remaining $2.7 million balance is accounted for as a non-current asset under land at 30 June 2021 as it’s not expected to be sold until the 2022–23 financial year.

Non-financial physical assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when:

- the asset is available for immediate use in the current condition, and
- the sale is highly probable and the asset’s sale is expected to be completed within 12 months from the date of classification.

Freehold land held for sale is measured at the lower of carrying amount and fair value less costs to sell. Freehold land held for sale are not subject to depreciation or amortisation. Refer Note 8.2 for the valuation technique applied to non-specialised land.

Aquarevo joint arrangement
During 2020–21, $7.3 million of land associated with the Aquarevo joint arrangement was settled (2019–20 $7.1 million), resulting in:

- $3.1 million in net gain from sale of assets classified as held for sale (2019–20 $4.1 million) (refer Note 2.1.3)
- $8.8 million net decrease to the consolidated balance sheet (2019–20 $10.3 million decrease)
- $11.8 million in net cash inflow from investing activities in the consolidated cash flow statement (2019–20 $14.4 million).

4.5 Capital commitments

Capital commitments arise from contracts for costs associated with growth and renewal works for water and sewer assets. These commitments are recorded at their nominal value and inclusive of GST.

Total capital expenditure, contracted for at balance date but not provided in the financial statements, payable:

Consolidated entity	**2021 $'000**	**2020 $'000**
Not later than one year	40,538	78,076
Later than 1 year and not later than 5 years	7,518	821
Later than 5 years	772	-
Total capital expenditure (inclusive of GST)	**48,828**	**78,897**
Less GST recoverable from the Australian Taxation Office	(4,439)	(7,172)
Total capital expenditure (exclusive of GST)	**44,389**	**71,725**

5. Other assets and liabilities

Introduction:

This section provides information on other assets and liabilities utilised and controlled by the Group in its operations.

Structure:

5.1 Receivables

Consolidated entity	**2021**	**2020**
	$'000	**$'000**
Contractual		
Trade debtors (service and usage charges)	73,655	68,007
Allowance for impairment of contractual receivables	(4,759)	(5,364)
Other debtors	18,631	11,878
	87,527	**74,521**
Statutory		
GST input tax credits receivable	4,546	7,708
Total receivables	**92,073**	**82,229**

Contractual receivables, such as trade debtors in relation to goods and services, are classified as financial assets at amortised cost. They are initially recognised at fair value plus any directly attributable transaction cost. The Group holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measures them at amortised cost using the effective interest method, less any impairment.

Trade debtors are normally required to be settled within 14 days. In light of the current environment, South East Water recognises the significant impact COVID-19 may be having on residential and non-residential customers and is offering additional support options, such as more time to pay and payment plans. The potential impact on customers is further reflected in management's assessment of impairment of contractual receivables in Note 5.1.1.

Statutory receivables, such as Goods and Services Tax (GST) input tax credit recoverable are not classified as financial instruments as they do not arise from contracts. They are recognised and measured similarly to contractual receivables (except for impairment).

5.1.1 Impairment of contractual receivables

The Group applies the simplified approach to calculate expected credit losses which uses a lifetime expected loss allowance for contractual receivables based on historical credit loss experiences adjusted for forward looking forecast assumptions about risk of default and expected loss rates. The assessment is completed at the end of each reporting period.

To measure the expected credit losses, trade receivables have been grouped on shared customer profile characteristics and the days past due. The expected loss rates are based on the bad debts profiles over a period of three years and adjusted to reflected current and forward looking information affecting the ability of customers to pay their receivables, such as existing market conditions, customer growth rates with South East Water's service region, as well as hardship arrangements and payment plans and paused debt collection activities in support for customers. We have also considered impacts from specific management actions, our observable customer behaviours so far and how the pandemic may impact our industry in particular. This is evident in the growth of our trade debtors as at reporting date with customers utilising more time to pay arrangements and payment plans to gradually reduce their debt.

Consolidated entity	**Current**	**More than 30 days past due**	**More than 90 days past due**	**Total**
30 June 2021	**$'000**	**$'000**	**$'000**	**$'000**
Expected loss rate	1.98%	7.89%	18.57%	
Gross carrying amount - trade debtors	50,111	5,654	17,890	**73,655**
Loss allowance	**991**	**446**	**3,322**	**4,759**

Consolidated entity	**Current**	**More than 30 days past due**	**More than 90 days past due**	**Total**
1 July 2020	**$'000**	**$'000**	**$'000**	**$'000**
Expected loss rate	2.65%	12.19%	25.93%	
Gross carrying amount - trade debtors	49,112	6,086	12,809	**68,007**
Loss allowance	**1,301**	**742**	**3,321**	**5,364**

Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Indicators of non-recovery include, but not limited to, the failure of a debtor to engage in a repayment plan and failure to make contractual payments for a period of greater than 90 days past due. Subsequent recoveries of amounts previously written off are credited against the same line item.

There are no material financial assets that are individually determined to be impaired.

The closing allowance for expected credit losses for trade receivables reconciles to the opening loss allowances as follows:

Consolidated entity	**2021**	**2020**
	$'000	**$'000**
Balance at 1 July	**(5,364)**	**(2,954)**
(Increase)/decrease in provision recognised in the net result	(695)	(6,886)
Receivables written off during the year as uncollectible	1,361	4,538
Reversal of unused provision recognised in the net result	(60)	(62)
Balance at 30 June	**(4,758)**	**(5,364)**

No loss allowance is recognised for statutory receivables because there is minimal risk of default.

5.2 Payables

Consolidated entity	**2021**	**2020**
	$'000	**$'000**
Contractual		
Trade creditors	13,188	10,981
Accrued expenses	83,543	102,230
	96,731	**113,211**
Statutory		
Taxes payable	1,855	2,102

Total payables	**98,586**	**115,313**

Payables consists of:

- **contractual payables**, classified as financial instruments and measured at amortised cost. Trade creditors and accrued expenses represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid.
- **statutory payables**, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments, because they do not arise from a contract.

Payables for supplies and services normally have an average credit period of 10 business days, with all payables are due and payable within 12 months.

5.3 Contract assets and contract liabilities

Consolidated entity	2021	2020
	$'000	$'000
Accrued revenue	75,375	67,687
Developer contributed assets	2,295	2,666
Other income	675	792
Total contract assets	**78,345**	**71,145**
Developer contributed assets	3,029	1,898
New customer contributions	9,091	9,495
Other income	6,313	5,663
Total contract liabilities	**18,433**	**17,056**

Accrued revenue is recognised to account for water and sewage services that have been provided to customers at balance date but not yet billed.

Accrued revenue takes into account the total volume of water purchased from Melbourne Water less the estimated non-revenue water to determine the volume of water available for consumption. Non-revenue water relates to water that is unmetered for, leak adjustments in the water distribution network before reaching customers or authorised unmetered consumption (such as usage for firefighting and other fire service activities). The accrued revenue is then calculated by taking the difference between what has been billed during the year and the volume of water available for consumption multiplied by the price approved by the Essential Services Commission (ESC).

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on developer contributions and other income. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

Contract liabilities represents consideration received in advance of the Group performing its contract obligations and will be recognised as revenue when the services are performed. Refer Note 2.1 for further details of the performance obligation. The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

Consolidated entity	Developer contributed assets	New customer contributions	Other income	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2020	**1,898**	**9,495**	**5,663**	**17,056**
Revenue recognised in the reporting period for the completion of a performance obligation	(1,656)	(7,947)	(4,883)	**(14,486)**
Payments received for performance obligations yet to be completed during the period	2,787	7,543	5,533	**15,863**
Balance at 30 June 2021	**3,029**	**9,091**	**6,313**	**18,433**

Consolidated entity	Developer contributed assets	New customer contributions	Other income	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2019	**3,140**	**12,326**	**5,173**	**20,639**
Revenue recognised in the reporting period for the completion of a performance obligation	(2,904)	(10,182)	(4,097)	**(17,183)**
Payments received for performance obligations yet to be completed during the period	1,662	7,351	4,587	**13,600**
Balance at 30 June 2020	**1,898**	**9,495**	**5,663**	**17,056**

5.4 Deposits and advances

Consolidated entity	2021	2020
	$'000	$'000
Advances	13,060	11,401
Unearned income	754	903
Total deposits and advances	**13,814**	**12,304**

Advances consists mainly of monies held by the Group as security deposits from developers for capital works.

Unearned income represents rental income received in advance.

5.5 Right-of-use assets and leases liabilities

5.5.1 **Right-of-use assets**

Consolidated entity	Land	Buildings	Equipment	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2020	**809**	**9,384**	**186**	**10,379**
Additions	-	-	83	83
Modification adjustments	8	(260)	-	(252)
Depreciation expense	(52)	(887)	(46)	(985)
Balance at 30 June 2021	**765**	**8,237**	**223**	**9,225**

Consolidated entity	Land	Buildings	Equipment	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2019	**861**	**10,268**	**15**	**11,144**
Additions	-	62	206	268
Depreciation expense	(52)	(946)	(35)	(1,033)
Balance at 30 June 2020	**809**	**9,384**	**186**	**10,379**

The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low value assets.

The right-of-use asset and corresponding liability are initially measured at the present value of the future lease payments.

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at cost comprising the amount of lease liabilities initially recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The net present value of the remaining lease payments is often an appropriate proxy for the fair value of relevant right-of-use assets at the time of initial recognition.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Description	**Depreciation method**	**Useful life**
Buildings	Straight line	2 – 15 years
Land under infrastructure assets	Straight line	2 – 25 years
Equipment	Straight line	2 – 5 years

Where the Group obtains ownership of the underlying leased assets or if the cost of the right-of-use asset reflects that the entity will exercise a purchase option, the entity depreciates the right-of-use asset over its useful life.

Subsequently, the right-of-use assets are measured under a fair value model. The Group applies the revaluation model in AASB 116 to right-of-use assets that relate to a class of property, plant and equipment. The revaluation model is applied to all of the right-of-use assets that relate to that class of property, plant and equipment. Under this valuation method, the right-of-use assets were assessed against market rental indicators and other relevant observations (such as size and location), where comparable, to determine any material movements in fair value. There were no material movements in fair value at 30 June 2021.

5.5.2 **Lease liabilities**

The following table represents the movement of lease liabilities:

Consolidated entity	**2021**	**2020**
	$'000	**$'000**
Opening Balance	10,639	11,144
Additions	83	268
Modification adjustments	(252)	-
Interest expense	261	287
Payment of principal element of lease liabilities	(1,034)	(1,060)
Total lease liabilities	**9,697**	**10,639**

The following amounts were recognised in the consolidated statement of comprehensive income for the year ending 30 June 2021 in respect of leases where the Group is the lessee:

Consolidated entity	**2021**	**2020**
	$'000	**$'000**
Interest expense	261	287
Expenses relating to short term leases [a]	145	617
Expenses relating to leases of low-value assets [a]	33	72
Income from sub leasing right-of-use assets	(132)	(106)
Depreciation expense of right of use asset	985	1,033
Total amounts recognised in statement of comprehensive income	**1,292**	**1,903**

[a] These expenses are recognised in other expenses in Note 3.1.

The Group leases various properties (buildings, car parks and land under infrastructure assets) and equipment. Lease agreements are typically made for fixed periods of 2 to 25 years, but may have extension options. 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.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.
Lease payments include:

- fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- lease extensions where there is an option to extend the term of the lease; and
- the exercise price of purchase options reasonably certain to be exercised by the Group.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

The Group's lease liabilities are included in interest bearing liabilities (refer Note 6.1).

Lease extensions and termination options
Some land and building leases contain extension options exercisable by the Group. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The Group assesses at the commencement date of the lease whether it is reasonably certain to exercise the extension options. In addition, the Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or changes in circumstances within its control.

Short-term leases and leases of low-value assets
Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise land, IT equipment and photocopiers with individual values less than $10,000 when new.

At 30 June 2021, the Group was committed to short term and/or low value leases and total commitment at that date was $0.2 million (2019–20: nil).

5.6 Other assets

Consolidated entity	**2021**	**2020**
	$'000	**$'000**
Inventories	5,453	5,605
Prepayments	5,091	8,259
Total other assets	**10,544**	**13,864**

Inventories consists of a variety of items on hand including stock, stores and materials for operational and maintenance purposes. These items are measured at the lower of weighted average cost and net realisable value.

Prepayments represents payments in advance of receipt of goods and services or that part of expenditure made in one accounting period covering beyond that period.

5.7 Other financial assets and liabilities

Consolidated entity	2021 $'000	2020 $'000
Other financial assets		
Investment in ZEW	15	-
Total other financial assets	**15**	**-**
Other financial liabilities		
Derivative financial instrument	1,096	-
Total other financial liabilities	**1,096**	**-**

South East Water Corporation is one of 13 water corporation Members of Zero Emissions Water Limited (ZEW), a public company limited by guarantee. ZEW's substantial objective is to acquire electricity, contracts for difference and other derivative products in relation to electricity, and/or green products from an energy and emissions reduction facility 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, South East Water Corporation's liability as a member is limited to $10 in the event of a wind up. As required by Australian Accounting Standards, South East Water 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. South East Water 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 South East Water Corporation.

On 30 October 2018, ZEW entered into an 11-year Power Purchasing Agreement (PPA) with a solar farm energy generator whereby ZEW will act as a central intermediary between the energy generator and the water corporations. The PPA contains a contract for difference (CfD) payment mechanism in respect of electricity generated by the facility and the sale and supply of large-scale generation certificates (LGCs) from the facility. The PPA contains certain conditions precedent which were due to be satisfied during the 2019–20 financial year.

The solar farm energy generator experienced a construction delay due to redesign of electrical infrastructure and a connection delay relating to generator restrictions and revised connection procedures advised by the Australian Electricity Market Operator (AEMO). Renegotiated terms resulted in an extension of the target commercial operation date to 1 October 2020 and a compensation settlement to ZEW for the delay. South East Water Corporation's share of the settlement is $406,013 which has been recognised in the consolidated statement of comprehensive income as other income (refer Note 2.2).

Further extensions were granted until 31 January 2021 as a result of delays in commissioning ZEW's section of the solar farm which delayed the meeting of the conditions precedents. South East Water Corporation's share of the settlement for these further delays was $167,374 which was recognised in the consolidated statement of comprehensive income as other income in the 2020-21 financial year.

Along with the settlement funds, South East Water Corporation was also able to purchase 3,127 replacement LGCs at the PPA price which have been recognised as intangible assets (refer note 4.3).

On 22 January 2021, the conditions precedent in the PPA was completed and the CfD derivative was recognised as a financial liability measured at its fair value. Subsequent changes in the derivative's fair value have been recognised in profit and loss. Refer to Note 8.2 for more information about the judgements and assumptions used in measuring fair value determination of derivative financial instruments.

South East Water Corporation now has an obligation to purchase its percentage of energy allocation under the Members' Agreement via the CfD derivative. South East Water Corporation's allocation is based on approximately 40% of its electricity consumption. The financial impact of the Members'

Agreement with ZEW has resulted in increased revenue and expenses, and the recognition of a derivative financial instruments and LGCs as intangible assets.

The Members' Agreement specifies that ZEW may call on South East Water Corporation to make a loan available to ZEW amounting up to $233,000. The loan, if requested by ZEW meets the definition of a financial asset as it gives rise to a contractual right for South East Water Corporation to receive cash from ZEW at the end of the loan term. At 30 June 2021, ZEW had requested and received a loan payment of $14,500. As this loan is concessional, it has been treated as an investment in ZEW and measured at amortised cost.

6. Financing our operations

Introduction:

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

Structure:

6.1 Interest bearing liabilities
  6.1.1 Maturity analysis of interest bearing liabilities
6.2 Finance costs
6.3 Cash flow information
  6.3.1 Reconciliation of net result to cash flow from operating activities

6.1 Interest bearing liabilities

Consolidated entity	**2021**	**2020**
	$'000	**$'000**
Current		
Borrowings	51,800	52,400
Lease liabilities	800	769
Total current interest bearing liabilities	**52,600**	**53,169**
Non-current		
Borrowings	2,055,000	1,895,000
Lease liabilities	8,897	9,870
Total non-current interest bearing liabilities	**2,063,897**	**1,904,870**
Total interest bearing liabilities	**2,116,497**	**1,958,039**

Borrowings are sourced from the Treasury Corporation of Victoria and secured by the Treasurer in the form of a government guarantee.

Borrowings are classified as financial instruments. All interest bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The measurement basis subsequent to initial recognition is based on the classification of interest bearing liabilities as financial liabilities at 'amortised cost'. This classification is determined at initial recognition.

The Group has classified borrowings which mature within 12 months as non-current liabilities on the basis that the entity will, and has the discretion to, refinance or rollover these loans with the Treasury Corporation of Victoria, pursuant to section 8 of the *Borrowings and Investment Powers Act 1987*. Borrowings known as 11am debt are classified as current borrowings at floating interest rate.

During the current and prior year, there were no defaults and breaches of any of the borrowings.

Lease liabilities are determined in accordance with AASB 16 (refer Note 5.5).

6.1.1 **Maturity analysis of interest bearing liabilities**

Consolidated entity	**Less than 1 year $'000**	**1 to 5 years $'000**	**More than 5 years $'000**	**Total $'000**
30 June 2021				
Borrowings – floating interest rate	26,800	-	-	26,800
Borrowings – fixed interest rate	25,000	820,575	1,234,425	2,080,000
Lease liabilities	800	3,009	5,888	9,697
Total interest bearing liabilities	**52,600**	**823,584**	**1,240,313**	**2,116,497**
30 June 2020				
Borrowings – floating interest rate	52,400	-	-	52,400
Borrowings – fixed interest rate	-	734,725	1,160,275	1,895,000
Lease liabilities	769	3,123	6,747	10,639
Total interest bearing liabilities	**53,169**	**737,848**	**1,167,022**	**1,958,039**

6.2 Finance costs

Consolidated entity	**2021 $'000**	**2020 $'000**
Interest expense from financial liabilities at amortised cost	56,584	59,925
Financial accommodation levy	24,012	23,555
Interest expense from lease liabilities	261	287
Bank charges	14	13
Total finance costs	**80,871**	**83,780**

Finance costs consists of interest and other costs incurred in connection with the borrowing of funds and are recognised as expenses in the period in which they are incurred. All qualifying assets (being assets that necessarily take a substantial period of time to get ready for their intended use or sale) are measured at fair value. Therefore any finance costs directly attributable to the acquisition, construction or production of these qualifying assets are not required to be capitalised and will continue to be expensed in the period in which they are incurred.

Financial accommodation levy is a levy applied to the Group to remove the market advantage that government entities may experience in borrowings as a result of being guaranteed by the State of Victoria. The financial accommodation levy is charged a commercial rate for new borrowings based on the Groups underlying credit rating and is paid into the State's Consolidated Fund in accordance with section 40N of the *Financial Management Act 1994* in respect of financial accommodation provided to the Group by the State Government of Victoria.

6.3 Cash flow information

For the purposes of the consolidated cash flow statement, cash includes cash at bank and on hand.

6.3.1 Reconciliation of net result to cash flow from operating activities

Consolidated entity	**2021 $'000**	**2020 $'000**
Net result after income tax	**90,393**	**87,079**
Depreciation and amortisation	117,027	103,977
Write-off of non-current assets	1,172	637
Net (profit) / loss on sales of assets	(3,733)	(4,304)
Developer contributed assets (received free of charge)	(70,052)	(64,679)
Defined benefit (income) / expenses	1,612	1,396
(Gain) / loss on revaluation of non-current asset	172	-
Net (gain) / loss on financial instruments	695	6,871
Initial recognition expense from financial derivative	1,144	-
Other non-cash movements lease related	261	287
Changes in operating assets and liabilities		
(Increase) / decrease in receivables	(3,809)	2,704
(Increase) / decrease in contract assets	(7,200)	(1,856)
(Increase) / decrease in income tax asset	-	2,537
(Increase) / decrease in other assets	(107)	(722)
Increase / (decrease) in payables	(1,691)	(8,073)
Increase / (decrease) in contract liabilities	2,614	(4,820)
Increase / (decrease) in income tax payable	10,719	2,561
Increase / (decrease) in net deferred tax liabilities	(3,032)	2,552
Increase / (decrease) in provisions	(856)	6,284
Increase / (decrease) in deposits and advances	274	846
Increase / (decrease) in derivative financial instrument	(48)	-
Increase / (decrease) in accrued interest payable	(1,522)	(922)
Net cash inflow from operating activities	**134,033**	**132,355**

7. Statutory obligations

Introduction:

This section provides information on the statutory financial obligations of the Group.

Structure:

7.1 Income tax

Consolidated entity	**2021 $'000**	**2020 $'000**
(a) Income tax expense		
The major components of income tax expense are:		
Current tax	40,947	33,115
Income tax under provided in prior year	-	-
Deferred tax expense / (income) relating to timing differences	(3,361)	2,553
	37,586	**35,668**
(b) Deferred income tax recognised in other comprehensive income		
Gain / (loss) on revaluation of infrastructure assets	(49,944)	(5,637)
Gain / (loss) on revaluation of land and buildings	7,453	-
Gain / (loss) on defined benefit superannuation plan actuarial	2,912	(1,976)
	(39,579)	**(7,613)**
(c) Reconciliation of income tax expense to prima facie tax payable		
Accounting profit before tax	**127,980**	**122,747**
Income tax calculated @ 30%	38,394	36,824
Add		
Non-deductible depreciation	-	14
Non-assessable gain from the sale of pre-CGT land	(849)	(1,234)
Non-deductible expenses	41	64
	37,586	**35,668**
(d) Income tax position		
Current tax payable	**13,559**	**2,561**
(e) Deferred tax items		
Deferred tax liabilities		
Defined benefit superannuation asset	205	-
Contract assets	891	1,037
Land and buildings	14,840	7,410
Infrastructure assets [(a)]	488,233	538,367
Total deferred tax liabilities	**504,169**	**546,814**
Recognised directly in equity	317,341	356,439
Recognised directly in net profit	186,828	190,375
Total deferred tax liabilities	**504,169**	**546,814**

[(a)] The majority of South East Water's deferred tax liability relates to infrastructure assets and the deferred tax payment will only be required if and when the Group is sold.

Consolidated entity	2021 $'000	2020 $'000
Deferred tax assets		
Provisions	(1,467)	(1,804)
Contract liability	(5,123)	(4,558)
Employee benefits	(7,842)	(7,329)
Property, plant and equipment	(4,389)	(3,021)
Leasehold improvements future deductible amounts	(327)	(326)
Defined benefit superannuation liability	-	(2,224)
Other	(562)	(155)
Total deferred tax assets	**(19,710)**	**(19,417)**
Recognised directly in equity	-	-
Recognised directly in net profit	(19,710)	(19,417)
Total deferred tax assets	**(19,710)**	**(19,417)**
Net deferred tax liabilities	**484,459**	**527,397**

The Group 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 difference between the NTER and the Commonwealth legislation is that the tax liability is paid to the Victorian State Government rather than the Commonwealth Government.

Income tax on the consolidated statement of comprehensive income for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, based on the national corporate income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities and any adjustment to tax payable in respect of previous years.

Deferred tax is providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes at balance date.

Deferred tax assets and liabilities are recognised 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 at balance date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are reported net of any deferred tax assets.

The Group has formed an income tax consolidated group consisting of South East Water Corporation and Iota Services Pty Ltd. South East Water Corporation is the head entity of the tax consolidated group.

7.2 Dividends

Consolidated entity	2021	2020
	$'000	$'000
Final dividend paid during 2019-20 in respect of 2018-19	-	51,000
Special dividend paid during 2019-20 in respect of 2019-20	-	65,300
Interim dividend paid during 2019-20 in respect of 2019-20	-	16,200
Final dividend paid during 2020-21 in respect of 2019-20	30,500	-
Interim dividend paid during 2020-21 in respect of 2020-21	17,400	-
Total dividends	**47,900**	**132,500**

Under the *Water Act 1989,* the Group is required to pay a dividend to the State of Victoria in accordance with a determination by the Treasurer of Victoria. An obligation to pay a dividend only arises after a formal determination is made by the Treasurer following consultation between the Board, the relevant portfolio Minister and the Treasurer.

7.3 Environmental contribution levy

Consolidated entity	2021	2020
	$'000	$'000
Environmental contribution levy	43,461	40,693
Total environmental contribution levy	**43,461**	**40,693**

The *Water Industry (Environmental Contributions) Act 2004* (the Act) amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water authorities. The Act establishes an obligation for authorities to pay annual contributions into a consolidated fund in accordance with the pre-established schedule of levy payments, which sets out the amounts payable by water authority. The levy payments commenced on 1 October 2004 and has since been extended until 30 June 2024.

The purpose of the environmental contribution levy is set out in the Act and the funding may be used for financing initiatives that seek to promote the sustainable management of water or address water-related initiatives. The Group has a statutory obligation to pay the environmental contribution levy to the Department of Environment, Land, Water and Planning.

Environmental contribution levy commitment

The environmental contribution levy at balance date, committed to in the future:

Consolidated entity	2021	2020
	$'000	$'000
Not later than one year	43,461	43,461
Later than 1 year and not later than 5 years	86,922	130,382
Total environmental contribution levy commitment	**130,383**	**173,843**

8. Risk, valuation judgements and contingencies

Introduction:

The Group is exposed to financial 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 Group related mainly to fair value determination.

Structure:

8.1 Financial instruments specific disclosures

Financial instruments arise out of contractual arrangements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Group's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines and penalties) – these assets and liabilities are not considered financial instruments.

Categories of financial instruments

Financial assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met:
- the asset is held within a business model whose objective is to collect the contractual cash flows
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Initial recognition
These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.
The Group recognises the following assets in this category:

- cash;
- receivables (excluding statutory receivables);
- investment in ZEW.

Derecognition of financial assets: A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired, or
- the Group 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 Group 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 Group has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Impairment of financial assets: At the end of each reporting period, the Group 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 Group has been recognising an allowance for expected credit losses for the relevant financial instruments. For further details, refer Note 5.1.1.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method. The Group recognises the following liabilities in this category:

- payables (excluding statutory payables)
- deposits and advances
- interest bearing liabilities.

Derecognition of financial liabilities: 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 in the consolidated statement of comprehensive income.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are categorised at fair value through profit or loss at trade date, or if they are classified as held for trading or designated as such upon initial recognition.

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 3.1).

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in fair value of derivatives after initial recognition are recognised in the consolidated statement of comprehensive income.

Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The board reviews and endorses policies for managing these risks. The Group uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Group's Finance, Assurance and Risk Management committee.

As a whole, the Group's financial risk management program seeks to manage these risks and the associated volatility of its financial performance. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, are disclosed in the financial asset and financial liability categories above.

The main purpose in holding financial instruments is to prudentially manage the Group's financial risks within the policy parameters adopted by the board.

Financial instruments: Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk is influenced by the individual characteristics of each customer.

Financial asset impairment under AASB 9

The Group has a broad customer base dispersed across the Group's service area. Receivable balances are monitored on an ongoing basis and as such the Group is not exposed to significant bad debts. The Group applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all receivables. The Group is continuously monitoring and assessing its credit risk profile due to the current economic impacts affecting customers. As a result, the Group has adjusted the credit risk profile in assessing the expected loss allowance in 2020–21. Refer Note 5.1.1.

Derivative

The Group's other credit risk arises from in-the-money receipts due from the Contracts for Difference derivative under the ZEW PPA. The Group 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 Group over the remaining PPA term.

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

Financial instruments: Liquidity risk

Liquidity risk refers to the risk of not being able to meet short term working capital needs and the financing of new and maturing debt as they fall due.

The Group is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees. The Group manages liquidity risk by maintaining and conducting efficient banking practices and account structures, sound cash management practices and regular monitoring of the maturity profile of assets and liabilities, together with anticipated cash flows.

The Group obtains annual approval from the Treasurer of Victoria for new borrowings, borrowings to refinance maturing and non-maturing loans and temporary purpose borrowing facilities.

The Group has adopted a long term capital structure that targets a gearing ratio of less than 60 per cent and funds from operations (FFO) net interest coverage of 2.0 to 3.0 times. These targets are used to ensure the Group is financially sustainable in the medium to long term. The gearing and interest coverage ratios for the years ended 30 June 2021 and 30 June 2020 are:

	2021	**2020**
Gearing - Net Debt/(Net Debt + Equity)	50.0%	49.9%
FFO net interest cover (times)	2.7	2.6

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

Financial instruments: 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 Group's exposure to the risk of adverse movements in interest rates relates primarily to its debt obligations with terms to maturity or next interest rate reset of less than one year.

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

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in the following table.

2021	Weighted average interest rate	Carrying amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000
Financial assets					
Cash	0.35%	2,827	-	2,827	-
Receivables		86,923	-	-	86,923
Investment in ZEW		15	-	-	15
Total financial assets		**89,765**	**-**	**2,827**	**86,938**
Financial Liabilities					
Payables		(97,197)	-	-	(97,197)
Deposits and advances		(13,814)	-	-	(13,814)
Borrowings - floating interest rate	0.32%	(26,800)	-	(26,800)	-
Borrowings - fixed interest rate	2.71%	(2,080,000)	(2,080,000)	-	-
Lease liabilities	2.40%	(8,897)	(8,897)	-	-
Total financial liabilities		**(2,226,708)**	**(2,088,897)**	**(26,800)**	**(111,011)**

2020	Weighted average interest rate	Carrying amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000
Financial assets					
Cash	0.90%	2,788	-	2,788	-
Receivables		74,521	-	-	74,521
Total financial assets		**77,309**	**-**	**2,788**	**74,521**
Financial Liabilities					
Payables		(113,211)	-	-	(113,211)
Deposits and advances		(12,304)	-	-	(12,304)
Borrowings - floating interest rate	0.83%	(52,400)	-	(52,400)	-
Borrowings - fixed interest rate	3.13%	(1,895,000)	(1,895,000)	-	-
Lease liabilities	2.60%	(10,639)	(10,639)	-	-
Total financial liabilities		**(2,083,554)**	**(1,905,639)**	**(52,400)**	**(125,515)**

Interest rate risk sensitivity

As at 30 June 2021, if interest rates changed by +/- 50 basis points from the year end rates with all other variables held constant, post-tax profit would have been $0.591 million higher / lower (2019–20: $0.597 million at +/- 25 basis points) as a result of higher / lower interest expense from variable interest rate borrowings.

Financial instruments: price risk

The Group 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 Group. The Group's sensitivity to price risk is set out in Note 8.2.1.

Other risks – Climate related risk

Climate change is a risk to the Group and includes the physical risk which can cause direct damage to operations, assets or property as a result of rising global temperatures, as well as transition risks which arise from the transition to low-carbon economy. At present, the Group is primarily exposed to climate change risk through extreme weather events such bushfires, storms and drought which affects water storage levels.

This risk is managed and monitored through a new Climate Adapt Steering Committee involving key stakeholders across the Group to embed climate resilience in the way we design and operate assets, deliver our services, and execute our climate adaptation strategy.

8.2 Fair value determination

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

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

8.2.1 Fair value determination of financial assets and liabilities

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

Level 1: the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices

Level 2: the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly

Level 3: the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The Group considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short term nature of the financial instruments and the expectation that they will be paid in full.

The Group's principal financial instruments are loans sourced from the Treasury Corporation of Victoria. The loans include overnight borrowings and fixed rate loans which are used to meet working capital requirements and fund capital expenditure programs.

Where the fair value of the financial instruments is different from the carrying amounts, the following table shows the carrying amounts and fair values of financial assets and financial liabilities, including levels within the fair value hierarchy. The table does not include fair value information for financial assets and financial liabilities not measured at fair value.

	30 June 2021		30 June 2020	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial liabilities				
Borrowings	2,106,800	2,225,782	1,947,400	2,110,758
Derivative financial instrument	1,096	1,096	-	-

There have been no transfers between levels during the period.

Borrowings
In the absence of an active market, the fair value of the Group's borrowings are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. Adjustments are made to the valuations when necessary to recognise differences in the instrument's terms. To the extent that the significant inputs are observable, the Group categorises these borrowings as Level 2 within the fair value hierarchy.

Derivative financial liabilities
The fair value of derivative instruments is based on the discounted cash flow technique. The selection of variables requires significant judgement and assumptions in estimating the fair value of derivatives. In the absence of an active market, the fair value of the Group's CfD derivative is valued using unobservable inputs such as future wholesale electricity prices provided by DELWP's independent advisor and comparable risk free rates of zero coupon government bonds obtained from the Reserve Bank of Australia. The assumptions underpinning the estimate of future wholesale electricity prices included factors influencing supply and demand fluctuations, and the economic impact of coronavirus

(COVID-19). In addition, assumptions are applied to forecast the renewable energy generation volumes over the life of the derivative instrument.
To the extent that the significant inputs are unobservable, the Group categories these derivatives as Level 3 within the fair value hierarchy.

Reconciliation of Level 3 fair value

2021 **Consolidated entity**	**Financial liability at fair value through profit or loss** **$'000**
Balance at 1 July	-
New financial instruments recognised in the period	1,144
Gains/(losses) recognised in profit or loss	-
Net cash settlements paid/(received)	48
Balance at 30 June	**1,096**

Description of significant unobservable inputs to Level 3 valuations for 2021

Consolidated entity	**Valuation technique**	**Significant unobservable inputs**	**2021 range (weighted average)**	**Sensitivity of fair value measurement to changes in significant unobservable inputs**
Derivative financial instruments	Income approach (discounted cash flow)	Wholesale electricity price forecasts	$20.83/MWh to $53.79/MWh ($37.29/MWh)	An increase/ (decrease) in the wholesale electricity price forecasts of 10% would result in an increase/ (decrease) fair value by $1.9 million.
		Discount rate – risk free rates of zero coupon government bonds	0.0185% to 1.7853% (0.6384%)	An increase/ (decrease) in the discount rate of 1% would result in an increase/ (decrease) fair value by $0.3 million.
		Credit value adjustment – Australian Corporate Bond Spreads and Yields FNFSBBB10M	136.34	An increase/ (decrease) in the credit value adjustment of 1% would result in an increase/ (decrease) fair value by $0.3 million.

8.2.2 **Fair value determination of non-financial physical assets**

In accordance with AASB 13 *Fair Value Measurement*, the Group determines the policies and procedures for both recurring fair value measurements such as infrastructure, property, plant and equipment and for non-recurring fair value measurements such as assets held for sale.

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

Level 1: quoted prices (unadjusted) in active markets for identical assets.

Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Group's non-financial assets have been categorised into the three levels of the fair value hierarchy:

Fair value measurement hierarchy

2021 Consolidated entity	Carrying amount at 30 June 2021	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Infrastructure assets	3,756,200	-	-	3,756,200
Specialised land	248,281	-	-	248,281
Non-specialised land	13,525	-	13,525	-
Specialised buildings	94,928	-	-	94,928
Plant and equipment	30,055	-	-	30,055
Leasehold improvements	119	-	-	119
Freehold Land held for sale	9,117	-	9,117	-
Total	**4,152,225**	**-**	**22,642**	**4,129,583**

2020 Consolidated entity	Carrying amount at 30 June 2020	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Infrastructure assets	3,765,700	-	-	3,765,700
Specialised land	159,109	-	-	159,109
Non-specialised land	22,791	-	22,791	-
Non-specialised buildings	84,502	-	-	84,502
Plant and equipment	23,304	-	-	23,304
Leasehold improvements	240	-	-	240
Freehold Land held for sale	4,640	-	4,640	-
Total	**4,060,286**	**-**	**27,431**	**4,032,855**

Infrastructure assets are measured using the income approach (i.e. discounted cash flows). The 'income approach' can be used to determine the fair value of property, plant and equipment in circumstances where there is no market-based evidence of 'fair value' because of the specialised nature of the asset(s). As the Group is classified as a for-profit entity for financial reporting purposes, the future economic benefits of the business's infrastructure assets are primarily dependent on their ability to generate net cash inflows. Accordingly, valuing infrastructure assets based on 'discounted cash flows' reflects their economic value.

The valuation model includes:

- calculating the forecast cash flows to debt and equity investors over a 10 year forecast period. Cash flows to debt and equity investors are those cash flows available after all operating expenses (including taxes) have been paid and necessary investments in working and fixed capital have been made.
- calculating a terminal value at the end of the 10 year forecast period. The terminal value is calculated by adopting the Gordon Growth methodology by applying the mid-point of the WACC, terminal growth rate and terminal cash flows. A single terminal value has been adopted due to the sensitive nature of the terminal value in the model.
- discounting the cash flows to the valuation date using the selected high and low WACC to adopt a mid-point ($3.8 billion).
- deducting non-infrastructure related assets and liabilities to derive the implied water infrastructure assets valuation.
- calculating the tax amortisation benefit (TAB) on the water infrastructure assets, which is an estimate of the present value of future tax amortisation benefits that may be received by a hypothetical market participant.
- adding the TAB to the implied water infrastructure assets valuation to arrive at the total value of the water infrastructure assets.

The valuation resulted in a valuation decrement of $166.5 million (2019-20: $18.8 million decrement). The effective date of the valuation is 30 June 2021.

The Group engaged KPMG to independently perform both the 30 June 2020 and 2021 infrastructure assets valuation. As the assumptions used to determine the value of infrastructure assets are considered significant unobservable inputs, infrastructure assets are classified as Level 3 fair value measurements.

Land and buildings were independently valued by the Valuer-General Victoria's Office at 30 June 2021, in accordance with FRD 103I resulting in a valuation increment of $105.5 million. The market is being impacted by the uncertainty caused by COVID-19. As at the date of the valuation, the valuer considers that there is market uncertainty resulting in significant valuation uncertainty.

Specialised land is also valued using the market approach, adjusted for community service obligation (CSO) to reflect the specialised nature of the land being valued. The CSO adjustment is a reflection of the valuers 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 for CSOs are considered as significant unobservable inputs, specialised land is classified as Level 3 assets.

Non-specialised land is valued using the market approach, being market value based on highest and best use permitted by relevant land planning provisions. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value. The valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From the sales analysed, an appropriate rate per square metre has been applied to the subject asset.

To the extent that non-specialised land do not contain significant, unobservable adjustments, these assets are classified as Level 2 assets.

Specialised buildings are measured using the current replacement cost method using the best available evidence from recognised building cost indicators, adjusting for the associated depreciations. As depreciation adjustments are considered as significant unobservable inputs, these assets are classified as Level 3 assets.

Plant and equipment is held at fair value. As there is little evidence of a reliable market-based fair value for plant and equipment (or any such evidence does not indicate a fair value significantly different from depreciated cost), current replacement cost is used to calculate the fair value for these types of assets. To the extent that the fair value estimate of plant and equipment is based on significant unobservable inputs, these assets are classified as Level 3 assets.

Leasehold improvements are held at fair value. As there is no evidence of a reliable market-based fair value (or other relevant fair value indicators) for leasehold improvements (or any such evidence does not indicate a fair value significantly different from depreciated cost), current replacement cost is the fair value for these types of assets. To the extent that leasehold improvements is based on significant unobservable inputs, these assets are classified as Level 3 assets.

There were no other changes in valuation techniques throughout the period to 30 June 2021.

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

Reconciliation of Level 3 fair value

Reconciliations of the carrying amounts of each class of infrastructure, property, plant and equipment between the beginning and the end of the current financial year are set out in the following table.

2021 **Consolidated entity**	**Infrastructure assets**	**Specialised land**	**Specialised buildings**	**Plant and equipment**	**Leasehold improvements**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July	3,765,700	165,911	84,502	23,304	240	**4,039,657**
Transfer into class from work in progress	243,108	-	-	15,976	24	**259,108**
Disposals	(330)	-	(497)	(1,135)	-	**(1,962)**
Depreciation	(85,799)	-	(2,536)	(8,090)	(145)	**(96,570)**
Sub total	**3,922,679**	**165,911**	**81,469**	**30,055**	**119**	**4,200,233**
Revaluation gains/(losses)	(166,479)	82,370	13,459	-	-	**(70,650)**
Sub total	**(166,479)**	**82,370**	**13,459**	**-**	**-**	**(70,650)**
Balance at 30 June	**3,756,200**	**248,281**	**94,928**	**30,055**	**119**	**4,129,583**

2020 **Consolidated entity**	**Infrastructure assets**	**Specialised land**	**Specialised buildings**	**Plant and equipment**	**Leasehold improvements**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July	3,697,199	165,911	85,881	21,612	379	**3,970,982**
Transfer into class from work in progress	166,206	-	1,132	10,398	22	**177,758**
Disposals	(505)	-	-	(1,457)	-	**(1,962)**
Depreciation	(78,405)	-	(2,511)	(7,249)	(161)	**(88,326)**
Sub total	**3,784,495**	**165,911**	**84,502**	**23,304**	**240**	**4,058,452**
Revaluation gains/(losses)	(18,795)	-	-	-	-	(18,795)
Sub total	**(18,795)**	**-**	**-**	**-**	**-**	**(18,795)**
Balance 30 June	**3,765,700**	**165,911**	**84,502**	**23,304**	**240**	**4,039,657**

Description of significant unobservable inputs to Level 3 valuations for 2021 and 2020

Consolidated entity	Valuation technique	Significant unobservable inputs	2021 range (weighted average)	2020 range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Infrastructure assets	Income approach (discounted cash flow)	Discount rates (WACC)	4.3% to 4.9% (4.6%)	4.6% to 5.3% (5.0%)	An increase/ (decrease) of 25 bps in the discount rate would result in a decrease of ($906.6) million, or (24.1%), or an increase of $1,335.7 million, or 35.6% to the fair value.
		Terminal value growth rate	3.25%	3.25%	An increase/ (decrease) of 25 bps in the terminal growth rate would result in an increase of $1,166.6 million, or 31.1% or a decrease of ($802.1) million, or (21.4%) to the fair value.
		Terminal value capital expenditure	$202.3 million	$160.0 million	An increase/ (decrease) in the terminal value capital expenditure of 10% would result in an increase/ (decrease) of $861.2 million or 22.9% to the fair value.
Specialised land	Market approach	Community service obligation adjustment	10% – 40% (20%)	20% – 40% (21%)	A significant increase/ (decrease) in the community service obligation adjustment would result in a significantly lower (higher) fair value.
Non-specialised buildings	Current replacement cost (deemed fair value)	Cost per unit	$3,000 – $51,450,000 ($4,997,000)	$3,000 – $45,030,000 ($4,024,000)	A significant increase/ (decrease) in cost per unit would result in a significantly higher or lower fair value.
		Useful life of plant and equipment	20 - 50 years (30 years)	20 - 50 years (30 years)	A significant increase/ (decrease) in the estimated useful life would result in a significantly higher or lower valuation.
Leasehold improvements	Current replacement cost (deemed fair value)	Cost per unit	$700 – $43,500 ($9,135)	$2,900 – $77,000 ($17,000)	A significant increase/ (decrease) in cost per unit would result in a significantly higher or lower fair value.
		Useful life of leasehold improvements (lease term)	3 – 11 years (8 years)	3 – 10 years (7 years)	A significant increase/ (decrease) in the lease term would result in a significantly higher or lower valuation.
Plant and equipment	Current replacement cost (deemed fair value)	Cost per unit	$1 – $1,730,00 ($10,330)	$1 – $2,005,000 ($6,100)	A significant increase/ (decrease) in cost per unit would result in a significantly higher or lower fair value.
		Useful life of plant and equipment	4 – 25 years (5 years)	4 – 30 years (6 years)	A significant increase/ (decrease) in the estimated useful life would result in a significantly higher or lower valuation.

8.3 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised on the balance sheet but are disclosed and, if quantifiable are measured at nominal value. Contingent assets and contingent liabilities are disclosed inclusive of GST receivable or payable respectively.

Contingent assets

In the ordinary course of business, developers often provide a commitment to the Group to construct water and sewerage assets. The assets are constructed within an agreed timeframe, generally 12 months, and upon completion are transferred to the Group at no cost.

As at 30 June 2021, various developers have agreed to construct water and sewerage infrastructure assets to the value of $115.0 million (2019–20 $98.5 million). This value relates to $77.9 million of assets which are under construction (2019–20 $67.4 million) and $37.1 million of assets which have not commenced construction (2019–20 $31.0 million).

Contingent liabilities

Contingent on the construction of assets, the Group is liable to reimburse developers a total amount of $35.6 million (2019–20 $30.7 million) for additional works constructed at the Group's request. This reimbursement together with future investment for urban growth by the Group or developers will be recovered through a combination of new customer contributions, plus service and usage charges from all customers. This is consistent with the Essential Services Commission's final determination for water and sewerage prices in June 2018 (for the 2020–21 year).

Other contingent assets and liabilities

Consolidated entity	**2021 $'000**	**2020 $'000**
Contingent assets – legal matters	36	36

The Group also has contingent liabilities arising from disputes in the ordinary course of business and considered immaterial.

9. Other disclosures

Introduction:

This section provides information on other disclosures as required by Australian Accounting Standards or Victorian Government Financial Reporting Directions.

Structure:

9.1 Responsible persons and executive officer disclosures

9.1.1 Responsible persons

The relevant Minister and directors of the Group are deemed to be the responsible persons by ministerial direction pursuant to the provisions of the *Financial Management Act 1994*.

The responsible Minister during the 2020–21 reporting period are as follows:

- The Hon Lisa Neville MP, Minister for Water
- The Hon Richard Wynne, Acting Minister for Water from 13 February 2021

Remuneration paid to the responsible Ministers is shown in the financial statements of the Department of Parliamentary Services.

The names of persons who were directors of South East Water at any time during the financial year are as follows:

Ms L Cade	1/07/2020 – 30/06/2021	Chair
Ms G Bell	1/07/2020 – 30/06/2021	Director
Mr P Day	1/07/2020 – 30/06/2021	Director
Mr T Lyons	1/07/2020 – 30/06/2021	Director
Ms K McGrath	1/07/2020 – 30/06/2021	Director
Mr A Wood	1/07/2020 – 30/06/2021	Director
Ms L Asher	1/07/2020 – 30/06/2021	Director
Mr J Kambovski	1/07/2020 – 30/06/2021	Director
Ms L Olsen	1/07/2020 – 30/06/2021	Managing Director and Accountable Officer

The number of directors who received remuneration from the Group within the specified bands as follows:

			2021	2020
			No	**No**
$10,000	–	$19,999	-	2
$30,000	–	$39,999	-	2
$50,000	–	$59,999	7	5
$60,000	–	$69,999	-	1
$90,000	–	$99,999	1	1
$160,000	–	$169,999	-	1
$240,000	–	$249,999	-	1
$410,000	–	$419,999	1	-
Total			**9**	**13**

9.1.2 Executive officers

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

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the Group, or on behalf of the Group, in exchange for services rendered, 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 benefits or deferred compensation.

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

	2021	2020
	$'000	**$'000**
Short-term employee benefits	2,777	2,162
Post-employment benefits	191	174
Other long-term benefits	47	37
Termination benefits	209	79
Total remuneration	**3,224**	**2,452**
Total number of executives	**11**	**10**
Total annualised employee equivalents [(a)]	**8.7**	**8.0**

[(a)] Annualised employee equivalent is based on the time fraction worked over the reporting period.

9.2 Related parties

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

Related parties of the Group 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
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

9.2.1 Key management personnel

Key management personnel (as defined in AASB 124 *Related Party Disclosures*) includes the responsible Minister, the Managing Director and all other directors listed under responsible persons in Note 9.1.1 who have the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly, during the financial year.

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

	2021	2020
	$'000	**$'000**
Short-term employee benefits	811	862
Post-employment benefits	62	62
Other long-term benefits	10	13
Total remuneration [a]	**883**	**937**

[a] There are two executive officers who are deemed KMPs of Iota Services Pty Ltd, subsidiary of South East Water Corporation. Their remuneration is disclosed under Note 9.1.2 in discharging their responsibility as executive officers of the Group.

9.2.2 Significant transactions and balances with key management personnel and other related parties

Outside of normal citizen type transactions (such as water bills), there were no material related party transactions that involved key management personnel, their close family members and their personal business interests during the reporting period other than remuneration for employment. In this context, transactions are only disclosed when they are considered necessary to draw attention to the possibility that our Consolidated Statement of Comprehensive Income and Consolidated Balance Sheet may have been affected by the existence of related parties, and by transactions and outstanding balances. Further, no provision has been required, nor any expense recognised, for impairment of receivables from related parties.

9.2.3 Significant transactions and balances with government-related parties

Department of Environment, Land, Water and Planning

The Department of Environment, Land, Water and Planning (DELWP) leads and directs the Group for implementing the framework for achieving the Victorian Government's responsibilities for sustainability of the natural and built environment.

The Group, under a normal commercial agency agreement, bills and collects charges relating to Parks Victoria services on behalf of DELWP. Due to the nature of the agency/principal relationship the Group does not recognise these amounts in its accounts. The Group recognises an administration fees for the collection of Parks Victoria charges as revenue. In addition, the environment contribution levy is paid to DELWP on a quarterly basis.

The Group also receives and makes various other payments to and from DELWP which are recognised as revenue and expenses.

Consolidated entity	**2021**	**2020**
	$'000	**$'000**
Payments		
Parks charge collected on behalf of DELWP	67,608	67,004
Environmental contribution levy	43,461	40,693
Receipts		
Administration fees for collection of Parks Victoria charges	2,696	2,724
Project contributions	800	-
Payable at 30 June		
Parks charge collected on behalf of DELWP	18	7
Receivable at 30 June		
Administration fees for collection of Parks Victoria charges	224	156

Department of Treasury and Finance

The Department of Treasury and Finance (DTF) administers the *Water Act 1989* and the *Financial Management Act 1994* with which the Group is required to comply. The Group is required to pay income taxes, the financial accommodation levy and dividends to DTF.

Consolidated entity	**2021**	**2020**
	$'000	**$'000**
Payments		
Dividend payments	47,900	132,500
Taxes and levies	51,875	51,489
Payable at 30 June		
Taxes and levies	19,750	9,120

Melbourne Water Corporation

Melbourne Water Corporation has the same controlling entities as the Group, and is therefore considered to be a related party. The Group transacts solely with Melbourne Water Corporation for the purchase of potable water and disposal of sewage.

The Group, under a normal commercial agency agreement, bills and collects drainage rates on behalf of Melbourne Water Corporation. Due to the nature of the agency/principal relationship the Group does not recognise these amounts in its accounts. The Group recognises administration fees for the collection of Melbourne Water Corporation’s charges as revenue.

Consolidated entity	**2021**	**2020**
	$'000	**$'000**
Payments		
Bulk water and sewage charges	520,259	531,813
Drainage charges collected on behalf of Melbourne Water	94,888	92,721
Receipts		
Administration fees for collection of drainage and other charges	5,451	5,286
Payable at 30 June		
Bulk water and sewage charges and drainage charges	2,434	2,753

Treasury Corporation of Victoria

The Group borrows from, and invests with, the Treasury Corporation of Victoria (TCV) with transactions based on market interest rates. TCV also provides advisory and administrative services under normal commercial terms (these services are included in the interest rate).

Consolidated entity	**2021**	**2020**
	$'000	**$'000**
Payments		
Finance and interest costs	41,644	43,431
Receipts		
Proceeds from borrowings	159,400	235,100
Payable at 30 June		
Total borrowings and accrued interest expense	2,121,740	1,963,893

Department of Families, Fairness and Housing

The Department of Families, Fairness and Housing (DFFH) provides a number of services to the community including the provision of rebates and grants to concession holders. The Group receives various payments from and makes various payments to DFFH which are recognised as revenue and expenses.

Consolidated entity	**2021**	**2020**
	$'000	**$'000**
Receipts		
Customer rebate reimbursements	51,587	46,228
Administration expenses	274	274
Receivable at 30 June		
Customer rebate reimbursements	2,389	2,244

Iota Services Pty Ltd

Iota Services Pty Ltd is a wholly-owned subsidiary of South East Water Corporation. During the financial year ended 30 June 2021, South East Water Corporation purchased goods and services and provided accounting and administrative assistance to Iota Services Pty Ltd. Since its formation in January 2015, Iota Services Pty Ltd provides indemnity for its directors as specified under its constitution.

Iota Services Pty Ltd has a financial accommodation facility to borrow up to a maximum of $5.0 million from South East Water. At 30 June 2021, Iota Services Pty Ltd is currently not using this facility.

Where loans are entered into, they are unsecured and the interest rate on the loan is based on the prevailing Treasury Corporation of Victoria's floating interest rate applied to South East Water Corporation, which is directly on passed to Iota Services Pty Ltd. All financial transactions between South East Water Corporation and Iota Services Pty Ltd are eliminated upon consolidation.

Zero Emissions Water – Power Purchase Agreement

ZEW is a related party of The Group. Below is a summary of transactions and holdings with ZEW:

Consolidated entity	**2021**	**2020**
	$'000	**$'000**
Payments	135	29
Receipts	168	406
Investment in ZEW	15	-

Water and sewerage services

Water and sewerage services were provided to related parties for properties within the Group's boundary on the same terms and conditions that apply to all other customers.

Other transactions

All other transactions with Victorian Government related party entities were made on normal commercial terms and conditions.

No provision for doubtful debts has been raised in relation to any of the above outstanding balances, and no expense has been recognised in respect of bad and doubtful debts due from related parties.

Guarantees given/received

The State Government of Victoria has provided a guarantee on loans sourced from the Treasury Corporation of Victoria (*Borrowing and Investment Powers Act 1987*). There were no other guarantees given to or received from any related parties.

9.3 Defined benefit superannuation

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. Some defined benefit members are also eligible for pension benefits in some cases. The defined benefit section of the Equipsuper Plan is closed to new members. All new members receive accumulation only benefits.

A liability or asset in respect of defined benefits superannuation is recognised and measured as the difference between the present value of employees' accrued benefits at reporting date and the net market value of the superannuation plan's assets at that date.

Actuarial gains and losses arising from the Group's defined benefit superannuation scheme are recognised immediately in Other Comprehensive Income in the Consolidated Statement of Comprehensive Income in the year in which they occur.

The Superannuation Industry (Supervision) (SIS) legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions unless an exemption has been obtained.

The Plan's Trustee is responsible for the governance of the Plan. The Trustee has a legal obligation to act solely in the best interests of Plan beneficiaries. The Trustee has the following roles:

- administration of the Plan and payment to beneficiaries from Plan assets when required in accordance with the Plan rules;
- management and investment of the Plan assets; and
- compliance with superannuation law and other applicable regulations.

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licenses and supervises regulated superannuation plans.

There are a number of risks to which the Plan exposes the Group. The more significant risks relating to the defined benefits are:

- **investment risk** – The risk that investment returns will be lower than assumed and the Group will need to increase contributions to offset this shortfall.
- **salary growth risk** – The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- **legislative risk** – The risk is that legislative changes could be made which increase the cost of providing the defined benefits.
- **pension risks** – The risk is firstly that pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period. Secondly, that a greater proportion of eligible members will elect to take a pension benefit, which is generally more valuable than the corresponding lump sum benefit.

- **inflation risk** – The risk that inflation is higher than anticipated, increasing pension payments, and thereby requiring additional employer contributions.

The defined benefit assets are invested in the Equipsuper Defined Benefit and Cash investment options. The assets are diversified within these investment options and therefore the Plan has no significant concentration of investment risk.

Description of significant events
There were no plan amendments affecting the defined benefits payable, curtailments or settlements during the year.

Movement reconciliation

2021	Fair value of plan assets $'000	Defined benefit obligation $'000	Net defined benefit asset/ (liability) $'000
Balance at 1 July	**60,887**	**68,300**	**(7,413)**
Current service cost	-	1,544	(1,544)
Interest income	630	-	630
Interest expense	-	698	(698)
Actual return on plan assets less interest income	5,377	-	5,377
Contributions by plan participants	427	427	-
Actuarial gains/(losses) arising from changes in demographic assumptions	-	-	-
Actuarial gains/(losses) arising from changes in financial assumptions	-	(7,601)	7,601
Actuarial gains/(losses) arising from liability experience	-	3,271	(3,271)
Benefits paid	(2,701)	(2,701)	-
Taxes, premiums and expenses paid	(133)	(133)	-
Balance at 30 June	**64,487**	**63,805**	**682**

2020	Fair value of plan assets $'000	Defined benefit obligation $'000	Net defined benefit asset/ (liability) $'000
Balance at 1 July	**68,056**	**67,488**	**568**
Current service cost	-	1,405	(1,405)
Interest income	830	-	830
Interest expense	-	821	(821)
Actual return on plan assets less interest income	211	-	211
Contributions by plan participants	477	477	-
Actuarial gains/(losses) arising from changes in demographic assumptions	-	7,473	(7,473)
Actuarial gains/(losses) arising from changes in financial assumptions	-	(1,185)	1,185
Actuarial gains/(losses) arising from liability experience	-	508	(508)
Benefits paid	(8,452)	(8,452)	-
Taxes, premiums and expenses paid	(235)	(235)	-
Balance at 30 June	**60,887**	**68,300**	**(7,413)**

The asset ceiling has no impact on the net defined benefit liability/(asset).

Fair value of plan assets	Total	Quoted prices in active markets for identical assets - Level 1	Significant observable inputs - Level 2	Unobservable inputs - Level 3
30 June 2021	**$'000**	**$'000**	**$'000**	**$'000**
Asset category				
Investment funds	64,487	-	64,487	-
Total	**64,487**	**-**	**64,487**	**-**

The percentage invested in each asset class at the reporting date is:

As at	30 June 2021	30 June 2020
Australian equity	15%	11%
International equity	18%	15%
Fixed income	13%	13%
Property	7%	5%
Growth alternatives	10%	10%
Defensive alternatives	14%	14%
Cash	23%	32%

The fair value of Plan assets includes no amounts relating to:

- any of the Group's own financial instruments
- any property occupied by, or other assets used by, the Group.

Significant actuarial assumptions at reporting date

	Assumptions to determine defined benefit cost for the year ending:		Assumptions to determine defined benefit obligation as at:	
	30 June 2021	**30 June 2020**	**30 June 2021**	**30 June 2020**
Discount rate	1.10%	1.30%	1.70%	1.10%
Expected salary increase rate	2.79%	3.00%	2.00%	2.79%
Expected pension increase rate	2.00%	2.50%	2.00%	2.00%

Sensitivity analysis

The defined benefit obligation as at 30 June 2021 under several scenarios is presented below.
Scenario A: 0.5% p.a. lower discount rate assumption
Scenario B: 0.5% p.a. higher discount rate assumption
Scenario C: 0.5% p.a. lower salary increase rate assumption
Scenario D: 0.5% p.a. higher salary increase rate assumption
Scenario E: 0.5% p.a. lower pension increase rate assumption
Scenario F: 0.5% p.a. higher pension increase rate assumption

	Base case	Scenario A -0.5%p.a. discount rate	Scenario B +0.5%p.a. discount rate	Scenario C -0.5%p.a. salary increase rate	Scenario D +0.5%p.a. salary increase rate	Scenario E -0.5%p.a. pension increase rate	Scenario F +0.5%p.a. pension increase rate
Discount rate	1.7%	1.2%	2.2%	1.7%	1.7%	1.7%	1.7%
Salary increase rate	2.0%	2.0%	2.0%	1.5%	2.5%	2.0%	2.0%
Pension increase rate	2.0%	2.0%	2.0%	2.0%	2.0%	1.5%	2.5%
Defined benefit obligation[(a)] ($'000)	63,805	67,823	60,165	62,288	65,385	61,796	66,018

[(a)] includes contributions tax provision

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

No asset and liability matching strategies have been adopted by the Plan.

Funding arrangements

The Equipsuper Contribution and Funding Policy provides for a review of the financial position of the Plan each six months, as at 30 June and 31 December, with the Group's contribution rate comprising a long-term contribution rate and an adjustment to meet the financing objective of a target funding ratio of 104 per cent.

The target funding ratio reflects the proportion of salary related benefits and the allocation to "growth" assets for each EBA. The funding ratio is the ratio of assets to accrued liabilities, being the greater of vested benefits and the present value of past membership benefits.

Where the funding ratio is greater than 100 per cent the financing objective is to achieve the target funding ratio over five years. Where the funding ratio is less than 100 per cent the primary financing objective is to achieve 100 per cent over three years and the target funding ratio over five years.

A review of the financial position of the plan occurs twice a year at 30 June and 31 December, every year. The Group continues to contribute salary sacrifice contributions and at the required rates for accumulation members.

The expected employer contributions for the financial year ending 30 June 2022 is nil.

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation as at 30 June 2021 is eleven years (2019–20: nine years).

Expected benefit payments for the financial year ending on:	**$'000**
30 June 2022	3,961
30 June 2023	4,214
30 June 2024	4,449
30 June 2025	4,858
30 June 2026	4,692
Following 5 years	21,458

9.4 Ex-gratia expenses

Consolidated entity	**2021**	**2020**
	$'000	**$'000**
Forgiveness or waiver of debt [a]	115	171
Termination payments [b]	-	65
Closing balance	**115**	**236**

[a] Forgiveness or waiver of customer debt due to financial hardship or not economical to pursue. These ex-gratia expenses are recognised as part of bad and doubtful debts in the consolidated statement of comprehensive income.

[b] Termination payments relate to additional amounts provided in excess of the employees' entitlements. These ex-gratia expenses are recognised as part of employee benefit costs in Note 3.2.1.

Ex-gratia expenses greater than or equal to $5,000 or those considered material in nature are disclosed above.

9.5 Auditor remuneration

Consolidated entity	2021 $'000	2020 $'000
Victorian Auditor-General's Office - audit of the Group's financial statements	220	160

9.6 Controlled entities

The consolidated financial statements at 30 June 2021 include the following controlled entity. The financial year of the controlled entity is the same as that of the parent entity.

Controlled entity	Place of incorporation	Book value of parent entity's investment		Percentage of shares held		Contribution to the results in $'000	
		2021	2020	2021	2020	2021	2020
Iota Services Pty Ltd	Australia	$1	$1	100	100	303	(142)

Prior to 1 January 2015 Iota operated as an unregulated business division of South East Water Corporation. The relevant activities of Iota Services Pty Ltd include plumbing services, low pressure sewer solutions and the sale of OneBox® products.

There are no restrictions (statutory, contractual or regulatory) that can affect South East Water Corporation's ability to access or use the assets and settle the liabilities of the group.

South East Water is not contractually required to provide any other financial support to Iota Services Pty Ltd. Iota Services Pty Ltd has a financial accommodation facility to borrow up to a maximum of $5.0 million from South East Water. At 30 June 2021, Iota Services Pty Ltd is not using this facility.

9.6.1 Parent entity information – South East Water Corporation

Information relating to South East Water Corporation	2021 $'000	2020 $'000
Current assets	189,809	171,158
Non-current assets	4,577,262	4,459,502
Total assets	**4,767,071**	**4,630,660**
Current liabilities	224,939	227,895
Non-current liabilities	2,551,339	2,442,434
Total liabilities	**2,776,278**	**2,670,329**
Contributed equity	386,148	386,148
Reserves	858,740	877,079
Retained earnings	745,905	697,104
Total equity	**1,990,793**	**1,960,331**
Net profit after tax of parent entity	89,907	87,231
Total comprehensive income	78,365	69,464

9.7 Events occurring after balance date

COVID-19

Since balance date, the State government announced on 15 July 2021 that the State of Victoria would enter into a seven day lockdown, which was subsequently extended by a further seven days due to the highly infectious Delta variant of the virus. The restrictions were in line with previous lockdowns, to limit community movements and therefore limit the spread of the virus (Delta variant). The Victorian Government further announced cash support for eligible Victorian Businesses during lockdown. The Federal government also committed to fund income support payments for eligible workers affected by the public health restrictions. As restrictions were gradually easing in late July 2021, there were further suspected Delta cases in the community resulting in the State of Victoria entering into lockdown 6.0 on 5 August 2021. This has since been extended until 2 September with further tightening of restrictions, including travel limits, permits for authorised workers and curfews.

At the time of completion of the 2020–21 consolidated financial report, the Group is continuing to monitor the non-financial and financial impacts. However, due to the recent snap lockdowns and uncertainty around the severity of the most recent lockdown, it is not possible to estimate the full economic consequences.

Some key areas that management are continuing to monitor since COVID-19 in 2019 include:

- increase in customer debts, due to financial hardship caused by lockdown restrictions
- changes to developer activities and potential construction delays, due to lockdown restrictions and social distancing measures, and
- potential changes in investment values in the equity markets.

The Group has a strong financial position, a robust financial framework and has put measures in place to manage the financial position. The measures taken are aimed at reducing discretionary expenditure and enhancing liquidity.

Other than disclosed above, there are no other matters or circumstances that have occurred after reporting date that may significantly impact the Group’s operations in future reporting periods.

9.8 Australian Accounting Standards issued that are not yet effective

The following applicable Australian Accounting Standards and interpretations have been issued but are not yet effective and therefore have not been adopted for the annual reporting period ending 30 June 2021:

Standard / Interpretation	**Summary**	**Effective date**	**Estimated impact**
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.	1 January 2023	The standard is not expected to have a significant impact on the Group.

Standard / Interpretation	Summary	Effective date	Estimated impact
AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*	Amendments to existing accounting standards. particularly in relation to: AASB 1 - simplifies the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. AASB 3 - to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. AASB 9 - to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. AASB 116 - to require an entity to recognise the sales proceeds from selling items produced while preparing infrastructure, property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset. AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* - to specify the costs that an entity includes when assessing whether a contract will be loss-making. AASB 141 *Investment Property* - to remove the requirement to exclude cash flows from taxation when measuring fair value. Thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.	1 January 2022	The standard is not expected to have a significant impact on the Group.

Appendices

Appendix 1 - South East Water Corporation Financial management compliance attestation statement

I, Lucia Cade, on behalf of the South East Water board, certify that South East Water Corporation has no material compliance deficiencies with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.

Lucia Cade

Chair, South East Water Corporation

30 August 2021

Appendix 2 – performance reporting

Table 20. ***Financial performance indicators***

KPI number	Key performance indicator	2020–21 result	2019–20 result	2020–21 target	Variance to prior year	Notes	Variance to target	Notes
F1	**Cash Interest Cover** Net operating cash flows before net interest and tax / net interest payments	3.0	2.9	3.0	3.4%		0.0%	
F2	**Gearing Ratio** Total debt (including finance leases) / total assets * 100	44.4%	42.3%	45.1%	5.0%		-1.6%	
F3	**Internal Financing Ratio** Net operating cash flow less dividends / net capital expenditure * 100	35.3%	-0.1%	33.3%	35400.0%	1	6.0%	
F4	**Current Ratio Current assets / current liabilities** (excluding long-term employee provisions and revenue in advance)	1.1	1.0	1.4	10.0%	2a	-21.4%	2b
F5	**Return on Assets Earnings before net interest and tax** / average assets * 100	4.4%	4.5%	3.8%	-2.2%		15.8%	3
F6	**Return on Equity** Net profit after tax/average total equity * 100	4.6%	4.4%	3.6%	4.5%		27.8%	4
F7	**EBITDA Margin** Earnings before interest, tax, depreciation and amortisation/total revenue * 100	30.9%	29.7%	29.3%	4.0%		5.5%	

Notes:

1. The favourable internal financing variance to prior year is largely due to higher dividend payments in 2019–20 of $132.5 million compared with $47.9 million in 2020–21.

2a. The favourable current ratio variance is driven by higher receivable balance at 30 June 2021 compared to 30 June 2020 associated with our Aquarevo joint arrangement with Villawood for the sale of land parcels, customers bills and also accrued revenue from customers not yet billed. Further, current liabilities have decreased as a result the timing of a large accrued expense from one of South East Water’s key suppliers at 30 June 2020.

2b. The unfavourable current ratio variance against target is largely driven by higher budgeted debt from customer bills at 30 June 2021 in anticipation of customers’ ability to pay their bills due to the economic impacts of COVID-19.

3. The favourable return on asset ratio variance against target is largely driven by higher developer contribution revenue of $103.0 million during the current year compared to budget of $64.1 million, where developer activity was not significantly impacted by the COVID-19 as anticipated and lower environmental contribution levy of $43.5 million compared to budget of $52.2 million following confirmation from the Department of Environment, Land, Water and Planning. In addition, average total assets are lower when compared to budget as a result of the lower than anticipated receivable balance at 30 June 2021.

4. The favourable return on equity ratio variance against target is largely driven by higher developer contribution revenue as described above. In addition, average total equity at 30 June 2021 is lower than budget as a result of the valuation decrement to infrastructure assets of $166.5 million, offset by increments to land and building assets of $92.0 million and $13.5 million, respectively.

Table 21. ***Water and sewerage service performance indicators***

KPI number	Key performance indicator	2020–21 result	2019–20 result	2020–21 target	Variance to prior year	Notes	Variance to target	Notes
WS1	**Unplanned water supply interruptions*** Number of customers receiving 5 unplanned interruptions in the year / total number of water (domestic and non-domestic) customers x 100	0.039%	0.031%	0.065%	25.8%	5a	-40.0%	5b
WS2	**Interruption time** Average duration of unplanned water supply interruptions (minutes)	84.2	81.6	88.0	3.2%		-4.3%	
WS3	**Restoration of unplanned water supply** Unplanned water supply interruptions restored within 5 hours / total unplanned water supply interruptions x 100	97.7%	97.0%	98.5%	0.7%		-0.8%	
SS1	**Containment of sewer spills** (*) Sewer spills from reticulation and branch sewers contained within 5 hours/total sewer spills from reticulation and branch sewers x 100	98.8%	99.8%	100.0%	-1.0%		-1.2%	
SS2	**Sewer spills customer interruptions** Number of residential sewerage customers affected by sewerage interruptions restored within 4 hours / total residential sewerage interruptions x 100	98.7%	97.8%	98.6%	0.9%		0.1%	

Notes:

5a. The unfavourable variance against last year is due to a slightly higher number of repeated bursts and leaks on water mains. These mains were targeted for renewal, however in some cases have failed again before renewal works could take place. The ongoing renewals program continues to remove or replace mains that have a history of repeated failures in the network.

5b. The favourable variance against target is largely driven by wetter weather this financial year, which has resulted in lower than expected burst and leaks on the network.

Table 22. ***Customer responsiveness performance indicators***

KPI number	Key performance indicator	2020–21 result	2019–20 result	2020–21 target	Variance to prior year	Notes	Variance to target	Notes
CR1	**Water quality complaints** No. of water quality complaints per 1000 customers	1.26	1.07	1.80	17.8%	7a	-30.0%	7b
CR4	**Billing and account complaints** No. of complaints per 1000 customers	1.16	0.71	3.50	63.4%	8a	-66.9%	8b

Notes:

7a. The higher result compared to 2019-20 was due to the impact of two events which caused sediment to be uplifted in the network causing discoloured water being supplied to customers.

7b. The favourable variance against target reflects lower volumes of bursts and leaks in the network during 2020-21, which has a direct link with water quality complaints.

8a. The unfavourable billing and account complaints variance against prior year increased due to the rollout of the complaints management framework, which now includes a broader complaint definition and recording practice.

8b. The favourable billing and account complaints variance against target was also driven by the delayed application of the new complaints definition under the updated complaints management framework. As a result, the 2020–21 results did not capture a full 12 months under the new complaints management framework.

Table 23. ***Environmental performance indicators***

KPI number	Key performance indicator	2020–21 result	2019–20 result	2020–21 target	Variance to prior year	Notes	Variance to target	Notes
E1	**Effluent re-use volume (end use)** Volume of treated sewage effluent reused	21.0%	23.5%	30.0%	-10.6%	9a	-30.0%	9b
E2	**Total net CO_2 emissions** Net tonnes CO_2 equivalent (a) (b)	34,990	33,149	33,978	5.6%	10a	3.0%	10b

(a) *The 2020–21 result for E2 KPI is not final and will be subject to fluctuations which occur year-to-year due to the nature of sludge management practices including holding times, holding capacity and weather conditions for scope 1 emissions. It takes several months to compile and reconcile the detailed data from across our treatment plants and processes and to validate our GHG emissions and some additional delays occurred this year due to coronavirus (COVID-19) lockdowns that restricted our ability to sample several of our treatment plant processes.*

(b) *The 2019–20 figure was estimated at 32,007 tonnes as the actual result was not finalised until October 2020. The actual result for 2019–20 was 33,149 tonnes and thus amended according in this performance report.*

Notes:

9a. The unfavourable variance against prior year is due to the reduction in the supply of recycled water volumes compared to 2019–20. The lower demand is a result of the La Nina climate conditions experienced during 2020–21 and will continue to impact the metric in 2021–22.

9b. The unfavourable variance against target was impacted by a number of factors, including the reduced demand for recycled water mentioned above. In addition, the Boneo and Pakenham Class A treatment plants were offline during the last quarter of 2020–21 due to upgrade works, and refurbishment and performance trials respectively. It is not envisioned that supply of recycled water from these plants will be impacted by interruptions in 2021–22.

10a. The unfavourable variance against prior year is largely due to the one off decline in our emissions in 2019–20 as a result of purchasing an additional 10,450 Large-scale Generation Certificates (LGCs) using compensation money received from Zero Emissions Water Ltd for the delay in commissioning (grid connection) of the Kiamal Solar Farm. These LGCs were subsequently voluntarily surrendered resulting in lower net CO_2 emissions in 2019–20.

10b. The unfavourable variance against target is due to the delay in commissioning Kiamal Solar Farm. Now that this project is operational, along with our site solar projects at Waters Edge, Somers and Pakenham treatment plants, we expect to comfortably reach future targets.

Certification of performance report 2020–21

We certify that the accompanying Performance Report for South East Water Corporation and its controlled entity (the Group) in respect of the 2020–21 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the 2020–21 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

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

Dated this day 30th of August 2021.

Lucia Cade	Lara Olsen	Kimberley Lamden
Chair	Managing Director	Chief Financial Officer

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report

To the Board of the South East Water Corporation

Opinion	I have audited the accompanying performance report of the South East Water Corporation (the corporation) for the year ended 30 June 2021, which comprises the: • financial performance indicators • water and sewerage service performance indicators • customer responsiveness performance indicators • environmental performance indicators • the certification of performance report. In my opinion, the performance report of the South East Water Corporation for the year ended 30 June 2021 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the *Financial Management Act 1994*.
Basis for Opinion	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.

Level 31 / 35 Collins Street, Melbourne Vic 3000
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

Auditor's responsibilities for the audit of the performance report

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

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

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

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

MELBOURNE
3 September 2021

Paul Martin
as delegate for the Auditor-General of Victoria

Victorian Water Industry Performance Reporting Framework

All Victorian water organisations are required to report against the following measures set out in the Victorian Water Industry Performance Reporting Framework:

Priority area	KPI	Measure	Reference
Climate change Provide services that minimise environmental impacts, mitigate climate change and put in place adaptation strategies.	E2	Total net CO2 emissions equivalent tonnes.	39-40
	E3	Adaption to climate change	36
Customer and community outcomes All aspects of service delivery will be customer and community centred.	CR1	Number of water quality complaints per 1,000 customers.	145
	CR4	Number of billing / payment issue complaints per 1,000 customers.	145
	C2	Development and delivery of an engagement strategy/plan/policy and publication of the engagement strategy/plan/policy or equivalent explanation.	4,18-20
Water for Aboriginal cultural, spiritual and economic values Recognise and support Aboriginal cultural values and economic inclusion in the water sector.	AC1.1	A strategy that demonstrates how the water corporation will build capability and understanding of procurement processes to address barriers for Aboriginal enterprises to supply Goods/services to water corporations.	25-27
	AC1.2	Number of sponsorships of Aboriginal people in relevant study and training courses, including scholarships, vocational education and traineeships.	25-27, 54
	AC1.3	Employees have undertaken a cross-cultural training course (by relevant Traditional Owner) in the last 5 years.	25
	AC2.1	Number of engagements with Traditional Owners in water planning and management and report on outcomes.	25-27
	AC3	Development of a Reconciliation Action Plan, reflecting measures AC1.1 to AC 1.3 and AC2.1	25-27
Resilient and liveable cities and towns. Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments.	L1	Participation in Integrated Water Management Forums in our region.	30
	L2	Collaboration on the Victorian Water Efficiency strategy.	35
	L3	Total residential bill based on a) average consumption b) 200kl consumption	21
	L4	Number of instalment plans at the end of the reporting period Number of customers awarded hardship grants.	17
Recognising recreational values Support the wellbeing of rural and regional communities by	R1	Inclusion of recreational values in planning and reporting activities	24-41

considering the recreational values in water management.			
Leadership and culture Water corporations reflect the needs of our diverse communities.	G1.1	Delivery of the South East Water Diversity and Inclusion Framework	59
	G1.2	Number of females occupying senior leadership positions over projected 5-year period	71-73
	G1.3	Adoption of a 1% target for Aboriginal people in the business, consistent with the Victorian government policy and work to a stretch target of 3% by 2020.	52 - 54
	G1.4	Improve participation by Traditional Owners in board committees and other organisational committees	25-27, 18-20, 67
	G3	Safety and wellbeing performance measures	60-61
Financial sustainability Delivering safe and cost effective water and wastewater services in a financially sustainable way.	F1	Interest cover	142
	F2	Gearing ratio	142
	F3	Internal financing ratio	142
	F4	Current ratio	142
	F5	Return on assets	142
	F6	Return on equity	142
	F7	EBITA margin	142

Appendix 3 – other disclosures

Consultancy expenditure

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

We engaged consultants for 8 projects where the total fee payable was $10,000 or greater (GST exclusive).

Total expenditure incurred during the reporting period in relation to these consultants was $268,467 (GST exclusive).

Details of individual consultancies are outlined on our website: **southeastwater.com.au**

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

We engaged 4 consultants for projects where the total fees payable was less than $10,000 (GST exclusive).

Total expenditure incurred for these consultants was $19,161 (GST exclusive).

Details of individual consultancies are outlined on our website: **southeastwater.com.au**

Government advertising expenditure

We didn't participate in any government advertising campaigns with total media spend of $100,000 or greater (exclusive of GST) during 2020-21.

Information Communication Technology (ICT) expenditure

ICT refers to our 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 and enhancing our 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.

We had a total ICT expenditure of $38.9 million, with details shown below:

<table>
<tr><th colspan="4">($'000s)</th></tr>
<tr><td>BAU ICT expenditure (Total)</td><td>Non-BAU ICT expenditure (Total = Operational expenditure and Capital expenditure)</td><td colspan="2">Non-BAU ICT expenditure</td></tr>
<tr><td rowspan="2">22,356</td><td rowspan="2">16,579</td><td>Operational expenditure</td><td>Capital expenditure</td></tr>
<tr><td>0</td><td>16,579</td></tr>
</table>

Disclosure of major contracts

We have disclosed, in accordance with the requirements of government policy and accompanying guidelines, all contracts greater than $10 million in value entered into during the financial year ended 30 June 2021.

Pressure sewer installations ($20 million)

- Land Engineering Pty Ltd
- K&S Plumbing Pty Ltd

We've disclosed details of contracts in the Victorian Government Contracts Publishing System at: www.tenders.vic.gov.au

Application and operation of Freedom of Information Act 1982

The *Freedom of Information Act 1982* allows the public a right of access to documents that we hold. In 2020–21, we received 21 requests to access documents. During the period, we finalised 17 requests, and granted access to documents in 15 requests. There were 2 requests where no documents were found and 77% of requests were finalised within the statutory time frame.

In addition:

- no appeals were submitted to VCAT by Freedom of Information applicants
- most requests related to details about water and sewer faults.

If an applicant is not satisfied by a decision made by South East Water, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC). Further information regarding the operation and scope of FoI can be obtained at ovic.vic.gov.au.

Requests for access to our documents under the *Freedom of Information Act 1982* may be made in writing to:

Freedom of Information Officer
South East Water
PO Box 2268, Seaford, 3198

Each application must be accompanied by a $30.10 application fee and clearly identify the documents sought.

Compliance with Public Interest Disclosures Act 2012

The *Public Interest Disclosure Act 2012* (PID Act) enables people to make disclosures about improper conduct by public officers and public bodies. It aims to ensure openness and accountability by encouraging people to make disclosures and protecting them from reprisals when they do.

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body. We're a 'public body' for the purposes of the PID Act.

Improper or corrupt conduct involves substantial:

- mismanagement of public resources, or
- risk to public health or safety or the environment, or
- corrupt conduct.

Making a 'public interest disclosure'

Anyone can make a public interest disclosure about our organisation, our board members, officers or employees by contacting the Independent Broad-based Anti-corruption Commission on the contact details provided below.

Please note that we're not able to receive public interest disclosures.

Accessing our procedures for the protection of persons from detrimental action

We've established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about our organisation or our employees.

You can access our procedures on our website **southeastwater.com.au**

Contact
Independent Broad-based Anti-corruption Commission (IBAC) Victoria

IBAC
GPO Box 24234, Melbourne Victoria 3001
ibac.vic.gov.au
1300 735 135

Compliance with the Building Act 1993

We own our headquarters in Frankston (WatersEdge). We operate warehousing facilities in Heatherton and Lynbrook and buildings associated with water recycling plants at Blind Blight, Boneo, Koo Wee Rup, Lang Lang, Longwarry, Mount Martha, Somers and Pakenham.

We comply with the *Building Act 1993*, the Building Regulations 2006 and associated statutory requirements and amendments. We maintain internal control systems to ensure compliance with our Certificate of Occupancy and engage the expertise of qualified service providers to conduct regular and annual building inspection routines to make sure the building's assets are efficiently maintained and to ensure the workplace is safe for our people. Service provider's compliance is closely monitored for compliance, inspections and maintenance reports and regular service provider meetings.

There were no new major projects completed in 2020-21 across our headquarters and treatment plants at a sum greater than $50,000.

There were 3 building permits issued, one for building alterations at Lynbrook, one for our Boneo site and one for the demolition of an old caretaker's house at Mt Martha.

Competitive neutrality policy

Competitive neutrality seeks to enable fair competition between government and private sector businesses.

Any advantages or disadvantages that government businesses may experience, simply as a result of government ownership, should be neutralised. We continue to implement and apply this principle in our business undertakings.

Local Jobs First Policy (LJFP)

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

Departments and public sector bodies are required to apply the Local Jobs First Policy in all projects valued at $3 million or more in metropolitan Melbourne or for state-wide projects, or $1 million or more for projects in regional Victoria.

MPSG applies to all construction projects valued at $20 million or more.

The MPSG guidelines and VIPP guidelines will continue to apply to MPSG and VIP applicable projects respectively where contracts have been entered prior to 15 August 2018.

Projects started – Local Jobs First Standard

During 2020–21, we started 3 Local Jobs First Standard projects totalling $37.9 million, all located in metropolitan Melbourne. The MSPG does not apply for any of these projects.

The outcomes expected from the implementation of the Local Jobs First Policy for these projects are as follows:

- An average of 96% of local content commitment was made.
- A total of 53 jobs Annualised Employee Equivalent (AEE) were committed, including the creation of 3 new apprenticeships and traineeships, and the retention of 50 existing jobs (AEE).

There were 2 small- to medium-sized businesses that prepared a Local Industry Development Plan (LIDP) for contracts, successfully appointed as principal contractors for pressure sewer installations. 88 small- to medium-sized businesses were also engaged through the supply chain on this project.

Social procurement

Our main areas of procurement are construction (34%), maintenance, repairs and operations (33%), and other goods and services (33%). Within all of these areas we consider it essential to incorporate, where possible, social, environmental and sustainable procurement opportunities that enable us to build beneficial relationships and transactions with our suppliers and partners that extend beyond the core procurement process of delivering value for money.

Social Procurement Strategy

We released our first Social Procurement Strategy in 2020. The 3-year strategy aligns with the Victorian Government's Social Procurement Framework and has put in place new policies, procedures and documents to help us prioritise our purchasing choices when choosing suppliers. This gives us an effective pathway to achieving broader environmental, social and economic outcomes that generate greater value to our community and customers.

Priority objectives

Drawing on the 10 objectives of the Victorian Government's Social Procurement Framework, the strategy identifies 4 priority social and sustainable objectives to advance our social procurement opportunities. These objectives align with our strategic direction and values and closely align with the objectives of the other Victorian water organisations.

- Opportunities for Victorian Aboriginal people
- Sustainable Victorian social enterprises and Aboriginal business sectors
- Women's equality and safety
- Environmentally sustainable business practices

While these priority social and sustainable objectives will guide our procurement delivery, we're also committed to pursuing any opportunities to advance social and sustainable outcomes for Victorians. We encourage buyers to pursue other objectives of the Framework in each individual procurement activity, beyond those identified as our priority objectives.

Developing social procurement capability

Progressively embedding social procurement into our procurement processes is essential. To this end, our Social Procurement Capability Roadmap identifies 18 priority actions to implement over a 12-month period to work towards improved social procurement capability across our corporation. The roadmap is the outcome of an assessment on our organisational and supplier engagement capabilities.

We're committed to a 'lessons learned' approach in strengthening our social procurement capabilities. Progress and achievements on priority capability actions is monitored and reported through a formalised Procurement review process. Additionally, we are also committed to continuous improvement in relation to our Social Procurement Strategy, and the delivery of its outcomes as a whole. These formal progress reviews will assist us in determining:

- Possible solutions, noting potential roadblocks that may delay necessary outcomes
- The effectiveness of the implemented actions / activities
- Any opportunities for improvements
- Effectiveness of current strategy and implemented actions
- Strategic direction, actions, and development of appropriate targets for future iterations of the Strategy.

Table 24. ***Social procurement achievements for 2020–21***

Project/initiative	Objective
Purchased workplace supplies from Muru Office Supplies, a 51% Aboriginal-owned and Supply Nation certified business, where 15% of their profits are utilised for Aboriginal community purposes. In the last year we spent $74,000 including the purchase of 100% recycled paper.	1, 2, 4
Welcomed 3 First Nations interns under the Barring Djinang summer internship program. See case study – A focus on First Nations employment pathways on page 26.	1, 2, 3
Appointed an Aboriginal Employment and Cultural Coach, who's actively developing and seeking out new opportunities for First Nations people and addressing recruitment barriers to improve Aboriginal and Torres Strait Islander employment.	1, 2, 3
Engaged artist and BLCAC CEO Dan Turnbull, to carve eight markers that tell the story of the area around Ranelagh Beach, Mount Eliza. See case study – Relationships starting to grow on page 2.	1, 2, 4
First Reconciliation Action Plan was endorsed by Reconciliation Australia. See Supporting First Nations Communities on page 25.	1, 2
Purchased $129,544 in goods and services from Aboriginal and Torres Strait Islander businesses, including Indigi Print, Willum Warrain Aboriginal Bush Nursery, BLCAC and Cooee Cafe. Signed on as a platinum partner with Kinaway (the Victorian Aboriginal Chamber of Commerce) to help us build capabilities, capacity, participation and awareness of Aboriginal businesses in our supply chain and business needs.	1, 2, 4
Engaged 292 employees in cultural awareness and cultural safety training (30 June 2021).	
Existing partnership and spend with Enviro Management Services (EMS), grew by more than 100%. Through this partnership, we provide people with disabilities meaningful opportunities to work, learn and participate as part of a high functioning team and eventually transition to the open employment market.	2, 4
Continued to incorporate environmental and sustainable factors in our procurement guidelines and decision making. This includes in the procurement planning stage, tender specifications and tender evaluation criteria, where applicable to the scope, with considerations to the environmental impacts of the goods, services and/or construction being procured.	4
Continued purchasing toilet rolls from Who Gives a Crap as part of our cleaning services arrangements. The rolls made from 100% recyclable paper and 50% of profits go towards providing toilets and improving sanitary conditions around the world for those in need.	2 , 4

Joined WaterAble network, a network for people with a disability and their allies in the Victorian water industry, promoting and supporting disability inclusion and employment.	2
Joint power purchase agreement (PPA) for Kiamal Solar Farm is helping to minimise greenhouse gas emissions and maintain affordable water bills for our customers by procuring renewable energy through collective purchasing. The Farm began supplying us with a minimum of 10,000 large-scale generation certificates (LGCs) annually (which is equivalent to 10,000 MWh of renewable electricity).	4
Entered into a contract to procure at least another 10,000 LGCs from the Cherry Tree Wind Farm, which is located approximately 15km south-east of Seymour, Victoria.	4

Additional information available on request

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

a. A statement of completion of declarations of pecuniary interests by relevant officers.

b. Details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary.

c. Details of publications produced by South East Water about itself, and how these can be obtained.

d. Details of changes in prices, fees, charges, rates and levies charged by South East Water.

e. Details of any major external reviews carried out on South East Water.

f. Details of major research and development activities undertaken by South East Water.

g. Details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit.

h. Details of major promotional, public relations and marketing activities undertaken by South East Water to develop community awareness of the entity and its services.

i. Details of assessments and measures undertaken to improve the occupational health and safety of employees.

j. A general statement on industrial relations and time lost through industrial accidents within South East Water.

k. A list of South East Water's major committees; the purposes of each committee; and the extent to which the purposes have been achieved.

l. Details of all consultancies and contractors including:

    i. consultants/contractors engaged

    ii. services provided

    iii. expenditure committed for each engagement.

This information is available on request from us and requests can be made in writing to the Governance and Legal Group, PO Box 2268, Seaford 3198.

Office-based environmental reporting

The data below represents energy consumed for running and operating WatersEdge. We collected data through the building management system and retailer billing information.

Table 25. ***Energy use***

Indicator	2020-21			2019–20		
	Electricity	Natural gas	Green power	Electricity	Natural gas	Green power
Total energy usage segmented by primary source (MJ)	3,607,456	1,961,214	0	4,266,104	1,847,682	0
Greenhouse gas emissions associated with energy use, segmented by primary source and offsets (tCO2-e)	1,022	101	0	1,209	95	0
Percentage of electricity purchased as green power (%)	0	0	0	0	0	0
Units of energy used per FTE (MJ/FTE)	5,277	2,869	0	6,543	2,834	0
Units of energy used per unit of office area (MJ/m2)	306	166	0	364	157	0

Actions undertaken

In 2020–21, energy use in the office continued to fall. This was due to efforts to reduce energy through smart heating and cooling usage combined with a very gradual return of employees to Water's Edge post coronavirus (COVID-19) restrictions.

Although we don't procure any green power, we do have rooftop solar that helps generate electricity for our WatersEdge building at a cost effective price.

Table 26. ***Waste***

Indicator	2020—21					2019–20				
	Landfill	Co-mingled recycling	Coffee capsule	Secure document	Compost	Landfill	Co-mingled recycling	Coffee capsule	Secure document	Compost
Total units of waste disposed of by destination (kg/yr)	4,477.9	1,160.0	80.0	852.9	60	6,552	2,086	865	2,281	1,161
Units of waste disposed of per FTE by destinations (kg/FTE)	3.5	1.7	0.1	1.3	0.1	10.0	3.2	1.3	3.5	1.8
Recycling rate (percentage of total waste)	46.7	N/A				49.4	N/A			
Greenhouse gas emissions associated with wasted disposal (kg CO2 –e)	3,869	N/A				10,010	N/A			

Actions undertaken

Results this year were recorded shortly after Victoria's fourth lockdown when an estimated 25 occupants were at Water's Edge. In comparison with the previous financial year, a significant decrease in all total units of waste and units of waste per FTE was recorded.

Table 27. ***Paper***

Indicator	2020–21	2019–20
Total units of copy paper used (reams)	778	1,658
Units of copy paper used per FTE (reams/FTE)	1.1	2.5
Percentage of 100% recycled content	92.5%	96.8%

Actions undertaken

Note: 2019–20 paper results have been amended from the previous year's annual report as new information sources became available. From this revised information we can see purchased paper values fell by some 53%.

We kept our default white A4/A3 paper 100% recycled and reduced the amount of paper invoices printed from 100% at the start of 2017, down to 0% as of 30 June 2021. The reduction to 0% from 8% the previous years was largely due to coronavirus (COVID-19) restrictions.

Table 28. ***Water***

	2020–21	2019–20
Domestic water used (litres)	1,340,200	1,897,000
Metered rainwater used (litres)	334,600	Not recorded (issue with rainwater meter)
Metered water consumed in offices per FTE (litres/FTE)	1,961	2,910
Metered rainwater used in offices per office space (litres/m2)	114	161

Actions undertaken

We harness rainwater to reduce potable water demands throughout the office space. Similar to other results, water consumption has reduced compared to the previous financial year due to coronavirus (COVID-19) restrictions.

Table 29. ***Transport***

We operate a fleet of vehicles for field and maintenance operations, and salary packaged vehicles for senior employees. Consideration is given to fuel efficiency and related emissions. With the working from home arrangement there has been a significant decrease in the use of our fleet.

	2020–21 diesel	2020–21 petrol	2019–20 diesel	2019–20 petrol
Total energy consumption by vehicles (MJ)	6,731,701	5,981,816	8,166,856	7,815,905
Total vehicle travel associated with entity operations (km)	1,788,231	1,993,102	2,262,730	2,589,422
Total greenhouse gas emissions from vehicle fleet (tCO2–e)	475	417	576	545

Greenhouse gas emissions from vehicle fleet per 1,000 km travelled (tCO_2–e)	0.3	0.2	0.3	0.2

T5 – Total distance travelled by air – 34,952 kilometres

T6 – Employees regularly using public transport, cycling, walking or carpooling to and from work – 8% (from Report: Have Your Say April-May 2021)

Actions undertaken

We have seen a 33% fall in fuel use compared to our pre-coronavirus (COVID-19) baseline. Additionally, we have seen the biggest fall in our air miles drop by some 95% from our pre-coronavirus (COVID-19) baseline.

Table 30. ***Greenhouse gas emissions***

Indicator	2020–21	2019–20
Total greenhouse gas emissions associated with energy use (tonnes CO_2-e)	1,123	1,304
Total greenhouse gas emissions associated with vehicle fleet (tonnes CO_2-e)	892	1,121
Total greenhouse gas emissions associated with air travel (tonnes CO_2-e)	6	68
Greenhouse gas total greenhouse gas emissions associated with waste disposal (tonnes CO_2-e)	3.9	10.0
Greenhouse gas emissions offsets purchased (tonnes CO_2-e)	0	0

Greener procurement

We have environmental and sustainable considerations in our procurement guidelines, and in our Social Procurement Strategy, aligning with Victoria's Social Procurement Framework sustainable procurement objectives.

Examples of how we've incorporated environmental considerations into procurement decision making include:

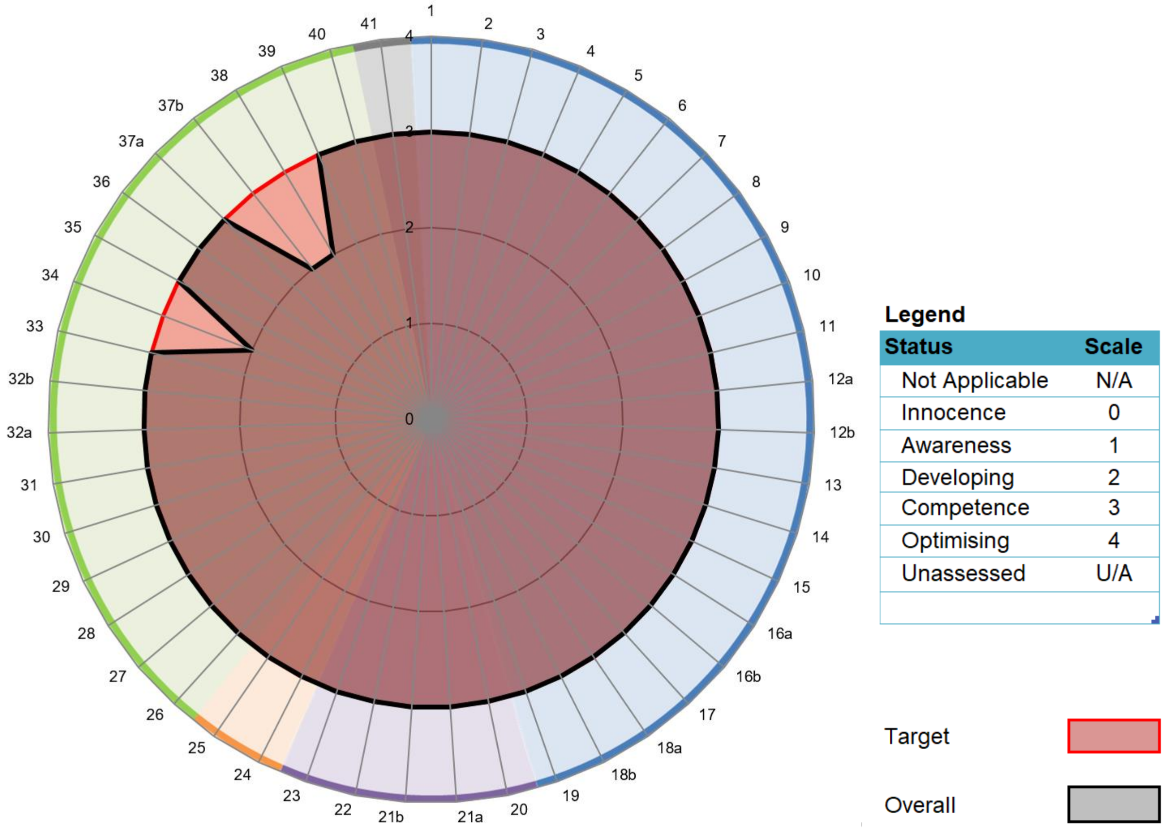
- questions in tender documents requiring tenderers to disclose environmental breaches
- questions in tender documents requiring tenderers to disclose environmental practices, recycling and recycled content
- weighting of environmental considerations in tender evaluations. For further information see Social Procurement on page 155.

Targets

The following targets have been set for 2021–22:

- Reduce the need to print (if possible, and adopt digital solutions), and always purchase printing paper containing at least 100% recycled properties and/or FSC certified paper, as required
- Continue to roll out more solar panels at our water recycling plants
- Complete a Life Cycle Analysis to identify opportunities for lower-impact procurement

Appendix 4 - Asset Management Accountability Framework (AMAF) maturity assessment



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

Leadership and accountability (requirements 1 to 19)

We have met our target maturity level under all requirements in this category.

Planning (requirements 20 – 23)

We have met our target maturity level under all requirements in this category.

Acquisition (requirements 24 and 25)

We have met our target maturity level under all requirements in this category.

Operation (requirements 26-40)

We have met our target maturity level under most of the requirements in this category. We do not yet fully comply with some requirements in the area of information management and are currently implementing information management improvements.

Disposal (requirement 41)

We have met our target maturity level in this category.

Appendix 5 – Bulk entitlements

We hold bulk entitlements to the water resources of the Greater Yarra System – Thomson River pool, Victorian Desalination Project and in the River Murray and Goulburn System.

Table 31. ***South East Water's bulk entitlements reporting requirements***

Our reporting requirements	Greater Yarra System –Thomson River Pool 1, 2	Desalinated water 6, 7	Goulburn System 11, 12, 20	Murray River 16, 17, 20
The annual volume of water taken	Clause 16.1 (a) 154.805.0 ML	Clause 13.1 (a) 0 ML	N/A	N/A
The water allocation volume made available	Clause 16.1 (b) 155,708.7 ML[3, 22]	Clause 13.1 (a) 44,545.0 ML [8]	Clause 14.1(c) 4,286.9 ML [13]	Clause 11.1(a) 3,553.1 ML [18]
The volume of carry over	Clause 16.1 (b) 189,067.4 ML	Clause 13.1 (a) 44,545.0 ML	8,096.2 ML[14]	2,973.9 ML[19]
Compliance with the entitlement volume	Clause 16.1 (c) Yes [4]	Clause 13.1(e) Yes [9]	N/A	N/A
Any temporary assignment or permanent transfer of all or part of entitlement	Clause 16.1(d) 914.7 ML[10]	Clause 13.1(b) 914.7 ML[10]	Clause 14.1(d) -3.555.0 ML Clause 14.1(e) 0 ML	Clause 11.1(b) -2,670.0 ML[20] Clause 11.1(c) 0 ML
The approval, amendment and implementation of the metering program	Clause 16.1 (e) Continuing [5]	N/A	N/A	N/A
Any amendment to this entitlement	Clause 16.1 (f) No	Clause 13.1(c) No	Clause 14.1(f) Nil	Clause 11.1(d) Nil
Any new entitlement of water granted	Clause 16.1(g) Nil	Clause 13.1(d) Nil	N/A	N/A
Any failure to comply with any provision of this entitlement and any remedial action taken or proposed	Clause 16.1(h) None	Clause 13.1(f) None	Clause 14.1(g) None	Clause 11.1(e) None
Any difficulties experienced or anticipated in complying with this entitlement and any remedial action taken or proposed	Clause 16.1(i) None	Clause 13.1(g) None	Clause 14.1(h) None	Clause 11.1(f) None
Daily amount of water taken from the waterway	N/A	N/A	N/A	N/A
Annual amount of water taken from the waterway	N/A	N/A	Clause 14.1(b) 0 ML [15]	N/A

Notes for compliance with bulk entitlements

Greater Yarra System - Thomson River Pool

1. South East Water holds Bulk Entitlement (Greater Yarra System-Thomson River Pool - South East Water) Order 2014 – WSE000077.
2. South East Water is a primary entitlement holder with a delivery bulk entitlement to 206,281.0 ML.
3. The Resource Manager – Melbourne Water makes seasonal allocations monthly.
4. Compliance with the Entitlement volume is measured by compliance with the overall Cap within the source entitlements for the Thomson and Yarra systems (held by Melbourne Water). The caps were complied with. Further, South East Water understands that Melbourne Water has meet all minimum environmental flow obligations contained in its source entitlements.
5. Metering programs for this bulk entitlement are continually maintained and reviewed via the Bulk Water Supply Agreement between South East Water and Melbourne Water and System Management Rules established by Melbourne Water.

Victorian Desalination Project

6. South East Water holds Bulk Entitlement (Desalinated Water – South East Water) Order 2014 – WSE000053.
7. South East Water may take an average annual volume of up to 53,454 ML of desalinated water over any period of 5 consecutive years that is delivered to a delivery point to the Melbourne headworks system.
8. The Hon Lisa Neville MP, Minister for Water announced a 125 GL desalinated water order for the 2020-21 year, of which South East Water's share is 44,545 ML. The volumes were delivered into the Melbourne water supply system.
9. Compliance with the entitlement volumes is measured with respect to whether the annual volume taken exceeds the entitlement. This did not occur this year.
10. In 2020–21, South East Water undertook reciprocal trades with South Gippsland Water and Westernport Water of 661.9 ML and 253.79 ML of water allocation respectively. This is part of an ongoing administrative process to enable South Gippsland Water and Westernport Water to continue to access, by substitution, its entitlement in the Greater Yarra System – Thomson River Pool via their offtakes on the desalination transfer pipeline while the transfer pipeline is pumping desalinated water from the Victorian Desalination Project to Cardinia Reservoir. South East Water trades the required volume of desalinated water allocation to South Gippsland Water / Westernport Water and South Gippsland Water / Westernport Water trades the same volume from its Greater Yarra System – Thomson River pool bulk entitlement back to South East Water resulting in a net 0 ML trade. This is required because South Gippsland Water and Westernport Water do not hold an entitlement to desalinated water. This ongoing administrative process was agreed between South East Water, South Gippsland Water, Melbourne Water, Westernport Water and DELWP.

Goulburn System

11. South East Water holds Bulk Entitlement (Goulburn System – South East Water) Conversation Order 2012 – WSE000009.

12. South East Water is entitled to a water entitlement in the Goulburn System equal to one-ninth of the total Phase 4 water savings achieved in the Goulburn component of the Goulburn Murray Irrigation District (GMID) from Goulburn Murray Water Connections Project Stage 1 as verified in the latest audit.
13. South East Water's annual water allocation in a given year from the Goulburn System is equal to one-ninth of the total Phase 3 water savings achieved in the previous year of the Goulburn component of the GMID from the Goulburn Murray Water Connections Project Stage 1 as verified in the latest audit.
14. South East Water's commencement volume on 1 July 2019 was 5,068.4 ML. At 30 June 2020, South East Water held 7,790.4 ML.
15. Diversion limits are specified in Clause 9 of the Bulk Entitlement.

Murray River

16. South East Water holds Bulk Entitlement (Murray River – South East Water) Conversion Order 2012 – WSE000133.
17. South East Water is entitled to a water entitlement volume in the River Murray System (Zone 7 and Zone 6) equal to one-ninth of the total Phase 4 water savings achieved in these parts of the GMID from Goulburn Murray Water Connections Project Stage 1 as verified in the latest audit.
18. South East Water's annual water allocation in a given year from the River Murray is equal to one-ninth of the total Phase 3 water savings achieved in the previous year of the Goulburn component of the GMID from the Goulburn Murray Water Connections Project Stage 1 as verified in the latest audit.
19. South East Water's commencement volume on 1 July 2020 was 2,247.3 ML (1,170.4 ML in Zone 6 and 1,076.9 ML in Zone 7). At 30 June 2021, South East Water held 2,973.9 ML (1,545.3 ML in Zone 6 and 1,428.6 ML in Zone 7).
20. Note that an accidental trade of 148.1 ML was made into South East Water's account by a third party; this trade was reversed. Figures do not include the accidental trade.

General

21. South East Water has in place water management strategies to manage water allocations holdings in the Murray River and Goulburn System to maximise the value of the resources held to our customers and minimise risk of spilling water allocation. These strategies include the transfer of allocations between bulk entitlement allocation accounts and trading water allocations.
22. The metropolitan water organisations make water available in Tarago Reservoir to Gippsland Water under a Bulk Water Supply Agreement (BWSA). This is used by Gippsland Water to supplement their Tarago Bulk Entitlement during periods of high demand. South East Water provided 17.5 ML under the BWSA in 2020-21.

Appendix 6 – Disclosure index

This annual report is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to identify our compliance with statutory disclosure requirements.

Legislation	Requirement	Reference
Charter and purpose		
FRD 22I	Manner of establishment and the relevant Ministers	4
FRD 22I	Purpose, functions, powers and duties	4
FRD 22I	Key initiatives and projects	13-14
FRD 22I	Nature and range of services provided	4
FRD 22I	Message from the Chair and Managing Director	9-10
Management and structure		
FRD 22I	Organisational chart	62
Financial and other information		
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FRD 12B	Disclosure of major contracts	152
MRO	Capital projects	12
FRD 15E	Executive officer disclosures in the Report of Operations	73
FRD 22I	Employment and conduct principles	71
FRD 22I	Occupational health and safety policy	60-61
FRD 22I	Summary of the financial results for the year	11-12
FRD 22I	Current financial year review	11-12
FRD 22I	Significant changes in financial position during the year	11-12
FRD 22I	Major changes or factors affecting performance	42-55, 142-151
FRD 22I	Subsequent events	12
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FRD 22I	Details of consultancies over $10 000	152
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FRD 22I	Disclosure of government advertising expenditure	152
FRD 22I	Disclosure of ICT expenditure	152
FRD 22I	Statement of availability of other information	157
Social Procurement Framework	Social Procurement	155-157
FRD 22I	Asset Management Accountability Framework maturity assessment	162
FRD 24D	Reporting of office based environmental data by government entities	158-161
FRD 25D	Local Jobs First disclosures in the report of operations	154-155
FRD 27C	Presentation and reporting of performance information	142-149
FRD 29C	Workforce data disclosures in the Report of Operations	71-72
FRD 30D	Standard requirements for the publication of annual reports	Entire report
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MRD 04	Disclosure of information on bulk entitlements	163-165
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Compliance attestation and declaration		
SD 5.1.4	Financial Management Compliance Attestation	141
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FRD 03A	Accounting for dividends	116
FRD 07B	Early adoption of authoritative accounting pronouncements	N/A
FRD 10A	Disclosure index	166-167
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FRD 100	Financial reporting directions - framework	Entire report
FRD 103I	Non-financial physical assets	97-99
FRD 105B	Borrowing costs	112
FRD 106A	Impairment of assets	89-99
FRD 110A	Cash flow statements	87
FRD 112D	Defined benefit superannuation obligations	133-136
FRD 114C	Financial instruments	117-120
FRD 120O	Accounting and reporting pronouncements applicable for 2020-21	138-139

Legislation

Water Act 1989, Water Industry Act 1994, Freedom of Information Act 1982, Building Act 1993, s.70 (1) Public Interest Disclosures Act 2012, Victorian Industry Participation Policy Act 2003, Local Jobs First Act 2003, Financial Management Act 1994 and *Public Administration Act 2004.*

Supporting the United Nations Global Compact

We're a member of the United Nations Global Compact (UNGC), the world's largest corporate sustainability initiative. The initiative has established a path to help end extreme poverty, fight inequality and injustice and protect our planet by 2030.

Communications on progress

As a member of the Compact, we've committed to working to achieve the 10 principles that align to responsible business practice and also support the broader 17 United Nations Sustainable Development Goals. Each of the 10 principles falls under one of 4 key banners of human rights, labour, environment and anti-corruption.

Our Communication on Progress to the United Nations Global Compact is cross referenced below and describes our policies, procedures and actions that align with the 10 principles of the Global Compact and the outcomes that we've achieved.

Principle	Key highlights	Reference
Human rights	Diversity and Inclusion in our workplace	59
	Supporting First Nations communities	25
	Case study: Harnessing new solutions – our foot-operated hydrant	43
	Case study: Supporting our customers through a Boil Water Advisory	47
Labour	Case study: A focus on First Nations employment pathways	27
	We put safety first	60-61
	Employee wellbeing	60
	Aims for gender parity	71
Environment	Greenhouse Gas Emissions Abatement	28
	Targeting sewage spills	28
	Recycled water	30
	Integrated water solutions	30
	Adaptation to climate change	36
	Case study: Supporting community groups during an incident at Albert Park	28
	Case study: Taking OneBox® across the Tasman	38
	Case study: Relationships starting to grow	2
	Case study: New lease on life for Watsons Creek	51
Anti-corruption	Cybersecurity	54
	Maintaining our governance and risk frameworks	74

Sustainable Development Goals

As a member of the Compact, we've also committed to supporting the principles that align to responsible business practice and to also support the broader 17 United Nations Sustainable Development Goals (SDGs).

We've identified 5 SDGs that align most closely to our organisation:

- **SDG 6:** Ensure availability and sustainable management of water and sanitation for all.
- **SDG 9:** Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.
- **SDG 11:** Make cities and human settlements inclusive, safe, resilient and sustainable.
- **SDG 13:** Take urgent action to combat climate change.
- **SDG 17:** Revitalize the global partnership for sustainable development.

Our work also supports:

- **SDG 1**: No Poverty – economic growth must be inclusive to provide sustainable jobs and promote equality.
- **SDG 7**: Affordable and Clean Energy – energy is central to nearly every major challenge and opportunity.

Throughout this report, we've highlighted how our performance aligns with the SDGs after each of our customer outcomes. We're actively working to recognise all 17 goals across the organisation and embed them into our projects and values.

Key projects demonstrating our work towards obtaining a better future for all this year include:

- A focus on First Nations employment pathways (Case Study page 27)
- Lyndhurst students support sustainability project (Case Study page 31)
- New lease on life for Watsons Creek (Case Study page 51)
- Social procurement (page 155-157)

Outcome	Sustainable Development Goals	Reference
Outcome 1: Get the basics right, always	6, 9, 5, 10, 14, 15, 16	43
Outcome 2: Make my experience better	6, 3, 8, 11, 12, 17	45
Outcome 3: Warn me, inform me	6, 4, 16	47
Outcome 4: Fair and affordable for all	6, 9, 1, 7, 11, 12	49
Outcome 5: Support my community, protect our environment	6, 11, 13, 17, 2, 8, 7, 14, 15	51
Enabling our business	5, 10, 8, 11, 16, 17	54

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