Annual Report
2021–22

Aboriginal acknowledgement

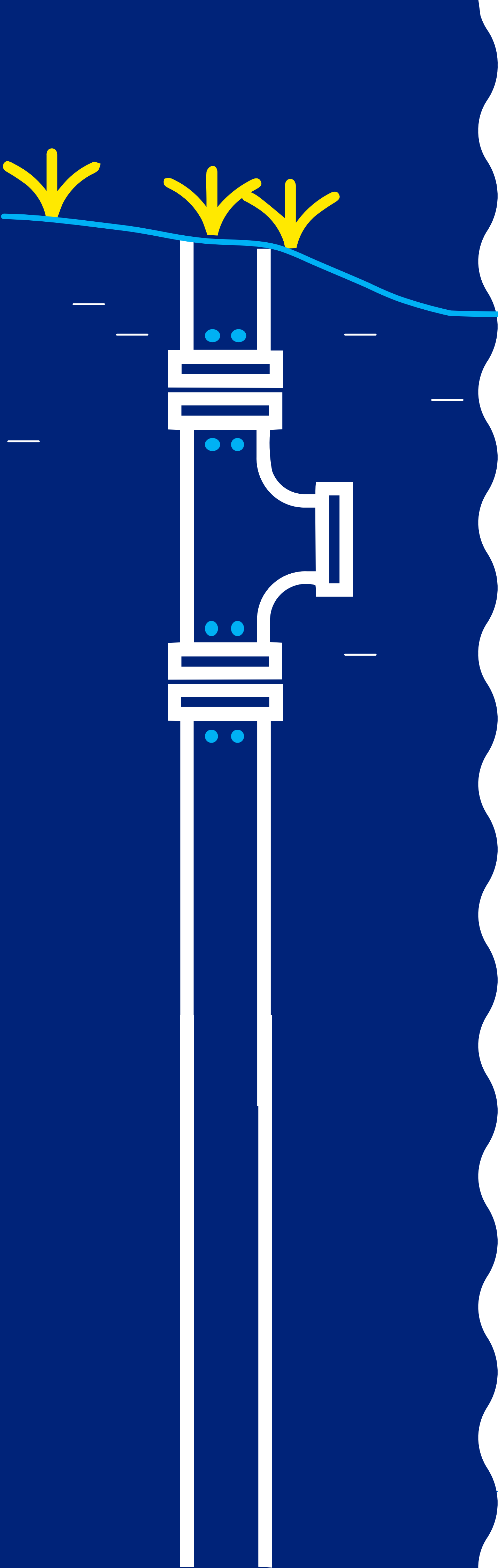
South East Water proudly acknowledges the Bunurong and Wurundjeri Woi Wurrung as the Traditional Owners of the land on which we operate, and pay respect to their Elders past, present and emerging.

We acknowledge their songlines, cultural lore and continuing connection to the land and water.

We recognise and value their rich cultural heritage and continued contributions of Aboriginal people and communities to our society in Victoria.

Cover: Students from Wooranna Park Primary School, Dandenong North (Bunurong Country) enjoying the Active Families Program run by City of Greater Dandenong and Bluearth Foundation.

Photo by Rod Black, Photocorp.



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About us

We support healthy and liveable communities

We support healthy and liveable communities by delivering water, sewerage and recycled water services to 1.77 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.

The area 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 142 billion litres of drinking water and collect and treat more than 136 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. To deliver for our customers, we manage more than 27,000 km of pipeline. We own, operate and maintain $4.9 billion of assets including water, recycled water and sewerage networks.

From our water recycling plants, we produce around 2.8 billion litres 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.

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 Hon Lisa Neville MP was the responsible Minister for Water from 1 July 2021 to 26 June 2022 with The Hon Richard Wynne acting as the Minister for Water from 1 July 2021 to 22 August 2021. The Hon Harriet Shing MP was the responsible Minister for Water from 27 June 2022 to 30 June 2022.

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 Five-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 continues to set our direction for the coming year. Over the past year, we've been working on our price submission for the 2023–28 price period.

Our service region

Assets

14,381+ km of water mains

1,329+ km of recycled water main

8 water recycling plants

1 stormwater treatment plant

11,341+ km of sewer mains

279 sewage pump stations

10 recycled water pump stations

82 water pump stations

12,587+ pressure sewer pumps across our network.

People

1.77 million people serviced

Our customer base grew by 1.3% to 813,771

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 (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

Note: although our customer base (i.e. total new properties) increased, our service population decreased due to the impacts of the coronavirus (COVID) pandemic. We base our service population of 1.77 million people on the Australian Bureau of Statistics 2021 Census data.

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 Five-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.

2021–22 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. Three of 5 customer outcomes were met, with several individual measures for the remaining 2 outcomes not achieving target but performing at a level that means we can still achieve our customer commitments for each outcome.

The coronavirus (COVID-19) pandemic continued to have significant impacts on both our business and customers that weren't foreseeable. This made the delivery of some programs and services difficult over the past year, along with a far more variable climate delivering extreme weather events that put additional strain on our network.

Under the 'Support my community, protect my environment' outcome, we'll finalise our CO_2 emissions data for the year in September, with preliminary results showing a significant improvement over the 12 months. We've finished the year within target, on our way to meeting our commitment to reduce emissions by 45% by 2024–25 from our 2018 baseline.

Under 'Make my experience better', the number of customer complaints remains outside both the target and tolerance band set back in 2018. This was expected, considering the work being done to redefine and expand the definition of a 'complaint', in line with sector guidelines and global standards, and capture them consistently across our organisation.

We remain committed to improving notifications to customers and, as shown in our number 1 ranking in Victoria in the recent Essential Services Commission (ESC) customer perception survey, our customer satisfaction remains strong, as does our ongoing support offerings for vulnerable and customers in need.

Outcome	2021–22 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

For more information about our progress on measures under our customer outcomes, visit **southeastwater.com.au**

Year in review

Year in review

Message from our Chair and Managing Director

In accordance with the *Financial Management Act 1994*, we're pleased to present South East Water's *Annual Report 2021–22* that complies with all statutory reporting requirements.

We're proud of the care, support and service levels that we provided to our customers, communities and stakeholders throughout this challenging period. Thank you to our employees and supply partners for their hard work and dedication in what we've achieved together.

Supporting our customers, employees and stakeholders

Although the coronavirus (COVID-19) pandemic continued to impact us, we maintained a high level of customer support, particularly to vulnerable customers. We received over 400,000 customer calls and 120,000 email contacts, assisted more than 7,000 people via our customer assist program and restored 98% of unplanned water interruptions within 5 hours.

We continued planning for our 2023–28 price submission thanks to feedback from our customers and stakeholder groups, including First Nations and Traditional Owner peoples. We welcomed feedback from almost 9,000 customers who told us what they valued and what would be most important to them and their community over the next 5 years. We also acknowledge the work of our first deliberative community panel who considered this feedback and handed down their independent recommendations about our future prices and services.

We've received early endorsement from our Customer and Community Advisory Council (CCAC) and community panel about our research methods and how customer recommendations have shaped our proposals for 2023–28.

In addition to supporting our customers and stakeholders, we remained flexible and provided our employees with balance. Promoting a safe and healthy workplace was just as important with a variety of initiatives rolled out over the 2021–22 year.

Working with our partners

We continued to work with strategic partners to drive our organisation, and our industry, forward.

We supported DELWP in the development of the draft *Central and Gippsland Region Sustainable Water Strategy*. This long-term plan has been developed to secure a sustainable supply of water in the region.

We're also looking forward to submitting *Water for Life*, our 50-year urban water strategy, to the Minister for Water by the end of 2022. Incorporating the *Greater Melbourne Urban Water Strategy and Melbourne Water Systems Strategy*, we helped develop *Water for Life* in collaboration with our peers at Greater Western Water, Yarra Valley Water and Melbourne Water; Traditional Owners; key stakeholders and the community.

Proud of the community we care for

We're proud of the different ways in which we supported our community through our community grants program. We granted $100,000 in funding to support the innovative projects of 16 organisations in the areas of affordability; environment; health and liveability, water security and literacy.

In what is one of the largest digital meter rollouts in Australia, we completed 41, 000 exchanges across our network. So far the new digital meter technology has helped customers find over 4,000 leaks they didn't know they had, and reduced water wastage. This has saved over $1.2 million off customer bills (from alerting them to leaks) and 280ML of water.

We welcomed Victorian Government funding for the Dingley Recycled Water Scheme helping increase future recycled water use across parts of Melbourne. As part of the Fisherman's Bend *Water Sensitive City Strategy*, we used innovation at scale and proven technology to solve local challenges with local solutions, reducing demand on drinking water supplies.

Our research and innovation continued with our Biosolids to Biochar project promising to make a genuine environmental impact. We've also continued promoting water conservation via the *Make Every Drop Count* and *Choose Tap* initiatives.

Enabling better health and environmental outcomes

We know a warmer and drier climate is our new normal. We've seen this impact our business and taken steps to secure our water supply in the face of climate change. We're exploring how climate change might impact the safety, standard and affordability of our services and how we'd handle potential future scenarios especially with the increase of extreme weather events.

We're proud to have reaffirmed our commitment and support for the United Nations Global Compact and the broader 17 United Nations Sustainable Development Goals. We also continued our 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.

On behalf of the Board, we endorse this Annual Report 2021–22 as a record of what we've achieved together over the financial year. As we look towards the 2022–23 financial year, we're now better placed than ever to deliver healthy water for life for our customers, community and environment.

Lucia Cade
Chair
Dated on 29th day of August 2022

Lara Olsen
Managing Director

Financial overview

Five-year financial summary

Table 1. Financial results for year ended 30 June 2022 (extract)

	2018 ($ million)	2019 ($ million)	2020 ($ million)	2021 ($ million)	2022 ($ million)
Total revenue	1,092.9	1,043.5	1,046.6	1,055.4	1,054.5
EBIT	316.0	230.4	206.5	208.9	189.2
Financial costs	82.8	83.6	83.8	80.9	78.0
Net profit before tax	235.2	146.7	122.8	128.0	111.2
Tax expense	70.1	43.1	35.7	37.6	32.8
Net profit after tax	165.1	103.6	87.1	90.4	78.4

Table 2. Financial position as at 30 June 2022 (extract)

	2018 ($ million)	2019 ($ million)	2020 ($ million)	2021 ($ million)	2022 ($ million)
Total assets	4,224.4	4,439.6	4,630.9	4,767.3	4,855.9
Payables and provisions	655.7	701.8	710.5	657.6	629.9
Borrowings	1,586.3	1,712.3	1,958.0	2,116.5	2,302.8
Net assets	1,982.5	2,025.5	1,962.3	1,993.3	1,923.2

Table 3. Cash flows for year ended 30 June 2022 (extract)

	2018 ($ million)	2019 ($ million)	2020 ($ million)	2021 ($ million)	2022 ($ million)
Operating	150.9	129.8	132.4	134.0	102.3
Investing	(147.3)	(174.9)	(233.3)	(244,3)	(149.0)
Financing	(3.2)	45.1	101.5	110.3	46.3

Current year financial review

We recorded a net profit after tax of $78.4 million in 2021–22, a decrease of $22.0 million from the previous year and $14.1 million higher than budget.

The favourable result against budget was primarily the result of the following:

- Higher revenue from developers due to a combination of higher-than-expected developer activities and higher asset values of donated assets
- Lower finance charges due to lower-than-anticipated borrowings and lower interest rates experienced in the market during the first half of the financial year.

Controllable operating expenses were in line with budget. We incurred higher than budgeted operational and maintenance expenses related to our transition to the new maintenance model, which were offset by operating expenditure savings in consultancy, information technology, and transportation costs.

Our financial position remains sound, with gearing at 47.4% and funds from operations net interest cover at 2.8 times. Total assets have increased by $88.5 million, driven by the growth in our infrastructure network and land valuation. Total liabilities increased by $158.6 million, due largely to additional borrowings of $186.3 million during the year. We used this 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 $42.1 million in dividend payments and $97.2 million return of capital to the Victorian Government.

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

Capital projects

Capital expenditure of $171.7 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 during the year to support growth on the Mornington Peninsula sewer network, installation of sewer pipes in Ti Tree Creek to increase the reliability of the network and reduce the risk of spills, and further investment in our renewals program. 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.

Major projects and initiatives

Table 4. Major projects and initiatives delivered or underway in 2021–22.

Month	Highlights
July 2021	• Partnered with RMIT University, Intelligent Water Networks (IWN) and Greater Western Water in a successful trial of a wastewater management project transforming leftover biosolids headed for landfill into reusable products for farmers. • Sewer Planning Engineer, Marzieh Lotfollahi selected as a successful applicant for the Young Utility Leaders program at the Water Services Association of Australia (WSSA). • Launched our refreshed employee intranet 'Aquanet' improving our online employee experience. • Started our relationship with Victoria's Aboriginal Chamber of Commerce, Kinaway. • Introduced an 'in-house' developed portable air valve allowing air to exit as water is introduced to a water main after a shutdown, helping reduce the risk of impact to water quality.
August 2021	• Trialled a new procedure linking rough sleepers at our WatersEdge HQ with local support. • Adapted technology from the water industry supporting a global vaccine trial (BRACE) aiming to better understand the variants of coronavirus (COVID-19). • Hosted a Wear it Purple Day event raising awareness for rainbow young people. • Participated in a joint water industry exercise with Melbourne's metropolitan water utilities, Department of Health and DELWP to gauge our level of preparedness for interagency emergency incident management.
September 2021	• Launched our employee 'Spring Clean your Wellbeing' campaign. • Confirmed 83% of Aquarevo residents felt they were saving water and energy and helping the environment. • Moved our pressure sewer connections depot to Rye. • Presented at the annual Intelligent Water Networks (IWN) Metro Roadshow. • Reached a milestone 30,000 digital meters installed across our network. • Replaced a floating cover on the Armagh Road water storage basin, improving its water quality resilience. • Installed a sewer pumpstation odour control unit at Reid Parade, meeting our environmental compliance responsibilities and extending the life of the asset.
October 2021	• Kicked off our employee strategy panel who, based on inputs from over 250 employees in workshops in September, started shaping our new Corporate Strategy. • Empower, an employee-led group aiming to advance gender equality through shared experiences, hosted their first event, 'Menopause and the workplace'. • Raised $12,238 in WaterAid's Walk for Water. • Formed our independent price submission community panel, who undertook 6 workshops helping shape prices and services for 2023–28.
November 2021	• Following severe storms across Melbourne Cup weekend causing Victoria's largest electricity outage on record, we worked 8 continuous days to maintain operations across our network – see case study on **page 51**. • Board members and Executive team completed cultural awareness training.
December 2021	• Chair, Managing Director, Board members and Executive team welcomed the price submission recommendations from our independent community panel • Raised almost $14,000 for 4 local charities as part of our Employee Christmas Giving Appeal. • Launched *Melbourne's Water Outlook* on behalf of Melbourne's metropolitan water utilities.

January 2021	• Joined Greater Western Water, Melbourne Water and Yarra Valley Water to launch Make Every Drop Count – see case study on **page 55.** • Supported the Midsummer Festival – Australia's premier LGBTQIA+ festival with employees able to register for online events
February 2022	• Presented on the world stage at the London-based World Water-Tech Innovation summit. • Completed drying pan upgrades at our Pakenham and Somers water recycling plants, which closes off the sludge pan upgrade works (10 pans), improving reliability and reducing potential for environmental impacts.
March 2022	• Launched HSE4me software application helping manage our health, safety and environment management systems with full implementation complete in June • Recognised for our role in a winning project at the Australian Water Association's NSW Awards which used samples from Mt Martha Wastewater Treatment Plant to explore an innovative approach to enhancing biogas production. • Collected the R&D Excellence Award at the Australian Water Association (AWA) Vic Awards for our Biochar to Biosolids project. • Submitted our first Gender Equality Action Plan (GEAP) to the Commission for Gender Equality in the Public Sector – see case study on **page 60**. • Celebrated International Womens' Day (IWD) with a #BreakTheBias lunch and learn sessions enabling employees to join the Remarkable Woman IWD Breakfast. • Completed construction and commissioning of the Boneo water recycling plant Stage 4 upgrade, with its innovative processes and technology significantly reducing the plant's carbon footprint. • Participated in a follow up joint industry exercise with Melbourne's metropolitan water utilities and Department of Health to test industry preparedness for an interagency emergency incident.
April 2022	• Supported 16 organisations across our service area through our community grants program, receiving a record 158 applications. – see 'Our Community' on **page 29**. • Launched the Choose Tap initiative in Bayside with a bottle refill tap stationed on the Black Rock foreshore. • Completed Smiths Lane branch sewer, 3.6km of sewer main that will ultimately service 5,000 residential lots. • Completed booster water pump station in Garfield so we can meet the water supply commitments we made in our customer charter.
May 2022	• Presented 'Tomorrow's Water Innovations Today' at IWN 2022. • Officially signed new water and sewerage maintenance services contracts with Downer, Service Stream and Programmed. • Hosted a joint stand at Ozwater22' with Iota, including 3 showcase presentations from our employees. • Supported a new Australian standard to fight fatbergs, which provides clear guidance to manufacturers and consumers on which products can be flushed down the toilet. • Received Victorian Government co-funding to construct a pipeline to service the Dingley Green Wedge with recycled water. • Presented as keynote speaker at the Global Water Summit, Madrid. • Completed upgrade of Frankston water pump station building and switchboard to extend its life.
June 2022	• Invested over $137,000 in Aboriginal and First nations organisations – see case study on **page 27**. • Customer and Community Advisory Council endorsed our draft price submission engagement following our community panel endorsement of our proposals in May. • Completed capital investment planning to support our price submission, and submitted our draft proposals to DELWP and technical regulators • Water for Life, the strategy we co-developed with Greater Western Water, Melbourne Water and Yarra Valley Water, released for public consultation • Reduced our response times to actioning developer agreements from 13.5 to 8.5 weeks • Renewed 23km water mains, 5km branch sewers and 3km reticulation sewers. • Worked with the Department of Health, Melbourne Water, Greater Western Water and Yarra Valley Water to develop a joint action plan in response to the learnings from the Silvan Reservoir water quality incident in August 2020.

Our customers

Our customers

Serving our customers in 2021–22

Improving our services

Based on more than 22,000 combined responses to customer surveys after interactions with us:

- 84% of our customers trust us
- 72% of our customers perceive we provide value-for-money
- 82% of our customers are satisfied with our services

Service to our customers

- Supported 7,102 new customers through our Customer Care Program.
- Delivered over 166 billion litres of water (includes drinking, recycled and non-revenue water).
- Treated 12.016 billion litres of sewage at our 8 water recycling plants.
- Delivered 7.5 billion litres of recycled water to customers.
- Connected 666 customer properties to pressure sewer as part of our Peninsula ECO project, including 44 newly built properties.
- Serviced 52,642 homes with Class A recycled water.
- Restored water in 98% of unplanned interruptions within 5 hours.
- 2.8 million online views across all digital platforms:
    - 1,372,251 visits to southeastwater.com.au (down 9.7%)
    - 917,522 visits to mySouthEastWater (up 9.61%), registrations grew by 54,798 people (up 5.3%)
    - 83,848 visits to South East Water LIVE interactive map (emergency works and planned improvements across our service area)
    - our education website had 204,680 visits (down 3.5%); our natural water cycle game had 242,223 visits (down 4.06%).
- 416,499 customer calls.
- 127,473 email contacts.
- 109,724 people sent an emergency text, proactive water outage text and/or email.
- 59% of customers opted to receive eBills (up 11%).

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 (TCP), 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. This year we engaged TCP in a series of workshops to plan and agree on how we would work together and continue to cultivate value and impact through our partnership. We also set up an ongoing working group to support the delivery of our goals to support those experiencing vulnerability.

How we've supported our customers

- Payment plans to spread the cost of their bill into instalments.
- More time to pay – extensions on when they need to pay the bill by.
- Regular bill payments deducted from their Centrelink benefits as agreed by customers.
- Access to concessions and government grants.
- Matching of government grants to further reduce debts over a certain amount.
- Incentive payments and hardship grants and relief.
- Water audits and plumbing support.

Table 5. Community service obligations

Value of community service obligation provided	2019–20 ($)	2020–21 ($)	2021–22 ($)
Provision of concessions to pensioners[1]	44,822,494	50,077,990	47,962,588
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme[2]	949,348	943,430	958,917
Utility relief grants scheme payments[3]	1,603,539	1,858,112	1,598,820
Water concession grant on life support machines (haemodialysis)[4]	19,312	24,093	26,598
South East Water hardship grants[5]	157,306	343,601	1,290,352

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 is drawn together from across the community and represent outside voices in areas from environment and affordability to agriculture and property development. It 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 this year. We held 3 meetings online due to coronavirus (COVID-19) restrictions and 1 in-person.

Report from the council

Over the past year, our council reviewed a range of topics and provided us with customer and community perspectives on development of our 2023–28 price submission and a range of other strategies, actions and responses.

A sub-committee of the council was formed this year, to observe and provide advice to the price submission team about our customer engagement approach and activities. We met with the sub-committee regularly, providing members with oversight of our engagement program and the opportunity to provide feedback throughout the process. Similar meetings with all council members were also held each quarter. We welcomed the council's observations and feedback, which informed further engagement and supported greater reliability of the customer engagement findings.

The council also provided perspectives on our digital metering plan, performance self-assessment and land utilisation strategy. Recruitment has been finalised for representatives to fill the vacant First Nations and agriculture roles on the council.

Council Chair, David Heeps said*, "I'd like to thank our members for their dedication to the council and flexibility in meeting online and providing continued guidance to South East Water, especially in relation to the development of the price submission.*

"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."

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, including as Chief Executive Officer of the Essential Services Commission. He's currently a senior associate at Aither Consulting.

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. She 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 and Board Member of Zoos Victoria. She 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 National Business Solutions Manager with the Australian Industry Group, an employer Association who represent the interests of more than 60,000 businesses employing more than 1 million staff. He's also 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 local and international consultant on community engagement. He's conducted Intercultural Education programs for organisations as well as health education training, for health professionals in Japan, Indonesia, China and Malaysia. Sundram is a Board member of the Ethnic Communities Council of Victoria and President of the Emotional Well-Being Institute, Geneva. He was awarded the Centenary Medal by the Australian Commonwealth Government for his work with migrants and in 2021 was awarded the Citizen of the Year by the City of Ballarat, Victoria.

Max Shifman, Customer and community segment: Property development

Max is the Chief Executive Officer of Intrapac Property, is the President of the Urban Development Institute of Australia (UDIA) National and sits on the Board of UDIA Victoria.

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 a Director of the Master Plumbers Association (MPA) and a member of the PARC Committee, comprising Metropolitan and Rural Water Authorities, and VBA (Victorian Builders Association). His company Shinners Plumbing Pty Ltd specialises in commercial and industrial plumbing. He was granted life membership to the MPA recognising his continuing contribution to the association and voluntary service for the development of the plumbing industry.

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, and was involved in the Clean Ocean Foundation.

Alicia Darvall, 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.

Customer and community segment: First Nations (position vacant)

Customer and community segment: Agriculture (position vacant)

South East Water Board representatives

Since Peter Day's resignation from the South East Water Board in September 2021, we've been pleased to have 3 of our board members attend remaining council meetings for the year – Tim Lyons (November 2021), Lucia Cade (March 2022) and Rohan Henry (June 2022).

Lara Olsen

South East Water Managing Director. Lara's biography is on **page 68**.

Mikala Hehir

South East Water General Manager Customer and Community. Mikala's biography is on **page 72**.

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	752,154	111,590	1,065	0	61,617	30,062	5,335	0

Preliminary estimated per capita is 167.6 litres of potable water per person per day for 2021–22.

Disclaimer: This figure is preliminary only and based on an estimate for Q4 (April–June 2022) 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. The figure is higher than previous years due to a combination of coronavirus (COVID-19) impacts and Australian Census 2021 revealing a significantly lower population in our region than predicted. The coronavirus (COVID-19) pandemic continues to increase uncertainties including residential population during the year following Australian Census 2021 and the proportional allocation of consumption between residential and non-residential consumption.

The bill based on average residential consumption of 150 kL was $962.60 (and $1,158.30 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	813,771	141,652	6,401	148,053	146,036	166,800

Table 8. Non-revenue water

District	Leakage (ML)	Firefighting (ML)	Other (ML)	Total non-revenue water (ML)
South East Water	11,720	0	7,027	18,747

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 St, Frankston	694	11,580	1,406	2	121

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 22 non-residential customers that use more than 100 megalitres per year for uses other than farming, irrigation or domestic purposes.

Alfred Health

Australian Foods Pakenham Pty Ltd

Australian Meat Group Pty Ltd

Bega Cheese Ltd (Chelsea Heights)

Bega Cheese Ltd (Port Melbourne)

Bluescope Steel Ltd

Chobani Pty Ltd

Coca-Cola Amatil (Aust) Pty Ltd

Corval Ingham Pty Ltd

Crown Melbourne Limited

Defence Corp Support South Vic

Fountain Gate Trust

Harvest Choice Australia Pty Ltd

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

Visy Packaging 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	13
Equal to or greater than 200 ML and less than 300 ML	6
Equal to or greater than 300 ML and less than 400 ML	1
Equal to or greater than 400 ML and less than 500 ML	1
Equal to or greater than 500 ML and less than 750 ML	1
Equal to or greater than 750 ML and less than 1,000 ML	–
Greater than 1,000 ML	–
Total number of customers	22

Participation in water conservation programs

We continue to support water-efficient behaviours for businesses. We've had positive feedback from trials with several larger business customers on smart algorithms that can detect irregular and unusual water usage patterns, and are investigating their potential scale up so more customers can benefit.

Trade waste

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

In 2021–22, over 11,000 customers contributed a combined volume of more than 6,405 megalitres of trade waste, consisting of 5,489 megalitres to Melbourne Water's Eastern Treatment Plant at Carrum and 512 megalitres to the Western Treatment Plant at Werribee.

We also treated a combined volume in excess of 404.9 megalitres of trade waste received at our local water recycling facilities.

A total 12.4 megalitres of septic waste was discharged at the Boneo Water Recycling Plant (9.1 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, recognising the significant business impact to our customer base due to the various restrictions and lockdowns, we provided assistance to over 150 trade waste customers in the form of waiving or deferral of fixed charges of over $32,000.

Our community and environment

Our community and environment

Supporting First Nations communities via our RAP

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 Reconciliation Australia endorsed in October 2020.

Our RAP has helped to increase our awareness of First Nations peoples, their culture and history. Across the year we formed meaningful working relationships with Traditional Owners (TOs), First Nations-focussed organisations, charities and community groups, embarked upon some inspiring initiatives, and engaged with our people via a range of internal events.

We're proud that of the planned activities and initiatives that made up our RAP, we achieved 82% of our actions.

Building a safe and culturally-aware organisation

- Our RAP working group – responsible for driving governance, planning and action to deliver the public commitments within our RAP 2020–22, and including external members from the Bunurong Land Council Aboriginal Corporation (BLCAC), local First Nations businesses, charities and organisations – met quarterly.
- Our internal working group met monthly.
- Increased the cultural knowledge and leadership of our organisation through the appointment and insights of Dr. Rohan Henry as Director of South East Water
- Undertook First Nations cultural awareness training and education for all employees, the Executive team and Board members.
- Welcomed First Nations guest speakers like Lionel Lauch, Cassie Leatham, Aunty Dyan Summers and Scott McCartney (Kinaway) to share their lived experiences.
- Shared stories and RAP progress with employees, staged internal events to recognise National Reconciliation Week and NAIDOC Week.
- Connected with First Nations consultancy Career Steer to help form recommendations for Aboriginal employment and how we might create a more inclusive culture.

Continuing to build relationships with TOs and First Nations communities

- Raised money for First Nations charities like First Peoples' Health and Wellbeing.
- Started our platinum partnership with the Kinaway Aboriginal Chamber of Commerce.
- Spent $137,740.10 with Aboriginal and Torres Strait Islander businesses like Jala Jala Treats, the Willum Warrain Aboriginal Association, Maru office supplies and Indigi-Print (to name a few).
- Raised awareness for First Nations-owned and operated businesses, charities and events. For example: Cooee Café and Nairm Marr Djambana.
- Supported cultural and education programs (The Long Walk), hosted industry events at culturally important gathering places and participated in community events.
- Commissioned First Nations artist Elizabeth Close to develop and paint a First Nations artwork mural on the side of our WatersEdge HQ in Frankston.

We came together for National Reconciliation Week (NRW) from 27 May to 3 June to learn about the history and culture of the local Aboriginal community.

Case study: Working with First Nations organisations to procure services

Having a Reconciliation Action Plan (RAP) has helped increase our awareness of First Nations peoples, their culture and history and built meaningful working relationships with Traditional Owners, First Nations-focussed organisations, charities and community groups.

Indigenous procurement has been critical to the success of our approach, especially the relationship we share with Kinaway (the Victorian Aboriginal Chamber of Commerce) which started mid-2021.

Having maintained our spend (totalling $137,740.10) with certified Aboriginal suppliers and Aboriginal organisations for FY2022, we continue to grow and establish new relationships with Kinaway supplier members, Career Steer (consultancy) and Jala Jala Treats (catering).

We also established contractual commitments from our Maintenance Services Industry Partners requiring a minimum target of 1% of the contract workforce be Aboriginal people, and to procure a minimum of 1% of the contractual spend from Aboriginal businesses.

The partnership with Kinaway has also delivered cultural awareness training, given us access to their wider business and community network and supported Indigenous engagement program development.

As our first RAP comes to an end, the work we're doing with Career Steer will ensure we have the right organisational structure and resourcing to deliver objectives. It'll also help us form recommendations for Aboriginal employment, creating a safer and more culturally-aware organisation.

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 2016 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 for our direct Scope 1 and 2 emissions.

We commissioned the combined heat and power units at our Boneo and Mount Martha Water Recycling Plants (WRPs) this financial year in December and June respectively. These units use waste biogas from the treatment process to generate energy to use on site and reduce our electricity demand from the grid. They're expected to supply 15% of our total electricity across our entire operations.

We're also well on our way to sourcing 100% of our electricity from renewable sources and expected to reach this goal by 2024–25.

The next action is to tackle our direct emissions from driving vehicles and treating wastewater at our treatment plants. We're investigating a number of ways to reduce our direct emissions including reducing emissions at the source with innovative technology design in future treatment plant upgrades and sourcing local biodiverse sequestration offsets.

Targeting sewage spills

A significant climate risk for us into the future is the increasing frequency and intensity of storms, which through inflow and infiltration into the sewerage network can result in sewage releases to the environment. To address these risks, we're using in-house developed products like Advanced Blokaid® and Manhole Lotic™. These are installed at the top of sewer maintenance holes to detect and clear sewer blockages before they lead to spills. To date, we've installed over 1,200 Advanced Blokaid® devices across our network. These devices help with our reactive maintenance catching blockages before turning into a spill. We also have an extensive proactive maintenance schedule of the sewer network to ensure blockages don't happen in the first place.

We're also installing low-cost, IoT (Internet of Things) enabled sensors in waterways to detect and measure the extent and duration of spills as they occur. In addition, we're trialling a range of devices for rapid analysis of samples (for example portable qPCR systems), to allow our field crews to quickly assess a sewer spill and work out the most appropriate way to fix it.

During the year, we conducted a review of literature, protocols and practices of water authorities and government departments to make sure our existing sewer spill response and remediation practices were meeting best practice in the industry. The review incorporated specialist advice and industry input through document reviews, interviews and a workshop, focusing on minimising harm, particularly to the ecological health of receiving waters over the immediate and longer term. We're currently updating our sewer spill procedures based on the findings of this review.

Working with local government, community groups and other agencies

Held on National Tree Day (Sunday 31 July), around 80 volunteers from South East Water, the Lions Club and Kingston Council employees came together to dig, plant and care for the environment. Other community groups who turned up to help and have fun were members from local life saving clubs and scouts groups.

Our Community Grants program

In its third year, our Community Grants program received 158 submissions and granted $100,000 in funding to support the projects of 16 organisations. These projects will benefit our community in the areas of affordability; environment; health and liveability, water security and literacy. Projects ranged from marine conservation and garden irrigation to emergency services equipment, education programs, kitchen upgrades for community meals and new equipment for life saving clubs and camps.

Thirty-seven employees joined our judging panel, to better understand our community groups, who they are and the challenges they face.

Local stakeholders helped to share the news of the grants program with their constituents.

A community culture

Supporting our community comes from within at South East Water. This year, our employees (with donations matched by the organisation) raised more than $18,000 through initiatives such as:

- South East Water's Annual Employee Christmas Giving Appeal (supporting Community Support Frankston, First Peoples' Health and Wellbeing, Food for Change, and Mums Supporting Families in Need)
- Water Aid's Walk for Water (supporting communities overseas without access to safe, clean drinking water and sanitation).

Supporting community members experiencing vulnerability

We continued our now 6-year partnership with the One Voice shower truck. It operated during lockdown periods to provide much needed warm showers in a safe space for those who needed it across our service footprint.

In 2021–22, the shower truck provided 2,058 showers to community members across the south-east, in suburbs including Cranbourne, Dandenong, Frankston, Hampton Park, Pakenham and Seaford.

It was taken out by 6 community providers including Chelsea Community Support, Crossway Lifecare, Cornerstone Contact Centre Inc, Gethsemane Church Cranbourne, Hampton Park Baptist Church, and St James' Anglican Church Dandenong, to help support those experiencing vulnerability.

To support vulnerable community members, we also:

- piloted a new Rough Sleeping Procedure, designed in conjunction with local service provider Neami National Towards Home+ to better support rough sleepers seeking shelter around WatersEdge. The new procedure offers support, rather than 'move on', and has now been implemented as business as usual.
- donated and installed a rainwater tank at a home built by the Lighthouse Foundation to house vulnerable mothers and their babies. The tank now waters the garden at the home, keeping the water bill down for the Foundation, allowing the mums to indulge their passion for gardening, and helping teach water literacy to support the residents in years to come.

Supporting our culturally and linguistically diverse (CALD) communities

With our service area home to some of the most multicultural postcodes in Australia, we:

- Attended the Southern Migrant and Refugee Centre's Refugee Week Celebration in Hampton Park, to connect with customers about the safety and quality of tap water, and to share knowledge about water bills and payment support.
- Partnered with Bluearth Foundation on City of Greater Dandenong's Make Your Move Active Families Program, supplying water bottles to participating primary schools in Dandenong and Noble Park.
- Connected with local service providers and community groups as part of the South East CALD Network and the Cardinia Shire CALD Group.
- Produced a series of Easy English pieces to better engage customers on programs such as Community Grants and payment support.
- Participated in Cultural Diversity Week by sharing the stories of 5 CALD employees. These highlighted cultural and language experiences as well as the ongoing tension experienced for many living between 2 cultures.

Government and council partnerships

There are 17 local government areas across our catchment, each with unique challenges as well as common areas of interest. Our councils, and our local members of parliament, 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 and partnered on a range of integrated water management programs for Dingley, Patterson River and Fishermans Bend.

We also represented the needs of our customers on Cardinia Shire Council's Liveability Partnership Group, which oversees implementation of its Liveability Plan. Cardinia Shire, City of Greater Dandenong, City of Kingston and City of Port Phillip councils also participated in engagement for our 2023–28 price submission, to help shape its outcomes.

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 320 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 117 million litres, worth $585,000.

We also continued to support Gems in STEM, a program that aims to inspire senior secondary school students into a career in science, technology, engineering and mathematics.

Campaigns and partnerships

We continued 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 4 bottle filler/water fountains our service region, including City of Bayside (Bay Trail at Black Rock Clock Tower and Dawson Avenue, Brighton); Cardinia Shire (Toomuc Linear Park, Pakenham); and Alfred Health (Alfred Hospital, Prahran).

We supported community events by providing free drinking water from our hydration stations (outside of lockdown periods and when events were allowed to occur, between December 2021 and May 2022), reaching over 274,000 across 31 events.

We continued our involvement in DELWP's Community Housing Retrofit Program, by encouraging not-for-profit community housing organisations in our service area to participate to help them save water and reduce water bills. In total across 2021–22, the program supported 112 audits and 93 retrofits through $155,000 of funding. In our area specifically, Presentation Family Centre Balnarring completed its audit and retrofit, with 14 more properties having completed the audit and awaiting retrofitting.

Environmental sustainability

Throughout 2021–22 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.

Approximately 52,600 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 2021–22 was 6.4 billion litres, which represents a 0.8 billion litre increase compared to the previous year. The increase in usage was largely driven by an additional 0.21 billion litres of Class A recycled water from our Lang Lang treatment plant in its first year of operation. Agricultural and commercial customers also used an additional 0.35 billion litres of Class C recycled water.

Integrated water solutions

As part of our commitment to the *Water for Victoria* plan, the Minister's Letter of Expectations, and as part of our *Urban Water Strategy*, we've continued to collaborate with stakeholders through Integrated Water Management (IWM) forums. During 2021–22, we progressed our IWM projects with significant support from the state and federal government.

2021–22 highlights

- The Victorian Government announced a funding contribution to the Dingley recycled water scheme, which will supply up to 1.8GL of Class A recycled water from the Eastern Treatment Plant to 46 sites (businesses and open spaces) in the Dingley green wedge by 2025.
- The collaborative *Water Sensitive City Strategy* was officially launched with Fishermans Bend initiatives including a range of integrated water solutions from whole-of-precinct to streetscape and individual building solutions. They include recycled water for the whole precinct, flood resilient streets, green roofs and smart rainwater tanks. We undertook works toward delivering the Fishermans Bend water recycling plant, with the connection to the Hobsons Bay water pipe beginning.

Other activity we undertook during 2021–22

- Improved viability of plans to provide recycled water for agriculture in Tyabb and Somerville.
- Progressed the Pakenham Regional Recycled Water Scheme, including starting a working partnership with Southern Rural Water on groundwater in Westernport.

- Undertook a feasibility assessment, partnering with City of Kingston, for the supply of Class A recycled water from the Eastern Treatment Plant to areas north of the Patterson River.
- Supported DELWP in the development of the draft Central and Gippsland Region Sustainable Water Strategy.
- Collaboratively built on the IWM forum plans for Dandenong, Western Port and Yarra catchments in partnership with DELWP, other water authorities, councils and the Victoria Planning Authority. This includes understanding the value of IWM in water security, through development of *Water for Life*.

Aquarevo

In October 2021, the last of the 467 available residential lots at Aquarevo was sold via online auction. By 30 June, 298 homes had been constructed in the estate, each containing our rainwater-to-hot water system, pressure sewer pod and TankTalk® system. Residents had moved into 276 of the houses.

In a survey conducted with residents in September 2021, 83% felt they were saving water and energy and helping the environment. 54% also felt they were saving money on their water and energy bills.

Aquarevo continues to generate interest, including globally. Since 2016, we've given 148 tours and presentations on Aquarevo, comprised of 17 international groups, 13 interstate organisations, 88 Victorian public and private sector groups and 30 of our internal teams and committees.

Drought response and alternative water sources

Metropolitan water retailers prepare and publish common drought preparedness plans (incorporating a Drought Response Plan). During 2021–22, there was no requirement for drought preparedness measures, and Permanent Water Use Rules continued to apply.

We joined other Melbourne metropolitan water utilities and Melbourne Water to jointly publish the annual *Melbourne's Water Outlook* in December 2021. 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 2021–22, with all 125 billion litres delivered in 2021–22. In March 2022, the Victorian Government ordered 15 billion litres of desalinated water to secure our future water supply for 2022–23.

Environmental flow

Environmental flow refers to water released from a dam to maintain river health downstream. Our water management strategies in place, prepared in combination with metropolitan water utilities and Melbourne Water, make sure we meet our obligations in this area for the Melbourne water supply system.

Key strategies and policies

Urban Water strategy

Over the next 50 years, we may need to double our water supply. With Melbourne's population expected to double by 2070 and decreasing rainfall into streams, we need to plan for this future.

We're almost ready to launch *Water for Life*, our 50-year urban water strategy. Incorporating the Greater Melbourne Urban Water Strategy and Melbourne Water Systems Strategy, *Water for Life* was developed in collaboration with Greater Western Water, Yarra Valley Water and Melbourne Water.

To develop *Water for Life*, we conducted public surveys over April and May 2021 and a community panel process from June-October 2021. With community input, we developed a draft strategy, which we shared for public comment in June and July 2022.

We'll submit our final strategy to the Minister for Water by the end of 2022.

Water for Life focuses on a future with:

- innovation driving equitable and affordable access to water
- pristine, precious, secure and sustainable water • meaningful partnerships with Traditional Owners, and
- meaningful engagement with consumers.

The strategy has been shaped by what Traditional Owners and community members in our service regions told us is important to them.

The Greater Melbourne water corporations are committed to achieving this through four key focus areas:

1) Ensuring a secure and sustainable water supply.
2) Equitably and affordably meeting diverse water needs.
3) Ensuring healthy people and a healthy environment.
4) Delivering meaningful partnerships, engagement and education.

Regional Catchment strategy

We're a founding stakeholder of the Living Links catchment program. The program is a large-scale collaborative environmental program to create a web of green spaces in Melbourne's south-east, underpinning the Regional Catchment strategy. This group aims to enhance biodiversity and to improve opportunities for the community to experience the benefits of connecting with nature in this urbanised catchment. Melbourne Water hosts the coordination of Living Links on behalf of its partners, which include local government, government agencies and community groups.

A key focus for 2021–22 was the development of the Our Catchment, Our Communities – Urban Forest. The Living Links Urban Forest aims to enhance integrated water management, biodiversity protection, climate change mitigation, urban cooling and shading, and enhance human health and wellbeing. On the ground works are schedule to start early in 2022–23.

Victorian Biodiversity strategy

Building on our Biodiversity Master Plan, we contributed to the development of Biodiversity 2037, which is Victoria's plan to stop the decline of our native plants and animals and improve our natural environment.

During 2021–22 we:

- partnered with Melbourne Water to enhance vegetation through strategic works in Deep Creek in Pakenham, Balcombe Creek in Mount Martha and Tootgarook wetlands.
- performed our final Dwarf Galaxias (a native freshwater fish) survey in the upper section of Watsons Creek. This confirmed the success of a translocation program from May 2021, moving fish from further downstream into the impacted spill zone from a spill in 2019.
- completed our ongoing annual pest and noxious weed control program to remove invasive species and promote native healthy native vegetation and habitat.

Project requiring native vegetation removal	Planning permit number	Native vegetation removed	Offsets required under planning permit
Somers Lagoon vegetation removal	P22/0667	0.169 ha	n/a

Environment Mitigation Levy

The *Melbourne Strategic Assessment (Environment Mitigation Levy) Act 2020* (MSA) 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 2021–22 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 engaging 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.

Following on from the success of our pilot partnership with Mornington Peninsula Shire Council (MPSC), we've signed a new and enhanced 5-year Memorandum of Understanding (MoU). As part of this MoU, we'll continue providing funding to MPSC for a wastewater officer. The role of the officer is to help council with better monitoring of septic tank systems performance and maintenance and promote connection to the sewerage network, PenEco. As part of this program, we're in the process of launching a joint communication campaign with MPSC to contact all our customers with on-site wastewater systems, to raise awareness of maintenance requirements and reduce impacts of failing systems.

We supported Balcombe Estuary Reserves Group Mount Martha with funding to monitor and improve water quality in the Balcombe Estuary, a key waterbody in our region. This has seen us deploy a water quality sensor hub, to monitor ammonia levels and general water quality in real-time over a 12-month period. We've also set up customisable alerts and triggers for any potential sewer spills, so we can quickly respond to anything out of the ordinary and avoid any impacts to the estuary.

We undertook a sampling program with RMIT University, to measure micropollutants, including pharmaceuticals and personal care products in surface waters. This will provide us an evidence-based understanding of wastewater-related contaminants, and how these impact ecological values. It will mean we can be more structured and strategic in how we prioritise the investigation and management of what goes into our sewage.

Environment Protection Act 2017

As part of our commitment to protect the environment, we introduced our interactive map which identifies local environmental features across our network. We use the interactive map to inform our response to sewage spills, in particular identifying if Dwarf Galaxias, a native freshwater fish, are present, and to understand environmental sensitivities at our Water Recycling Plants (WRPs). We've undertaken several workshops with staff from each of our 8 WRPs, to identify and assess activities that could have a negative impact to the surrounding environment and to identify ways to reduce the risk of environmental impact. This has informed our site-specific risk management and monitoring plans, to proactively manage the controls and reduce risk as far as reasonably practicable.

We've also launched our new digital platform, HSE4Me, allowing us to store all environmental data in one place. We're now able to identify trends and share good environmental practices across everything we do.

Victorian Water Efficiency Strategy

To contribute to the *Victorian Water Efficiency Strategy 2017–22*, we:

- participate in the Water Services Association of Australia Water Efficiency Network and Victorian Water Efficiency Resources Committee
- research water efficiency initiatives, in particular how we can make these more effective through our use of digital tools
- partner with metropolitan water organisations to run the Make Every Drop Count campaign

- support Smart Approved WaterMark to provide the home water use calculator and other water efficiency tools to our customers
- worked closely to support the inclusion of water efficiency in the development of the *Central and Gippsland Region Sustainable Water Strategy* and *Water for Life*
- performed 41,000 digital exchanges across Melbourne's south-east helping customers find leaks they didn't know they had and reducing water wastage.

Adaptation to climate change

Australia's climate has warmed by around 1.44°C since 1910, and we've seen this impact our business through warmer conditions and an increasing frequency and severity of extreme weather events.

Wherever we operate, our customers expect safe and reliable services at fair and affordable prices. To address the challenges a changing climate presents in how we deliver these, we're continuing our risk-based approach, and exploring how climate change might impact the safety, standard and affordability of our services. We're also considering various potential future scenarios, assessing the best ways to mitigate each risk, their likelihood, and potential consequences.

We've developed a Climate Adaptation Action Plan (CAAP) which addresses our legal obligations, best practice frameworks and industry guidelines and aligns us to the Taskforce on Climate-Related Financial Disclosures (TCFD).

South East Water's *2022–27 Climate Adaptation Action Plan* (and the Climate Adapt project that led to its development) is based on the previous 2016 Climate Adaptation Plan. It identified the 5 major climate hazards posing the greatest threat to South East Water:

1. extreme temperatures
2. extreme rainfall events
3. decreased annual average rainfall
4. increased average annual temperatures
5. sea-level rise (with storm surge).

The new CAAP identifies 13 strategic actions that will make planning for climate change business-as-usual for us. To read the CAAP and the governance, strategy, risk management, and metrics of the plan, please visit our website **southeastwater.com.au**.

Goals

Our climate adaptation goals are built on our customer outcomes, our key organisational targets. Of these, the CAAP places strong emphasis on 2:

1. Get the basics right, always
2. Support my community, protect my environment

We're delivering on our statements through 5 climate adaptation goals which we'll achieve by 2027:

Climate adaption goal	TCFD metric	Current rating
Goal 1: Minimise the number of risks rated extreme in 2030 through active control measures.	Metric 1: Number of risks rated extreme for 2030.	4 risks are currently rated extreme for 2030.
Goal 2: 100% of risks rated high or extreme in 2030 have controls endorsed by executive.	Metric 2: Proportion of risks rated high with control plans endorsed by Executive (%).	Not yet available; control plans are subject to pricing submission approval expected in late 2022.
Goal 3: All critical assets have a climate risk assessment as part of our standard risk management processes.	Metric 4: Percentage of critical assets with a climate risk assessment conducted within the last 5 years (%).	100% of critical assets have had climate risk assessments.
Goal 4: All controls implemented are effective.	Metric 3: Proportion of controls evaluated as effective in the Environment Management System (EMS) (%).	44% of existing controls have been evaluated as effective and 40% partially effective; new controls will be implemented in next price submission.
Goal 5: Climate risk assessments and controls are based on relevant and current data and science.	Metric 5: Proportion of relevant risks and controls re-assessed within 24 months of new information becoming available (% relevance based on hazard and/or impact type).	100%, no new information has been identified since the completion of the Climate Adapt risk assessments in 2021.

Research and innovation

Our collaborative research continues to be recognised as leading in the industry. Our digital meters, vibration sensors, biochar, Aquarevo, Smart Tanks, emerging contaminants and customer behaviour change were:

- published in international peer review journals such as *Science of The Total Environment*, *Journal of Environmental Chemical Engineering* and *Journal of Environmental Management*
- shortlisted for awards
- accepted for presentations at major conferences and events.

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 currently collaborate on strategic research projects with 12 universities across Australia and 11 research centres, and support 9 PhD students.

Key highlights

Resource recovery

Our collaboration with RMIT University, Intelligent Water Networks and Greater Western Water to convert biosolids sludge waste from our water recycling plants to biochar materials continues – and has been successfully demonstrated at pilot plant scale. Its helped us produce biochar suitable for other applications, free from contaminants of concern. Together with other utility partners, we've also successfully secured an Australian Research Council Linkage grant to explore the emerging hydrogen economy, using our recycled water for hydrogen peroxide production.

Customer insights and behaviour change

Collaborating with University of Melbourne, we've demonstrated that our customers will respond to incentives and rewards and save water. We've also demonstrated the effectiveness of communicating to customers (850 households) in a timely way that's had an unexpected step-change in water consumption. We've also progressed a small trial with University of Queensland and Behaviour Works to test water-energy related behaviour change.

Intelligent networks

- There are now 10,000 Sotto® vibration sensors, that we've developed with our partners, integrated into our digital meters in our network. Supported by Jacobs, we've been able to quantify the potential water savings from the early detection of leaks as well as the number of undetected leaks (which would otherwise later come to surface and be reported by disrupted customers).
- We're at the final stages of a 100 tanker beta trial of our technology for remotely detecting authorised and unauthorised access to our hydrants, and we'll scale to full implementation in the next year.

- With La Trobe University, we've started work on the next pipe tester robot to predict remaining life and failure mode of sewer pipes. We're developing and testing various prototypes to deter and detect wildlife ingress into our water tanks.
- We've had positive feedback from trials with larger business customers on smart algorithms that can detect anomalous and unusual water usage patterns.

Future risks

- We continue to support Water Research Australia's ColoSSoS Program for coronavirus (COVID-19) sewer monitoring.
- We're close to completing a study of the fate of microplastics across our various types of treatment processes. Our supported PhD study in antimicrobial resistance (AMR) in anaerobic digester, developing a process for improving AMR genes removal, won the prestigious Australian Water Association Student Water Prize (NSW).
- We've been studying the fate of poly-fluoroalkyl substances (PFAS) uptake from biosolids into plants and we're supporting Water RA project on fate of pharmaceuticals in biosolids.

Resilience

At Aquarevo, our rainwater-to-hot monitoring and control system continues to work well and is now operational on more than 298 houses. Results to-date show that houses use 45% less drinking water on average by substituting recycled water and rainwater for appropriate uses (such as toilet flushing, hot water in showers / baths, garden watering and laundry uses). Some houses achieve nearly 70% less. Drinking water is still used in kitchens and vanity basins.

Also, at Aquarevo we've confirmed that it's possible to reduce stormwater run-off by up to 20%, reducing flooding risk and waterway damage.

With University of Melbourne and Water Sensitive Cities Australia, our urban cooling has demonstrated correlations between optimised irrigation and misting to cooler ambient temperatures and thermal comfort factors. We've demonstrated with Monash University that low-cost sensors can be used to alert potential spills and illegal dumps into sensitive waterways.

Intellectual property

To protect our investment in technology, we maintain an active intellectual property (IP) portfolio of trademarks, patents and registered designs. This supports future innovation, provides commercialisation opportunities for Iota and ensures our IP is protected for the benefit of our customers and the industry.

Over the last year we added significant assets to our IP portfolio, with international patents granted across ten different product lines in 7 different countries. These include Sotto® vibration sensors for residential and network leak detection, OneBox® for pressure sewer system control and management and TankTalk® for intelligent control of domestic rainwater tanks. Our smart meter trademark Cura® was also granted in 4 different countries.

Iota

Our wholly-owned subsidiary, Iota incubates, productises and commercialises a portfolio of technologies and intellectual property that have been developed and proven within our network. Iota works with water organisations and partners globally to support trialling and adoption of fit-for-water solutions. This not only helps other water organisations around the world realise positive environmental, customer and economic impact, but delivers economic and social benefits for our organisation, our customers, and Victoria.

In the wastewater space, Iota has built upon the success of OneBox® in Australia and New Zealand and as far as Ireland. Deployments within existing water organisations continue to grow with additional organisations now realising the benefits of monitoring and controlling low-pressure sewer networks.

Iota's involvement in the RISE Program through OneBox® serves communities living in informal settlements in Fiji and Indonesia. A leading partner with Monash University, this important program contributes to the UN Sustainable Development Goals, namely #6 'Clean water and sanitation for all' and #3 'Good health and wellbeing' by providing access to sanitation.

Directly working with Iota or through its partners, there are now several water organisations across Australia and New Zealand trialling and deploying digital utility technologies proven at South East Water. Technologies such as Cura™ digital meter, Sotto® network leak detection sensor, Lentic® meter data management platform, and Footprint® commercial metering platform.

Iota, as part of a consortia won a landmark digital meter and Lentic® platform contract with Toowoomba Regional Council, following successful trials in our network.

Included within the Iota portfolio is the management of our Priority Plumbing business, offering commercial and residential plumbing services throughout Melbourne's south-east.

For more information visit **iotaservices.com.au** or **priorityplumbing.net.au**.

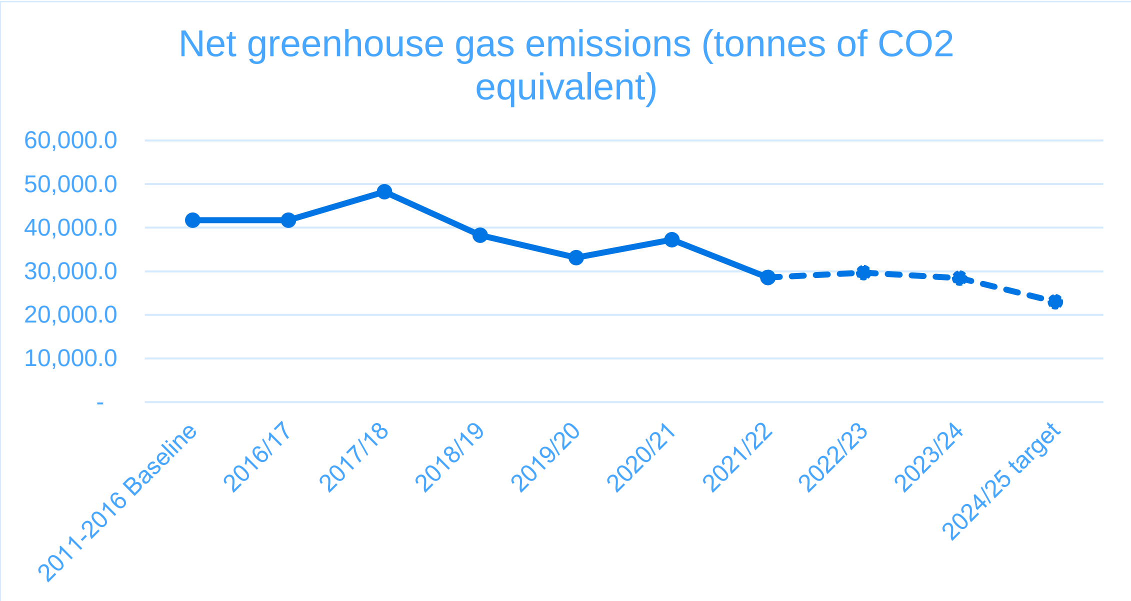
Other statutory obligations

Greenhouse gas emissions and energy consumption

Table 11. Greenhouse gas

Performance indicator		Tonnes CO2-e					Variance to baseline	Commentary
	Baseline	2020–21	2021–22 annual target	2021–22 Scope 1	2021–22 Scope 2	2021–22 Total		
Water treatment and supply	5,607.0	4,994.3		27.3	5,190.0	5,217.3	-7.0%	
Sewage collection, treatment and recycling	32,259.0	36,432.6		9,786.3	21,541.3	31,327.7	-2.9%	
Transport	1,448.9	953.8		1,042.3	0.0	1,042.3	-28.0%	Due to COVID restrictions and working from home
Other	2,430.0	-5,103.8		112.3	-9,123.1	-9,010.8	-470.8%	10,600 LGCs voluntary surrendered
Net total emissions	41,744.0	37,276.9	31,384.0	10,968.3	17,608.2	28,576.5[1]	-31.5%	-8.9% below annual corporate target

1. Total net CO_2 emissions differ to the amount presented in the Performance Report in Appendix 2 due to timing differences. The amounts presented are estimates, not final, and subject to escalation. The difference between total CO_2 emissions between Note 11 and Appendix 2 is not significant.



Dashed line represents future targets, not future forecasting.

Explanatory notes

The emissions of 28,577 tCO_2e is an early estimate of the 2021-22 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.

There is a decrease in GHG emissions since last year because we voluntarily surrendered 17,300 LGCs last financial year from our two Power Purchase Agreements (PPAs) at Kiamal Solar Farm and Cherry Tree Wind Farm. We've also commissioned two Combined Heat and Power Units at our Boneo and Mount Martha WRPs in December 2021 and June 2022 respectively. These units use waste biogas from the treatment process to generate electricity. 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. It's anticipated that the aeration upgrade project and the proposed solar PV system at Mount Martha will result in significant scope 2 emissions abatement.

Table 12. Energy consumption

Service delivery category	2020–21 result (MWh)	2021–22 result (MWh)
Water treatment and supply	5,126.0	5,421.6
Sewage collection, treatment and recycling	24,679.8	23,911.5
Other	1,204.7	1,334.6
Total	31,010.5	30,667.7

Table 13. Renewable electricity consumption

Renewable electricity consumption categories	2020–21 renewable electricity consumption (MWh)	2021–22 renewable electricity consumption (MWh)	2021-22 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	5,687.3	5,402.6	17.6%	
Renewable electricity consumption as a result of corporation-led/self-sourced activities and initiatives				
Biogas		371.0	1.2%	Combined Heat and Power unit at Boneo WRP Forecasted consumption for 2022–23 is 5,000 MWh.
Hydroelectric				
Solar	7,347.4	7,105.6	23.2%	Combination of on-site solar and LGCs procured from Kiamal Solar Farm.
Wind		4,729.0	15.4%	LGCs procured from Cherry Tree Wind Farm.
Other				
Total corporation-led/self-sourced	7,347.4	12,205.6	39.8%	
Total renewable electricity consumption	13,034.6	17,608.3	57.4%	

Our performance

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.

Major contracts putting customers first

In May 2022 we awarded contracts for the delivery of our water and sewerage maintenance services over the next 5 years. The services provided are critical to keeping the water and sewer networks running across Melbourne's south-east, providing essential services to our community.

We're taking an innovative approach to how these services are delivered, updating the delivery model which has been in place since 2013. Starting from 1 October 2022, maintenance services will be divided into two Program Streams with two contractors (to be known as Industry Partners) appointed for each Program Stream.

Program Stream 1 – Water civil, Sewer cleaning and Sewer civil works

- *Downer Utilities Australia Pty Ltd*
- *Service Stream Maintenance Pty Ltd*

Program Stream 2 – Mechanical and Electrical works

- *Service Stream Maintenance Pty Ltd*
- *Programmed Facility Management Pty Ltd (also including Pressure Sewer maintenance)*

Ensuring we get the best outcomes for our customers is important to us. Our new model achieves this by enabling partnerships to bring ideas and innovation to improve safety, processes, efficiency, and value.

Our continuous improvement is focused on enhancing customer experience and satisfaction while also driving customer value. Our partners are an important part of our commitment to our customers to get the basics right, and they are often the face of our organisation out in the field.

Key initiatives	***Our progress in 2021–22***
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. Achieved full compliance with the *Drinking Water Act 2003* and implemented additional monitoring throughout our network. Commissioned an audit by an industry consultant to identify potential enhancements and make sure any continual improvements were based on best practice. Enhancements included installation of additional chlorine units and upgrading of existing assets (such as the replacement / relocation of sample taps).
We'll implement our maintenance service delivery model, with a view to developing strategic relationships with our service providers, improving the service and outcomes for our customers.	Completed a detailed tender process, and after Board approval, signed contracts with new service partners and undertook procurement and onboarding. Transition process is underway with the new contracts coming into effect from 1 October 2022. Set up an Executive Steering Group, comprised of representatives from each of the delivery partners and South East Water, to provide ongoing strategic direction and guidance.
We'll continue to plan for the security of our future water supply. We'll do this by developing the Urban Water Strategy to secure our water supplies for the next 50 years.	Worked collaboratively with Greater Western Water, Melbourne Water and Yarra Valley Water to develop the draft *Water For Life Strategy* (**see page 35**) which was released for public consultation in June 2022. Began work on the strategy implementation plan to consider priority actions, how we'd work together to deliver across the 4 water organisations, and how they'd be monitored and evaluated. Final strategy is set to be presented to the Minister for Water by the end of 2022.
We'll seek certification of our asset management systems against ISO 550001	Decision taken to delay completion of asset management plans until September 2022, due to impacts of coronavirus (COVID-19) pandemic and associated lockdowns/home-schooling requirements on our people during 2021. That's seen ISO 550001 certification effort replanned, with the aim for certification to be achieved by 30 June 2023.

Throughout this section we've highlighted how our performance aligns with the United Nations Sustainable Development Goals (SDGs). **See page 171** 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.

Our digital approach improving our customers' experience

We've completed 41,000 digital exchanges across our network. Customers with a digital meter on their property can now keep a real time eye on water use, alerting them early to water leaks and helping to better manage water bills.

Our digital approach increased engagement directly with our customers, enabling us to contact them if their property was experiencing a leak or a continuous flow. This was achieved utilising innovative in-house developed technologies, like Lentic® and Sotto®, which monitor our pipes and assets, alerting us to leaks in real time. We then alert the customer to the issue.

For example, we made contact with one customer who unknowingly had a small drip leak that would have cost them several hundred dollars over a 12-month period if ignored. A larger continuous flow alert, from loose toilet seals, saved another customer almost $3,000 in unnecessary charges.

From the deployed meters, over 4,000 leaks have been detected and alerted customers, saving over $1.2 million off customer bills (from alerting them to leaks) and 280ML of water.

From an environmental perspective, our data monitoring technologies are also recognising potential bursts and spills before they impact the community. While these are making a difference now, as our digital network capabilities continue to grow we'll further reduce disruption for our customers.

Key initiatives	Our progress in 2021–22
Our price submission customer engagement program will inform the provision of future service outcomes to our customers.	Finalised proposals for our 2023–28 price submission, demonstrating clear links to customer insights collected through our extensive, rigorous and customer-led engagement program and backed up by wider research (and endorsed by both our Customer and Community Advisory Council and community panel). These were presented to DELWP on 30 June 2021.
We'll develop customer communication solutions driven by customer preferences and supported by strong governance, so our customers can interact with us anytime, anywhere.	We continued to improve our customer communications processes, decision making and data. This included the implementation of new customer interaction framework, supporting a shift from transactional to purposeful relationship-based interactions, and the establishment of a dedicated digital team, in response to the growing number of customers wishing to connect via online channels. Undertook research to understand the barriers of customers transitioning from paper to e-bill before rolling the campaign out across our customer base. Conducted a number of trials with specific customer segments to increase our contact details for customers. Increased self-serve take up by 4.5% (estimated) in 'More Time to Pay' and payment plans.
We'll continue to implement our Complaints Management Framework to drive continuous improvement through data and customer feedback.	We took a number of steps to enable our business to improve our complaints handling processes. This included using available data to inform the future rollout of our complaints management framework. We also completed a high-level resourcing plan to bring together the relevant teams to share resources and capability. Conducted further learning in complaints reporting and completed mapping for high bills, identifying further work required in how we categorise complaints. We also achieved a 20% reduction in escalated complaints.

Throughout this section we've highlighted how our performance aligns with the United Nations Sustainable Development Goals (SDGs). **See page 171** 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.

Working together to support our customers and protect our environment

Extreme weather over the Melbourne Cup long-weekend in November 2021 caused Victoria's largest single electricity outage on record. An extended loss of power to our power dependant water and sewer network assets, and water recycling plants has the potential to cause multiple disruptions to customer water supply, and sewer spills into the environment.

During this event, an unprecedented number of operational assets across our water and sewer network were impacted. While many of our assets had on-site generators and battery backup systems, we had to carefully manage and monitor them while power was slowly restored. Repairs to damaged pipework caused by fallen trees were prioritised to ensure that maintenance repair crews could work safely amid downed power lines, and damage to customer property was responded to as quickly as possible.

The scale of this incident demanded a collaborative effort from state, regional and municipal levels. More than 50 of our people worked in a 24/hr cycle across an 8-day period to make sure our services kept running for customers.

Energy suppliers reported that it was the largest power outage in the state's history, with over 500,000 outages. We opened a direct dialogue with the energy companies during the event to help them prioritise and restore power to all our assets and customers.

The collaborative efforts of our teams and contractors saw us return to business as usual without major water supply interruptions to customers or sewer spills into the environment.

Key initiatives	Our progress in 2021–22
50,000 customers will get access to new data from digital meters, enabling them to make better and quicker decisions on their water usage behaviours and obtain greater control on the cost of water.	Completed 41,000 digital exchanges, a strong result given delays caused by global supply chain issues during the year. We've started streamlining the new connections process and have finalised our business case to get ready for the further scale up of digital meters (as proposed in 2023–28 price submission). From the deployed meters, over 4,000 leaks have been detected and alerted to customers, saving over 200 ML of wasted water.
We'll utilise digital technology to protect the environment and water resources, efficiently predicting and preventing South East Water spills and water leaks.	We continue to achieve success in trials and tests to further expand our use of digital technology in the field, to reduce disruption and save water. Benchmarked digital meters with vibration sensors against leak detection acoustic loggers. The digital meter vibration sensor performed well with very small leaks detected which wouldn't have been witnessed by customers until they deteriorated further and became visible over a longer period of time. The trial continues in an area serviced predominantly with more acoustically challenging non-metallic pipes. Our configuration of leak management software continues to identify water zones with high levels of leakage. We've redesigned the Multix manhole device to operate with more accurate sensors. With lab testing showing promising results, we're preparing the prototypes for field testing in our sewerage network.

Throughout this section we've highlighted how our performance aligns with the United Nations Sustainable Development Goals (SDGs). **See page 171** 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.

Members of our community panel present their price submission report to South East Water Chair, Lucia Cade (third from left) and Managing Director, Lara Olsen (second from right).

A fair, inclusive and rigorous approach to our price submission engagement

As part of our engagement for our 2023–28 Price Submission over 7,800 customers participated in a series of workshops, focus groups and surveys giving feedback on what they value and how much they're willing to pay for services over the next 5 years.

To build an extensive view of what mattered most to customers and rigorously test our assumptions, our engagement needed to be truly representative and the recommendations customer-led. That meant using a range of methods including bill simulators and activities rating initiatives and priority areas. To make sure our processes were fair and non-biased, we provided the ability for customers to indicate if they thought questions were imbalanced or misleading. We also focused on including customers who usually don't engage with us, including removing barriers to accessing technology. This included providing access to computers and internet for the sessions.

We fed initial engagement research into our first online deliberative community panel. This was made up of 40 people, representative of our customer base who provided a voice to customers. The panel's task was to deliberate over the engagement research and information provided to come up with their own recommendations. These were cross checked with feedback from our stakeholders and frontline customer teams to make sure they reflected the broader community.

Early endorsement received from our Customer and Community Advisory Council (CCAC) and community panel about our research methods and how customer recommendations have shaped our proposals for 2023–28 indicate we're on the right track for a submission that reflects the perspectives of our customers and community and represents good value.

Key initiatives	Our progress in 2021–22
We'll identify opportunities to enhance Liveable Cities, through partnering and maximising the value we create on major projects through our capital delivery models.	Received Board approval to tender for a new capital delivery model on 30 June, after having completed an extensive global benchmark review of leading contract models. Issued advanced tender notices, with the external procurement process due to run until March 2023.
We'll continue to proactively identify, educate and assist our residential and business customers through various initiatives to support affordability.	Ongoing high focus on supporting a range of customers, considering the uncertain global financial market, recent interest rate rises and ongoing impacts of coronavirus (COVID-19). This has corresponded with a sharp rise in residential debt, which has seen our targets to reduce debt missed in quarter 4. Through proactive outreach and by monitoring inbound calls we've been able to identify more customers experiencing hardship and achieved targets helping direct those customers to a range of support services. Following a successful campaign aimed at increasing the number of our customers registering for a concession, we conducted targeted campaigns, segmenting bills by location, using bill inserts and email. In the past 4 quarters of activity, 5,415 customers had registered a concession, equating to a potential $1,847,697 in full-year rebates. With debt levels increasing across residential and non-residential customers, we scaled back late-stage collection activity and drove campaigns to largely target tenants.

Throughout this section we've highlighted how our performance aligns with the United Nations Sustainable Development Goals (SDGs). **See page 171** 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.

We teamed up with The Alfred to make it easier for front line essential workers, volunteers, patients and visitors to choose tap water over bottled.

Making every drop count to conserve water and protect our environment

The Make Every Drop Count project was created to encourage water conservation and mindful water use across our community. A joint metropolitan water utility initiative, it specifically supported the Victorian Government's Target 155 objective – 155 litres of water per person per day.

The campaign was designed to educate and increase customer awareness by stressing the need to save water, so that Melburnians understood their role in saving water, prompt action by highlighting the water conservation behaviours they need to adopt, and embedding behavioural change, Make Every Drop Count is about protecting our water and driving change to improve water use.

In addition to this, we also inspired people to choose tap water over bottled water to help reduce the amount of plastic going to landfill – of which 1,440 bottles are sent every minute. Sustainable water consumption was helped by installing water bottle refill stations along the Bay Trail in Melbourne's southeast. The new water fountains are part of the Choose Tap® initiative, which works to improve the health and wellbeing of the community and environment by promoting tap water as the most sustainable drink of choice.

This project was funded through our 2018–23 price submission commitments, where customers told us they want to support the community and protect our environment.

Key initiatives	Our progress in 2021–22
We'll deliver on Year 2 of our Reconciliation Action Plan (RAP) actions	Achieved majority of Year 2 actions. Collaborated with other water organisations to enable more effective engagement with Traditional Owner groups. Recruited a new Aboriginal Cultural and Employment Advisor. Commissioned a consultant to review Aboriginal employment and cultural safety and have delayed commencement of next RAP until review is completed.
We'll generate renewable energy from imported waste, reducing our reliance on electricity sourced from the grid, and abating carbon emissions that contribute to climate change.	We were successful in obtaining funding from DELWP to investigate the acceptance of commercial food waste into the Boneo Water Recycling Plant. The application was supported by Mornington Peninsula Shire Council. Construction of the fats oils and grease waste facility is complete, with commissioning and first load to be processed soon.
We'll establish a strategy for renewable hydrogen generation replacing carbon intensive fuels for sustainable living, with a roadmap on what opportunities will be pursued, and key partnerships identified.	Completed a green hydrogen strategy that outlines a clear opportunity for South East Water to pursue green hydrogen opportunities. From this, we've developed ongoing plans which we've incorporated into our master plans for our water treatment plants. We continue to investigate further opportunities and discuss with project partners.
We'll continue to 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 cocreate sustainable communities through projects including Fishermans Bend.	We received $24.8 million in Victorian Government funding for our Dingley recycled water project. This will allow us to dramatically progress our work in expanding the availability of up to 1.8GL of Class A recycled water from the Eastern Treatment Plant to 46 sites (businesses and open spaces) in the Dingley green wedge by 2025. The project has now been approved and will move to tender later in 2022. We've continued our discussions with the Victorian Planning Authority on upcoming precinct structure plans, including opportunities for integrated water management. The Pakenham pipeline business case is in the final stages of review and will be completed in August 2022. The works are planned to be delivered under our new capital delivery model.

Throughout this section we've highlighted how our performance aligns with the United Nations Sustainable Development Goals (SDGs). **See page 171** for more details.

UN Sustainable Development Goals
6, 11, 13, 17, 2, 8, 7, 14, 15

UN Principles
7, 8, 9

Our people

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 710 employees (710.5 FTE) working as engineers, scientists, analysts, 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 demonstrated a strong internal community culture with several donation drives and community-minded initiatives, showing 'we care' – find out more in 'A community culture' on **page 29**.

As part of the development of our new corporate strategy, over 300 of our people answered an invitation to consider the sort of impact we want to have with our customers, community and the environment. We did this through a number of workshops and appointment of an employee panel to come up with a new vision and focus areas.

Empowering our people

An ongoing commitment to flexibility

With lockdowns and restrictions continuing during the past 12 months, we continued our commitment to a hybrid way of working, between the workplace and remote working, our people are afforded more flexibility to do their job to the highest possible standards. When considering hybrid working options, they're 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, and, importantly
- how the arrangement will work for their individual needs and circumstances.

We also continued with 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.

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

A tailored approach to leadership development

Empowering our people to be their best every day through effective leadership is essential to achieving our corporate objectives and meeting the needs of our customers and community. With coronavirus (COVID-19) continuing to impact the way we all work, this continues the demands on our leaders in how they support our people to be their best.

That's why we've continued to invest in leadership development, but in a way that is more tailored, focused on taking action and experimenting with new ways. Our leadership programs are delivered in small group coaching groups and are available to both people and technical leaders.

Building a career through technical pathways

We need to continue to build and nurture our technical capability and provide competent technical advice across our organisation, to support our strategic objectives and deliver for our community.

However, while there are career opportunities within our core business for engineers, scientists, technicians and operators, traditionally their pathways are often skewed towards people leadership.

We've developed technical pathway careers paired to our technical competencies for our people to know how to build a career that aligns with their technical passion and capability. This includes creating 4 new technical senior leadership roles to lead strategic thinking to support our ambitious future initiatives.

Creating opportunities for growth in the technical space, allows us to build our pool of experts, while celebrating, rewarding and recognising the strong talent we have within our organisation.

Inclusion and diversity in our workplace

In 2021–22, we committed to providing an inclusive and psychologically safe work environment for all. We're always striving to create a workforce that's as diverse as our customers and communities.

With the commencement of the *Gender Equality Act 2020*, we developed our first *Gender Equality Action Plan*. As an equal opportunity employer, we value and respect everyone for who they are, embracing and celebrating their talents without discrimination, prejudice or bias. This helps us to attract and retain the best people from a broader section of society, and with a wider, more diverse, range of talents, ideas and opinions.

Our 2-year *RAP* came to an end in June with 82% of actions delivered. We partnered with Career Steer on developing organisational principles to support cultural competency, Aboriginal employment, and engagement to guide us into the future and to develop our next RAP.

We continued to raise awareness and recognise important dates of significance by engaging with employees through storytelling, cultural activities and events which were held online and in person.

Gender equality – making the workplace fairer for all

We've developed and delivered our first Gender Equality Action Plan (GEAP) in compliance with the Victorian Gender Equality Act. To achieve this, we conducted a workplace gender audit analysis which led to a series of workplace consultation workshops with employees.

Through these workshops, our people helped determine our GEAP key objectives and a number of actions including: equal workplace composition, learning and development to support careers, understanding flexible ways of working, transparency in recruitment and selection and, building confidence to report experiences of sexual harassment.

Through this process we also crafted a vision for gender equality at South East Water – "to ensure we're a safe, progressive equal opportunity employer where our people are valued and respected for who they are, and where their rights, talents and expertise are embraced, celebrated and rewarded without discrimination, prejudice or unconscious bias".

We've already made progress, with changes to our parental leave policy – which gives 14 weeks paid parental leave for all parents and carers at the birth or adoption of a child.

South East Water's stance on flexibility, one of the philosophies behind our GEAP, has helped to attract and retain top performers to and within the organisation, and supported them to thrive. Like Priscilla, our Group Manager Reliability, who we enabled to work full time while looking after her family, with the flexibility to be truly effective at work.

We also 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 all, by standing against gendered harassment and violence in all its forms.

Safety and wellbeing

Occupational health and safety (OHS)

Our continued focus on workplace health and safety has enabled us to overcome challenges of the pandemic and deliver favourable outcomes for the year.

We continued to invest in the wellbeing of our people with initiatives to help and manage difficulties faced during coronavirus (COVID-19) and return to the office, including:

- Employee Assistance Program wellbeing webinars
- home workstation ergonomic safety assessments
- ergonomic equipment for home and/or office workstations
- employee-led wellbeing and social connect groups
- psychosocial safety workshops
- clinical psychology support
- refresher training for Mental Health First Aid committee
- extended medical advice service with 'Best Doctors'.

Wellbeing case management support helped 120 employees across the financial year, including 80 newly reported cases.

We followed and continued to improve the 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 have implemented a new digital platform (HSE4me) to manage our health, safety and environment management systems. This new platform enables seamless and consolidated functionality between health, safety and environment processes to drive efficient and effective services that will strengthen our safety leadership and culture.

Continual improvement of our health and safety systems and processes were recognised when our Health and Safety Management System (HSMS) achieved full compliance with ISO45001 standards.

This year our safety performance improved with total recordable injury frequency rate (TRIFR) dropping from 14.06 to 10.70 (a 23% reduction) although we still missed achieving our target of 8.5. The significant reduction of restricted work injuries (less than half of 2020–21) was the main contributor to lowering the overall recordable injuries by 11. The remote workplace assessment program and review of hazardous manual handling processes has been some of the key drivers in reducing these ergonomic injuries.

We recorded 8 lost time injuries (LTIs) for the year, showing no change from the previous year's number. This is a combined figure, reporting on employees and contractors who suffered injuries which resulted in time lost from work. The LTI frequency is 3.57 injuries per million work hours showing an increase from 3.21 from last year. The significant reduction of contractor work hours (approx. 236,000 hours) is the contributing factor in increasing the LTI frequency.

Table 14. Performance against our OHS indicators (based on employee data only)

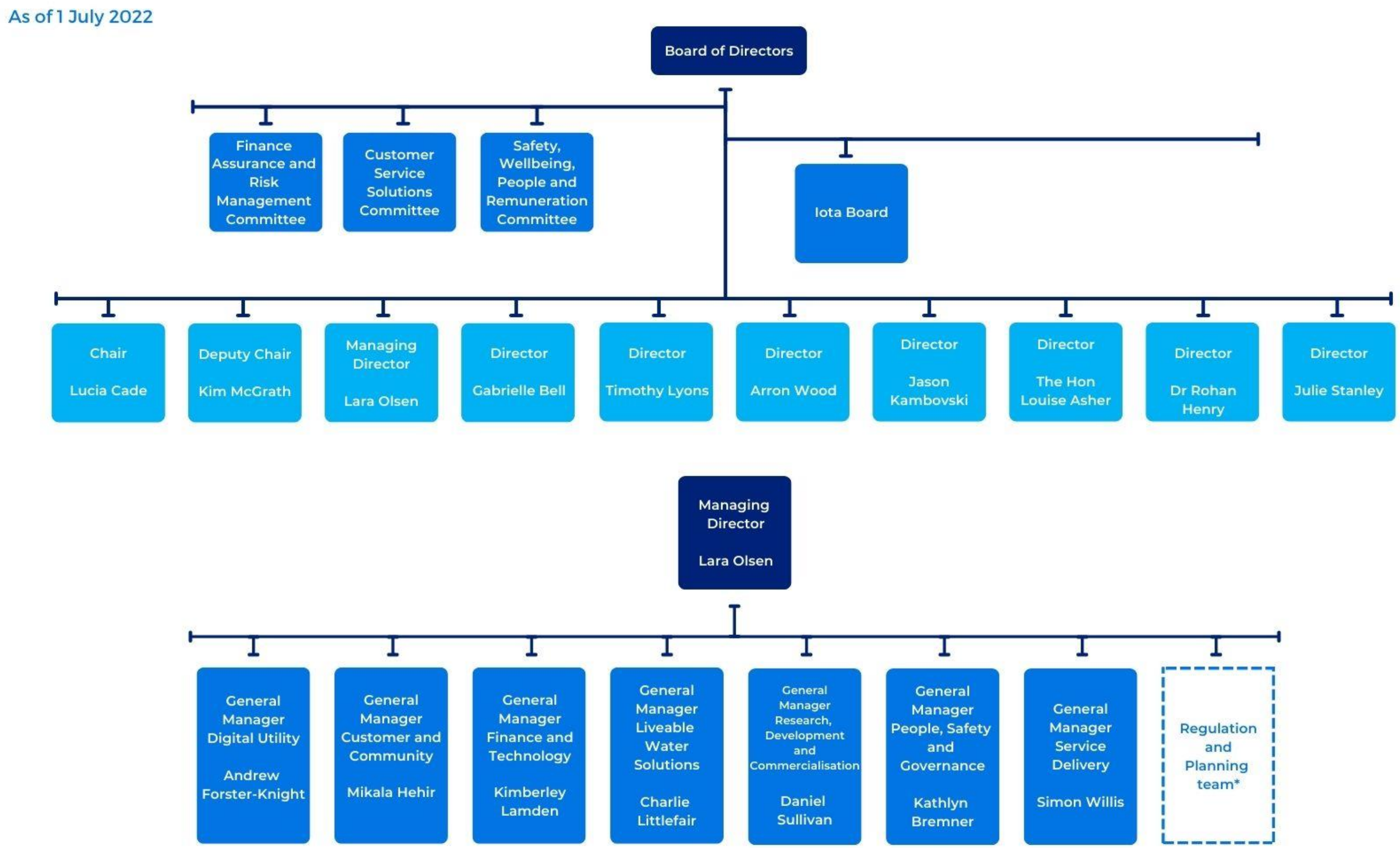
Measure	KPI	2019–20	2020–21	2021–22
Incidents*	Number of reported incidents	7	11	9
	Rate for 100 FTE	0.99	1.61	1.19
Hazards**	Number of reported hazards	58	32	12
	Rate for 100 FTE	8.19	4.68	1.59
Claims (WorkCover)	Number of standard claims	6	9	5
	Number of lost time clams	1	4	2
	Rate per 100 FTE	0.14	0.59	0.27
Fatalities	Fatality claims	nil	nil	nil
Claim costs	Average cost per standard claim	$67,317	$11,729	$24,430
Management commitment	Management participation in planned safety observations	163	175	168
Consultation and participation	OHS committee meetings including employee elected and management representatives	29	6	12
Risk management	Safety management system audit actions closed	100%	100%	100%
Training	Safety compliance training completed within 10 days of commencement	94%	95%	90%

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



Our Board of Directors

We have 10 non-executive directors (including the chair), and a managing director on our board at 30 June 2022.

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 conducts an annual assessment of its performance and effectiveness as required under the *Water of Act 1989 (Vic).* The board and each of its directors recognise the importance of the annual review and are committed to it being a continuous improvement mechanism to ensure we deliver best practice governance and supports us in developing and achieving our corporate objectives.

The board engages with industry experts or external subject matter experts for the purposes of information sharing and capacity building.

Month	Group	Guest stakeholders from
August 2021	South East Water Board	*Water for Life* strategy team
September 2021	Iota Board	Northumbrian Water
October 2021	South East Water Executive and Board	MosaicLab InSync Demographics Group
November 2021	Iota Board	Optus
	Board finance sub-committee	KPMG
	South East Water Board	Indigenous Consulting and Mentoring
December 2021	South East Water Board	Sydney Water
	South East Water Executive and Board	Price Submission customer engagement panel members MosaicLab Right Lane Demographics Group
February 2022	Board finance sub-committee	Melbourne Water
March 2022	South East Water Executive and Board	Right Lane Consulting
	South East Water Board	Cyber Compass
	Iota Board	Landis + Gyr
April 2022	Iota Board	Verdafolio
May 2022	South East Water Board	BoardQ Advisory Deloitte

Bringing the outside in

We report monthly to the board on media, social media and engagement with key stakeholders. Since Peter Day's resignation from the South East Water Board in September 2021, 3 of our board members have attended Customer and Community Advisory Council meetings, with Tim Lyons, Lucia Cade and Rohan Henry providing updates to the Customer Service Solutions Committee and the Board during 2021–22.

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 Queensland Urban Utilities, 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

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

Dr. Kim McGrath – Deputy Chair

PhD (Political Science), 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. Kim is a director of Iota, a wholly-owned subsidiary of South East Water. She served on the board of South Gippsland Water from 2010 to 2012 and joined VicForests Board in June 2018.

Dr. 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 three decades. She was the water policy adviser to the Premier of Victoria during the millennium drought.

Committees

Iota Board
Safety, Wellbeing, People and Remuneration 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. Ms. Asher's experience 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

Customer Service Solutions Committee
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. Ms Bell has previously been a Director in the public transport, superannuation and public health sectors and was a Director of Southern Rural Water from October 2012 to September 2015.

Committees

Finance Assurance and Risk Management Committee
Iota Board (Chair)

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 and Chair of South East Water's Finance Assurance and Risk Management Committee. 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 (Chair)
Iota Board

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 Safety, Wellbeing, People and Remuneration 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

Finance Assurance & Risk Management Committee
Safety, Wellbeing, People and Remuneration Committee (Chair)

Arron Wood, AM – Director

BForSc, GAICD

Mr Wood was appointed as Director of South East Water in October 2017 and is 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. He was awarded a Member of the Order of Australia (AM) in 2020 for his contribution to local government, the environment and the community.

Committees

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

Julie Stanley – Director

CA, Chartered Accountants of Australia and New Zealand, B.Com, GAICD

Julie was appointed as a Director of South East Water in October 2021. Julie is a Chartered Accountant and a Graduate of the Australian Institute of Company Directors and has extensive experience in finance, accounting and risk management with a focus on infrastructure and energy. She's currently a non-executive director of Royal Automobile Club of Victoria Limited (RACV) and TransGrid, the electricity transmission network operator and manager in NSW and the ACT. Julie is a former non-executive director of Regional Arts Victoria Limited and a former partner of Deloitte.

Committees

Customer Service Solutions Committee
Finance Assurance & Risk Management Committee

Dr. Rohan Henry – Director

PhD Marine/Coastal Ecology, BSc (Hons), MAICD

Rohan was appointed as a Director of South East Water in October 2021. Rohan is an experienced project manager with over 20 years working extensively in the environmental sector, in the areas of policy development and environmental impact assessments and approvals. He's a skilled Indigenous engagement adviser with significant experience collaborating and partnering with Traditional Owner Corporations and their communities. He possesses a unique understanding of water, marine and coastal-related policy, programs and approvals and the critical interactions these have with Traditional Owner groups and their communities.

Rohan continues to practice as an independent consultant working across water, renewable energy, and fisheries sectors in both Victoria and NSW.

Rohan is a currently a Non-Executive Director, One Basin CRC; Deputy Chair, Committee on Aboriginal Water Interests (DCCEEW); Chair, Maribyrnong Integrated Water Management Forum; Member, Independent Panel for the Central Region & Gippsland Sustainable Water Strategy; Independent Member, Project Control Group, Victorian Murray Floodplain Restoration Project; and member, Victorian Marine and Coastal Council.

Committees

Customer Service Solutions Committee
Finance Assurance & Risk Management Committee

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. She is 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 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

Customer Service Solutions Committee (attendee only)
Finance Assurance and Risk Management Committee (attendee only)
Iota Board
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.

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 attend 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, 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 monitors 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 Board who presides over significant strategic, commercial, regulatory, financial and risk focused elements of Iota Services.

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
Kim McGrath	Independent director since October 2021
Lara Olsen	Director since February 2020
Andrew Forster-Knight	Director since October 2021
Arron Wood	Independent director until October 2021

Table 15. 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	8	8	6	6	4	3	4	4	5	4
Peter Day	2	2	1	2	4	1	1	1	N/A	N/A
Tim Lyons	8	6	4	4	1	1	4	4	N/A	N/A
Gabrielle Bell	8	8	6	6	N/A	N/A	N/A	N/A	5	5
Kim McGrath	8	7	N/A	N/A	1	1	4	4	3	3
Arron Wood	8	6	N/A	N/A	4	3	3	3	2	2
Louise Asher	8	8	N/A	N/A	3	2	4	4	N/A	N/A
Jason Kambovski	8	8	6	6	N/A	N/A	N/A	N/A	5	5
Rohan Henry	6	6	4	4	3	3	N/A	N/A	N/A	N/A
Julie Stanley	6	6	4	4	3	3	N/A	N/A	N/A	N/A
Andrew Forster-Knight	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5	4
Lara Olsen	8	8	6	6	4	4	4	4	5	5

Peter Day ceased being a South East Water director as of 30 September 2021

Rohan Henry was appointed as a director of the South East Water Board as of 1 October 2021 and became a member of the Finance Assurance & Risk Committee and Customer Service Solutions Committee as of 25 October 2021

Julie Stanley was appointed as a director of the South East Water Board as of 1 October 2021 and became a member of the Finance Assurance & Risk Committee and the Customer Service Solutions Committee as of 25 October 2021

Kim McGrath ceased being a Customer Service Solutions Committee member and was appointed as a director of the Iota Board as of 25 October 2021

Tim Lyons ceased being a Customer Service Solutions Committee member and became a member of the Finance Assurance & Risk Committee as of 25 October 2021

Arron Wood ceased being an Iota director and became a member of the Safety, Wellbeing, People and Remuneration Committee as of 25 October 2021

Andrew Forster-Knight was appointed as an Iota director as of 25 October 2021

Louise Asher was appointed to the Customer Service Solutions Committee as of 25 October 2021

Our executive team

Lara Olsen – Managing Director

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

Lara's biography is on **page 68**.

Andrew Forster-Knight – General Manager Digital Utility

BEng, BSci

Andrew leads 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 previous 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

BArts (Hons), PGrad Dip PR, GAICD

Mikala leads the Customer and Community group, which is responsible for our customer contact centre, accounts and billing, debt collection and hardship, 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. Joining South East Water in 2016, 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 was on parental leave from September 2021 to 30 June 2022.

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.

Daniel Sullivan – General Manager, Research, Innovation and Commercialisation

BBus, MBA, GAICD

Daniel 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 commenced as a director on the board of the Australian peak industry body, the Australian Water Association, is a graduate of the Australian Institute of Company Directors and has an MBA from the Melbourne Business School. Daniel also leads Iota Services, a wholly-owned commercial subsidiary of South East Water.

Kathlyn Bremner – General Manager, People, Safety and Governance

BArts, MBA

Kathy leads the People, Safety and Governance group which includes the legal, risk and compliance functions. Bringing a wealth of experience from the renewable energy and utilities industries in Australia, Chile, Brazil and China, Kathy's career has seen her lead corporate services functions including human resources, safety, legal, risk, business improvement and IT amongst others. Kathy has also led a number of enterprise-wide strategic transformation projects focused on culture and governance and performance with the goal of improving safety, employee engagement and financial performance. Kathy joined South East Water in April 2022.

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 16. Full time equivalents (FTE (including on-going and fixed term and casual)) staffing trends at 2022, 2021, 2020, 2019, 2018 and 2017

Year	2022	2021	2020	2019	2018	2017
FTE	710.5	683.5	656.0	645.7	571.4	567.0

Table 17. Employment levels at June 2022, 2021, 2020, 2019, 2018 and 2017

	Ongoing employees				Fixed-term and casual
	Total	Full-time	Part-time	FTE	FTE
June 2022	686	585	101	658.4	52.1
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

Employees contributed to the strategies and measures in our Gender Equality Action Plan, which focuses on taking positive action towards achieving workplace gender equality.

We've continued to increase the inclusion of women in senior leadership positions and are actively working towards achieving 50% gender balance in all leadership positions by 2024 which has been brought forward a year.

Table 18. Gender distribution in management positions from June 2018 to June 2022

June 2022						
Classification*	**Total**	**Female**	**Male**	**Self-described**	**Female %**	**Male %**
Executive	7	3	4	0	42.9	57.1
Senior officers	212	71	141	0	33.5	66.5
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 19. Details of employment levels at 30 June 2022

	All employees		Ongoing			Fixed term and casual	
	Number	FTE	Full-time	Part-time	FTE	Number	FTE
Gender							
Male	397	394.7	365	11	373.7	21	21.0
Female	341	313.8	219	9	283.7	32	30.1
Self-described	2	2.0	1	0	1.0	1	1.0
Age							
15–24	18	17.6	9	0	9.0	9	8.6
25–34	136	131.6	95	14	105.8	27	25.8
35–44	227	211.2	173	47	204.6	7	6.6
45–54	223	216.4	182	30	205.4	11	11.0
55–64	122	119.7	112	10	119.7	0	0.0
65+	14	14.0	14	0	14.0	0	0.0
Classification*							
Executive	7	7.0	7	0	7.0	0	0.0
Senior officers	212	207.5	183	21	199.7	8	7.8
Officers	521	496.0	395	80	451.7	46	44.3
TOTAL	**740**	**710.5**	**585**	**101**	**658.4**	**54**	**52.1**

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 20. Annualised total salary for senior employees

Income band (salary)	Executives	Senior non-executive employees
<$160,000	–	112
$160,000–179,999	–	48
$180,000–199,999	–	22
$200,000–219,999	–	20
$220,000–239,999	–	8
$240,000–259,999	1	1
$260,000–279,999	–	1
$280,000–299,999	3	–
$300,000–319,999	–	–
$320,000–339,999	1	–
$340,000–359,999	1	–
$360,000–379,999	–	–
$380,000–399,999	–	–
$400,000–419,999	–	–
$420,000–439,999	1	–
Total	7	212

Notes: The salaries reported above are as at 30 June 2022 and based on headcount, and the salary brackets based on FTE $ (not actual $ paid PTE).

Total remuneration package reported, inclusive of superannuation.

We employed 22 individuals on a part-time basis while six further individuals were on purchased leave arrangements.

Governance and risk

We maintain a comprehensive framework of governance practices that are embedded into our organisation. They 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 audit and certification, including:

- ISO 9001 (Quality Management System)
- ISO 14001 (Environment Management System)
- ISO 45001 (Occupational Health and Safety)
- ISO 22000 (Food Safety Management) for sewage quality management.

Hazard Analysis and Critical Control Point (HACCP) for drinking water and recycled water management

We also apply ISO 31000 (Risk Management), ISO 37301 (Compliance Management System), ISO 55001 (Asset Management) and ISO 27001 (Information Security Management including Victorian Protective Data Security Standards) to our operations.

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	We manage IT/OT infrastructure aligned to asset management plans to ensure the stability and reliability of all

	operational technology (IT/OT) assets that underpins business operations and to protect customer and corporate data in line with regulatory and customer expectations.	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 ISO 37301 Compliance management system.
Climate change	To understand and plan for the impacts of a changing climate on assets and effectively transition to a carbon free future.	Climate change is real and we've refined our climate adapt plans for our assets and business operations. We're also committed to reducing our greenhouse gas emissions and formalised our pledge of net zero emissions by 2030 (scope 1 and 2).
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

Financials

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 2022 and the financial position of the Group as at 30 June 2022.

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 29th day of August 2022.

Lucia Cade
Chair

Lara Olsen
Managing Director

Lisa Short
Acting Chief Financial Officer

Independent auditor's report

VAGO
Victorian Auditor-General's Office

Independent Auditor's Report

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 2022 • 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 2022 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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Independent auditor's report

Key audit matter	How I addressed the matter
Revenue from service and usage charges *Note 2.1 – Revenue from contracts with customers*	
Revenue from service and usage charges: $891 million I considered this to be a key audit matter because: • revenue is financially significant • the corporation's IT billing system and business rules are complex, and inputs to the system are derived from multiple sources • external service providers conduct meter readings of customer water consumption data • there is a high degree of estimation uncertainty in the revenue accrual for unbilled water and sewerage services at year end • the applicable accounting standard AASB 15 *Revenue from Contracts with Customers* requires detailed and complex financial report disclosures.	My key procedures included: • testing the operating effectiveness of key controls in the billing system and billing process • assessing management's model, key assumptions, and inputs for estimating the accrued revenue • 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 • assessing the adequacy of revenue recognition and measurement policies • assessing the adequacy of financial statement disclosures against AASB 15 *Revenue from Contracts with Customers*.
The fair value estimate of infrastructure assets *Note 4.1 – Infrastructure, property, plant and equipment*	

Fair value estimate of infrastructure assets: $3.930 billion
I considered this to be a key audit matter because:
• infrastructure assets are financially significant
• the fair value estimate is derived from an income-based valuation approach that uses a discounted cashflow (DCF) model
• management engage an external valuation expert to prepare the fair value estimate
• the DCF model is highly complex and involves significant judgements and assumptions
• small changes in key assumptions used in the DCF model can materially affect the fair value
• the DCF model's forecast period is long, and includes a terminal value, which increases the difficulty in accurately estimating the fair value
• the method for calculating the terminal value changed in the current year
• accounting standard AASB 13 *Fair Value Measurement* (AASB 13) requires extensive financial report disclosures.
	My key procedures included:
	• obtaining an understanding of the approach to estimating the fair value of infrastructure
	• assessing the competence, objectivity 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
	  ◦ the identification and assessment of the reasonableness of any changes to the DCF model and/or assumptions, including the new method of calculating the terminal value
	  ◦ the reasonableness and consistency of all the assumptions used in the DCF model
	  ◦ the reasonableness of all inputs used in the DCF model, with specific reference to underlying data and supporting documentation
	  ◦ the DCF model's computational accuracy
	• evaluating our subject matter expert's work and concluding the work was adequate for the purposes of our audit
	• assessing the completeness and adequacy of the financial report disclosures against the requirements of AASB 13, including the significant observable and unobservable inputs utilised in the model and the sensitivity analysis.

Independent auditor's report

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.

Independent auditor's report

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
1 September 2022

Paul Martin
as delegate for the Auditor-General of Victoria

Consolidated statement of comprehensive income

For the year ended 30 June 2022

Consolidated entity	Note	2022 $'000	2021 $'000
Revenue from contracts with customers	2.1	1,052,608	1,052,949
Other income	2.2	1,937	2,480
Total revenue and income		**1,054,545**	**1,055,429**
Operating expenses	3.1	(639,341)	(632,866)
Employee benefits	3.2.1	(59,624)	(53,225)
Depreciation and amortisation	4.2, 4.3, 5.5	(122,917)	(117,027)
Finance costs	6.2	(77,986)	(80,871)
Environmental contribution	7.3	(43,461)	(43,461)
Total expenses		**(943,329)**	**(927,450)**
Net profit before income tax		**111,216**	**127,979**
Income tax expense	7.1	(32,847)	(37,586)
Net profit after income tax		**78,369**	**90,393**
Other comprehensive income			
Items that will not be reclassified to net profit			
Change in asset revaluation surplus - infrastructure assets	4.2	(96,018)	(166,479)
Change in asset revaluation surplus - land & buildings assets	4.2	53,290	105,651
Actuarial gains/(losses) on defined benefit fund	9.3	11,042	9,707
Deferred income tax relating to other comprehensive income	7.1	22,490	39,579
Other comprehensive income		**(9,196)**	**(11,542)**
Total comprehensive income		**69,173**	**78,851**

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

Consolidated balance sheet

As at 30 June 2022

Consolidated entity	Note	2022 $'000	2021 $'000
CURRENT ASSETS			
Cash		2,409	2,827
Receivables	5.1	101,735	92,073
Contract assets	5.3	75,367	78,345
Other assets	5.6	9,650	10,544
Non-financial physical assets classified as held for sale	4.4	-	9,117
Total current assets		**189,161**	**192,906**
NON-CURRENT ASSETS			
Infrastructure, property, plant and equipment	4.1	4,493,121	4,402,310
Intangible assets	4.3	153,347	162,207
Right-of-use assets	5.5	8,680	9,225
Other financial assets	5.7	1,062	15
Defined benefit superannuation asset	9.3	10,484	682
Total non-current assets		**4,666,694**	**4,574,439**
TOTAL ASSETS		**4,855,855**	**4,767,345**
CURRENT LIABILITIES			
Payables	5.2	100,818	98,586
Interest bearing liabilities	5.5, 6.1	56,745	52,600
Employee benefits provision	3.2.2	21,733	23,157
Income tax payable	7.1	9,392	13,559
Contract liabilities	5.3	26,258	18,433
Deposits and advances	5.4	13,418	13,814
Other provisions		163	1,481
Total current liabilities		**228,527**	**221,630**
NON-CURRENT LIABILITIES			
Interest bearing liabilities	5.5, 6.1	2,246,102	2,063,897
Deferred tax liabilities	7.1	454,950	484,459
Employee benefits provision	3.2.2	3,118	2,982
Other financial liabilities	5.7	-	1,096
Total non-current liabilities		**2,704,170**	**2,552,434**
TOTAL LIABILITIES		**2,932,697**	**2,774,064**
NET ASSETS		**1,923,158**	**1,993,281**
EQUITY			
Contributed equity		288,967	386,147
Reserves		841,816	858,741
Retained profits		792,375	748,393
TOTAL EQUITY		**1,923,158**	**1,993,281**

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 2022

Consolidated entity	Note	Contributed equity $'000	Asset revaluation surplus: Land and buildings $'000	Asset revaluation surplus: Infrastructure assets $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2020		**386,147**	**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		-	98,198	(116,536)	6,797	**(11,542)**
Total comprehensive income		**-**	**98,198**	**(116,536)**	**97,190**	**78,852**
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		**386,147**	**292,629**	**566,112**	**748,393**	**1,993,281**
Balance as at 1 July 2021		**386,147**	**292,629**	**566,112**	**748,393**	**1,993,281**
Total comprehensive income for the year						
Net profit after income tax		-	-	-	78,369	**78,369**
Other comprehensive income		-	50,288	(67,213)	7,729	**(9,196)**
Total comprehensive income		**-**	**50,288**	**(67,213)**	**86,098**	**69,173**
Total transactions with the State in its capacity as owner						
Dividends paid	7.2	-	-	-	(42,116)	**(42,116)**
Return of capital to owners	7.2	(97,180)	-	-	-	**(97,180)**
Total transactions with the State in its capacity as owner		**(97,180)**	**-**	**-**	**(42,116)**	**(139,296)**
Balance at 30 June 2022		**288,967**	**342,916**	**498,900**	**792,375**	**1,923,158**

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 2022

Consolidated entity	Note	2022	2021
		$'000	**$'000**
Cash flows from operating activities			
Receipts from customers		950,187	975,940
Interest received		62	35
GST refunded from the ATO [a]		20,512	29,610
Payments to suppliers and employees		(745,283)	(759,472)
Interest and other costs of finance paid		(79,151)	(82,132)
Income tax paid		(44,034)	(29,948)
Net cash inflow from operating activities	6.3.1	**102,293**	**134,033**
Cash flows from investing activities			
Proceeds from sale of infrastructure, property, plant and equipment		1,791	1,768
Payments for infrastructure, property, plant and equipment, and intangibles		(168,833)	(257,850)
Net proceeds from joint operations		18,006	11,791
Net cash (outflow) from investing activities		**(149,036)**	**(244,291)**
Cash flows from financing activities			
Proceeds from borrowings [b]		363,300	320,000
Repayment of borrowings [c]		(176,650)	(160,600)
Payment of principal element of lease liabilities		(1,029)	(1,203)
Capital repatriation		(97,180)	-
Dividends paid		(42,116)	(47,900)
Net cash inflow from financing activities		**46,325**	**110,297**
Net increase/(decrease) in cash held		**(418)**	**39**
Cash at the beginning of the financial year		2,827	2,788
Cash at the end of the financial year		**2,409**	**2,827**

[a] GST refunded from the Australian Taxation Office (ATO) is presented on a net basis.
[b] Proceeds from borrowings includes the 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 2022. 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 2022 was authorised for issue in accordance with a resolution of the directors on 29 August 2022.

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 4.3 – recognition and measurement of Software-as-a-Service (SaaS) arrangements
- Note 5.1.1 – impairment of contractual receivables
- Note 5.3 – accrued revenue
- Note 5.5.2 – 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. 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 which has continued into the 2021–22 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;
- continuing to uplift 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;
- providing waivers to our trade waste customers and commercial tenants who are experiencing financial hardship; and
- availability of goods and services arising from supply chain and distribution delays.

Management continuously review budgets and forecasts while monitoring cash flow requirements and customer payment trends during this period of uncertainty and conclude that the going concern assumption 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 3.2.2 – employee benefits provision
- Note 5.1.1 – impairment of contractual receivables
- Note 8.2.2 – fair value of infrastructure, property, plant and equipment
- Note 9.3 – actuarial assumptions on defined benefit superannuation

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.

As at 30 June 2022, the Group has sold all its ownership of the land related to the project, which were previously classified as assets held for sale (refer to Note 4.4). The Group has recognised its direct rights to any revenue and expenses of joint operations, and its share of any jointly held revenues and expenses in the 2021–22 reporting period and will continue so in future financial years.

Accounting policies

All accounting policies applied are consistent with those of the prior year, unless otherwise stated. Refer to Note 9.7 for changes in accounting policies which includes the impact of the International Financial Reporting Standards Interpretations Committee (IFRIC) Agenda decision on SaaS arrangements.

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

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**	**2022 $'000**	**2021 $'000**
Revenue from service and usage charges	2.1.1	890,938	898,730
Revenue from developer contributions	2.1.2	107,214	103,036
Other revenue	2.1.3	54,456	51,183
Total revenue from contracts with customers		**1,052,608**	**1,052,949**

2.1.1 Revenue from service and usage charges

Consolidated entity	**Service charges**		**Usage charges**		**Total**	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**
Major services						
Water	72,372	78,671	413,378	403,666	**485,750**	**482,337**
Sewerage	277,283	279,888	93,754	103,488	**371,037**	**383,376**
Trade waste	6,321	6,026	21,601	20,762	**27,922**	**26,788**
Recycled water	1,009	1,010	5,220	5,219	**6,229**	**6,229**
Total	**356,985**	**365,595**	**533,953**	**533,135**	**890,938**	**898,730**

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	**2022**	**2021**
	$'000	**$'000**
Developer contributed assets	74,788	70,051
New customer contributions	32,426	32,985
Total developer contributions	**107,214**	**103,036**

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 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	2022	2021
	$'000	$'000
Sale of goods and services - Iota	6,916	6,814
Other services rendered	30,657	27,869
Net gain on sale of non-current physical assets	693	617
Net gain on sale of asset classified as held for sale	-	3,116
Net gain arising from derivatives for ZEW transactions	2,093	-
Reversal of land revaluation decrements	535	-
Miscellaneous revenue	13,562	12,767
Total other revenue	**54,456**	**51,183**

Sale of goods and services (Iota) relate to the sale of Iota's products, such as OneBox® products, digital meters, and the provision of services, such as plumbing solutions, field services and subscription 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 (excluding subscription 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 subscription services are recognised over time, using the output method. The output method is based on the number of products subscribed. Revenue is recognised in the amount to which the Group has a right to invoice as the right to consideration from the customer is the amount that corresponds directly to the number of products subscribed.

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 to Note 4.4).

A **net gain arising from derivatives for ZEW transactions** relates to the Group's investment in Zero Emissions Water Limited (ZEW). Refer Note 5.7 for further details on the arrangement.

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. Upon expiration or exercise of the cash flow derivative, the Group will receive income depending on the position of the cash flow derivative.

The net gain represents the movement in the fair value of the financial instrument compared to the carrying value of the derivative. Any gain is recognised in net result. Refer to Note 8.2 for more information about the judgements and assumptions used in measuring fair value determination of derivative financial instruments.

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 as and when the collection of drainage and parks rates occurs.

Revenue from contracts with customers

Consolidated entity	2022	2021
	$'000	$'000
Total revenue recognised over-time [(a)]	899,272	906,852
Total revenue recognised at a point in time	153,336	146,097
Total revenue from contracts with customers	**1,052,608**	**1,052,949**

[(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	2022	2021
	$'000	$'000
Rent income	1,875	2,278
Interest income	62	35
ZEW settlement income	-	167
Total other income	**1,937**	**2,480**

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 ZEW. The Group recognised compensation settlements in 2020–21 due to delays in reaching the commercial operational date. Refer Note 5.7 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 as receivables:

Consolidated entity	2022	2021
	$'000	$'000
Not later than 1 year	1,798	1,789
Later than 1 year and not later than 5 years	5,720	5,498
Later than 5 years	6,412	5,153
Total lease receivables (inclusive of GST)	**13,930**	**12,440**
Less GST payable to Australian Taxation Office	(1,266)	(1,131)
Total lease receivables (exclusive of GST)	**12,664**	**11,309**

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	2022	2021
	$'000	$'000
Bulk water and sewerage charges	510,366	521,367
Operating contracts	84,957	78,610
Taxes, fees and charges	4,390	4,284
Bad debts and expected credit losses	4,272	1,300
Asset write-offs	1,159	1,172
Impairment write down of assets to recoverable amount	-	172
Initial recognition – expense from derivative financial instruments	-	1,144
Net loss on sale of asset classified as held for sale	562	-
Other expenses	33,635	24,817
Total operating expenses	**639,341**	**632,866**

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 mainly relate 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 ZEW. Refer Note 5.7 for further details on the arrangement between the Group and ZEW.

The initial recognition expense represents the fair value of the expected future settlements at the initial recognition. Subsequent gains or losses are recorded as a net gain or loss arising from derivatives for ZEW transactions, refer to Note 2.1.3. 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	2022 $'000	2021 $'000
Salaries and wages, annual leave and long service leave	50,380	44,524
Defined benefit superannuation expense	1,240	1,612
Defined contribution superannuation expense	8,004	7,089
Total employee benefits cost	**59,624**	**53,225**

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	2022 $'000	2021 $'000
Current		
Annual leave:		
Unconditional and expected to settle within 12 months	4,950	5,324
Unconditional and expected to settle after 12 months	1,202	1,298
Long service leave:		
Unconditional and expected to settle within 12 months	1,299	1,513
Unconditional and expected to settle after 12 months	10,530	11,407
Provisions for on-costs:		
Unconditional and expected to settle within 12 months	1,377	1,242
Unconditional and expected to settle after 12 months	2,375	2,373
Total current employee benefits provision	**21,733**	**23,157**
Non-current		
Long service leave - conditional	2,599	2,512
On-costs	519	470
Total non-current employee benefits provision	**3,118**	**2,982**
Total employee benefits provision	**24,851**	**26,139**

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 consolidated 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 consolidated balance sheet.

Consolidated entity	**2022**	**2021**
	$'000	**$'000**
Not later than one year	23,573	9,417
Later than 1 year and not later than 5 years	68,570	24,143
Later than 5 years	18,646	22,089
Total expenditure (inclusive of GST)	**110,789**	**55,649**
Less GST recoverable from Australian Taxation Office	(10,072)	(5,059)
Total expenditure (exclusive of GST)	**100,717**	**50,590**

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 Non-financial physical 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	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Infrastructure assets at fair value	3,929,844	3,756,200	-	-	**3,929,844**	**3,756,200**
Land at fair value	315,396	261,806	-	-	**315,396**	**261,806**
Buildings at fair value	95,669	94,928	(2,774)	-	**92,895**	**94,928**
Plant and equipment at fair value	77,120	71,053	(47,889)	(40,998)	**29,231**	**30,055**
Leasehold improvements at fair value	2,188	2,188	(2,114)	(2,069)	**74**	**119**
Capital works in progress at cost	125,681	259,202	-	-	**125,681**	**259,202**
Total	**4,545,898**	**4,445,378**	**(52,777)**	**(43,067)**	**4,493,121**	**4,402,310**

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 twelve months.

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 Financial Reporting Direction 103 *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. As at 30 June 2022, valuation of the Group's assets relating to land and buildings was performed using indices, which increased the carrying value of land by $53.8 million. No adjustment was made to the carrying value of buildings as it is not considered material. 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 $88.3 million. The carrying amount for infrastructure assets would be $3,417.8 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 does not exceed 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.

Exposure to climate-related matters could be an indicator that an asset (or a group of assets) is impaired. The potential risks and related opportunities from climate related change are considered as part of the Group's asset impairment review methodology and processes. As at 30 June 2022, there are no climate-related matters that have materially impacted the current carrying value of the Group's assets.

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

2022 Consolidated entity	Infrastructure assets $'000	Land $'000	Buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Capital works in progress $'000	Total $'000
Balance at 1 July	3,756,200	261,806	94,928	30,055	119	259,202	**4,402,310**
Additions	-	1,165	741	10,437	-	222,980	**235,323**
Fair value of assets received from developers	66,436	-	-	-	-	(66,436)	**-**
Transfers between asset classes	291,871	-	-	(1,806)	-	(290,065)	**-**
Disposals	(874)	(1,400)	-	(994)	-	-	**(3,268)**
Gain / (loss) on revaluation	(96,018)	53,825	-	-	-	-	**(42,193)**
Depreciation expense	(87,771)	-	(2,774)	(8,461)	(45)	-	**(99,051)**
Balance at 30 June	**3,929,844**	**315,396**	**92,895**	**29,231**	**74**	**125,681**	**4,493,121**

2021 Consolidated entity	Infrastructure assets $'000	Land $'000	Buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Capital works in progress $'000	Total $'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)**
Gain / (loss) on revaluation	(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**

4.3 Intangible assets

2022 Consolidated entity	IT software	Works in progress	Water entitlements	Large-scale generation certificates	Patents and trademarks	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount						
Balance at 1 July	174,636	13,930	96,916	72	555	**286,109**
Additions	-	14,051	-	311	-	**14,362**
Transfers between asset classes	19,270	(19,571)	-	-	301	**-**
Disposals	(216)	-	-	(160)	-	**(376)**
Balance at 30 June	**193,690**	**8,410**	**96,916**	**223**	**856**	**300,095**
Accumulated amortisation						
Balance at 1 July	(123,902)	-	-	-	-	**(123,902)**
Amortisation	(22,794)	-	-	-	(52)	**(22,846)**
Balance at 30 June	**(146,696)**	**-**	**-**	**-**	**(52)**	**(146,748)**
Net book value at 30 June	**46,994**	**8,410**	**96,916**	**223**	**804**	**153,347**

2021 Consolidated entity	IT software	Works in progress	Water entitlements	Large-scale generation certificates	Patents and trademarks	Total
	$'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**	**72**	**555**	**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**	**72**	**555**	**162,207**

Intangible assets represent identifiable non-monetary assets without physical substance, comprising of IT software, works in progress, patents and trademarks, 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). Changes in the water entitlements will occur from 1 July 2022, refer to Note 9.8 Events occurring after balance date.

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 and trademarks	Straight line	8 – 20 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 and LGCs have an indefinite useful life as they are held in perpetuity. As such they are not amortised.

Software costs
Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

Software-as-a-Service (SaaS) arrangements
SaaS arrangements are service contracts where the Group has a right to access a cloud provider's application software over a contract period. However, the Group does not control the underlying software used in the arrangement.

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

Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether these services are distinct from the underlying use of the application software. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised, whilst non-distinct configuration and customisation costs are expensed over the SaaS contract term.

Where the Group has developed software code that either enhances, modifies or creates additional capability to the existing owned software to connect with the SaaS arrangement cloud-based application, judgement has been applied in determining whether the changes to the owned software meets the definition of and recognition criteria for an intangible asset in accordance with AASB 138.

Refer to Note 9.7 for further information regarding the change in accounting policy relating to SaaS arrangements.

Large-scale Generation Certificates
LGCs are recognised as intangible assets on the consolidated balance sheet at cost (in accordance with AASB 138 and Financial Reporting Direction 109 *Intangible Assets*), and are not subject to amortisation as the LGCs have an indefinite life.

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 Non-financial physical assets classified as held for sale

Consolidated entity	2022 $'000	2021 $'000
Freehold land held for sale	-	9,117
Total assets classified as held for sale	**-**	**9,117**

The land held for sale relates to the portion of land at Evans Road, Lyndhurst associated with the Aquarevo joint arrangement (refer Note 1) available for immediate sale at balance date.

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

- the asset was available for immediate use in the current condition, and

the sale was

- highly probable and the asset's sale was 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 2021–22, $10.5 million of land associated with the Aquarevo joint arrangement was settled (2020–21 $7.3 million), resulting in:

- $0.6 million in net loss from sale of assets classified as held for sale (2020–21 $3.1 million gain) (refer Note 2.1.3 and Note 3.1)
- $17.1 million net decrease to the consolidated balance sheet (2020–21 $8.8 million decrease)
- $18.0 million in net cash inflow from investing activities in the consolidated cash flow statement (2020–21 $11.8 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	2022 $'000	2021 $'000
Not later than one year	79,901	40,538
Later than 1 year and not later than 5 years	19,941	7,518
Later than 5 years	579	772
Total capital expenditure (inclusive of GST)	**100,421**	**48,828**
Less GST recoverable from the Australian Taxation Office	(9,129)	(4,439)
Total capital expenditure (exclusive of GST)	**91,292**	**44,389**

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	**2022 $'000**	**2021 $'000**
Contractual		
Trade debtors (service and usage charges)	102,083	73,655
Allowance for impairment of contractual receivables	(7,000)	(4,759)
Other debtors	-	18,631
	95,083	**87,527**
Statutory		
GST input tax credits receivable	6,652	4,546
Total receivables	**101,735**	**92,073**

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, payment plans and consideration of specific individual hardship circumstances. 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 similar 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 macroeconomic market conditions, consumer and business confidence metrics, customer growth rates within South East Water's service region, as well as hardship arrangements, 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 an increasing amount of customers with debt more than 90 days past due, and an increase in customers who are utilising hardship provision 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**
1 July 2022	**$'000**	**$'000**	**$'000**	**$'000**
Expected loss rate	1.50%	14.74%	13.39%	
Gross carrying amount - trade debtors	57,147	9,560	35,377	**102,084**
Loss allowance	**855**	**1,409**	**4,736**	**7,000**

Consolidated entity	**Current**	**More than 30 days past due**	**More than 90 days past due**	**Total**
1 July 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**

Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified under other operating expenses. 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	**2022**	**2021**
	$'000	**$'000**
Balance at 1 July	**(4,758)**	**(5,364)**
(Increase)/decrease in provision recognised in the net result	(4,321)	(695)
Receivables written off during the year as uncollectible	2,109	1,361
Reversal of unused provision recognised in the net result	(30)	(60)
Balance at 30 June	**(7,000)**	**(4,758)**

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

5.2 Payables

Consolidated entity	2022 $'000	2021 $'000
Contractual		
Trade creditors	1,706	13,188
Accrued expenses	97,703	83,543
	99,409	**96,731**
Statutory		
Taxes payable	1,409	1,855
Total payables	**100,818**	**98,586**

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	2022 $'000	2021 $'000
Accrued revenue – water and sewerage services	72,553	75,375
Developer contributed assets	2,186	2,295
Other income	628	675
Total contract assets	**75,367**	**78,345**
Developer contributed assets	2,100	3,029
New customer contributions	19,961	9,091
Other income	4,197	6,313
Total contract liabilities	**26,258**	**18,433**

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.

2022 Consolidated entity	Developer contributed assets $'000	New customer contributions $'000	Other income $'000	Total $'000
Balance at 1 July	**3,029**	**9,091**	**6,313**	**18,433**
Less: Revenue recognised in the reporting period for the completion of a performance obligation	(2,729)	(5,624)	(6,032)	**(14,385)**
Add: Receipts or consideration for performance obligations yet to be completed during the period	1,800	16,494	3,916	**22,210**
Balance at 30 June	**2,100**	**19,961**	**4,197**	**26,258**

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

5.4 Deposits and advances

Consolidated entity	2022 $'000	2021 $'000
Advances	12,615	13,060
Unearned income	803	754
Total deposits and advances	**13,418**	**13,814**

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

2022 Consolidated entity	Land $'000	Buildings $'000	Equipment $'000	Total $'000
Balance at 1 July	**765**	**8,237**	**223**	**9,225**
Additions	213	-	157	**370**
Modification adjustments	(9)	105	9	**105**
Depreciation expense	(81)	(741)	(198)	**(1,020)**
Balance at 30 June	**888**	**7,601**	**191**	**8,680**

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

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 lease 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	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 16 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 2022.

5.5.2 Lease liabilities

The following table represents the movement of lease liabilities:

Consolidated entity	2022	2021
	$'000	$'000
Opening Balance	9,697	10,639
Additions	369	83
Modification adjustments	62	(252)
Interest expense	298	261
Payment of principal element of lease liabilities	(1,029)	(1,034)
Total lease liabilities	**9,397**	**9,697**

The following amounts were recognised in the consolidated statement of comprehensive income for the year ending 30 June 2022 in respect of leases where the Group is the lessee:

Consolidated entity	2022	2021
	$'000	$'000
Interest expense	298	261
Expenses relating to short term leases [(a)]	102	145
Expenses relating to leases of low-value assets[(a)]	55	33
Income from sub leasing right-of-use assets	(147)	(132)
Depreciation expense of right of use asset	1,020	985
Total amounts recognised in consolidated statement of comprehensive income	**1,328**	**1,292**

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

The Group leases various properties (buildings, car parks and land) and equipment. Lease agreements are typically made for fixed periods of 2 to 20 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 2022, the Group was committed to short term and/or low value leases and total commitment at that date was $0.2 million (2020–21: $0.2 million).

5.6 Other assets

Consolidated entity	2022	2021
	$'000	$'000
Inventories	4,776	5,453
Prepayments	4,874	5,091
Total other assets	**9,650**	**10,544**

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	2022	2021
	$'000	$'000
Other financial assets		
Derivative financial instrument	1,047	-
Investment in ZEW	15	15
Total other financial assets	**1,062**	**15**
Other financial liabilities		
Derivative financial instrument	-	1,096
Total other financial liabilities	**-**	**1,096**

ZEW transactions and balances

South East Water Corporation is one of 12 water corporation Members of Zero Emissions Water Limited (ZEW), a public company limited by guarantee. ZEW's substantial objective is to acquire electricity, contracts for difference and other derivative products in relation to electricity, and/or green products from an energy and emissions reduction facility in Victoria and in turn supply these products to its Members. This vehicle provides the opportunity for water corporation members to collaboratively promote energy and emissions reduction initiatives in Victoria and to reduce emissions.

On 30 October 2018, a Members' Agreement was entered into between the water corporations and ZEW in order to regulate their rights and obligations as members of ZEW and as participants in the project. The Members' Agreement established 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, management 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.

The Members' Agreement specifies that ZEW may call on the South East Water Corporation to make a loan available to ZEW amounting to $233,000. The loan, if requested by ZEW, would meet the definition of a financial asset as it gives rise to a contractual right for us to receive cash from ZEW at the end of the loan term. In 2020–21, ZEW 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.

On 30 October 2018, ZEW also entered into an 11-year Power Purchasing Agreement (PPA) with a solar farm energy generator whereby ZEW acts 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 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).

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 the Group's 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.

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

Consolidated entity	**2022**	**2021**
	$'000	**$'000**
Current		
Borrowings	55,900	51,800
Lease liabilities	845	800
Total current interest bearing liabilities	**56,745**	**52,600**
Non-current		
Borrowings	2,237,550	2,055,000
Lease liabilities	8,552	8,897
Total non-current interest bearing liabilities	**2,246,102**	**2,063,897**
Total interest bearing liabilities	**2,302,847**	**2,116,497**

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 2022				
Borrowings – floating interest rate	30,900	-	-	**30,900**
Borrowings – fixed interest rate	25,000	896,125	1,341,425	**2,262,550**
Lease liabilities	845	3,890	4,662	**9,397**
Total interest bearing liabilities	**56,745**	**900,015**	**1,346,087**	**2,302,847**
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**

6.2 Finance costs

Consolidated entity	2022 $'000	2021 $'000
Interest expense from financial liabilities at amortised cost	53,911	56,584
Financial accommodation levy	23,756	24,012
Interest expense from lease liabilities	298	261
Bank charges	21	14
Total finance costs	**77,986**	**80,871**

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	2022 $'000	2021 $'000
Net result after income tax	**78,369**	**90,393**
Depreciation and amortisation	122,917	117,027
Write-off of non-current assets	1,159	1,172
Net (profit) / loss on sales of assets	(131)	(3,733)
Developer contributed assets (received free of charge)	(74,788)	(70,052)
Defined benefit (income) / expenses	1,240	1,612
Impairment write down of assets	-	172
Net (gain) / loss on financial instruments	6,513	695
Initial recognition expense from financial derivative	-	1,144
Other non-cash movements lease related	298	261
Changes in operating assets and liabilities		
(Increase) / decrease in receivables	(34,738)	(3,809)
(Increase) / decrease in contract assets	2,979	(7,200)
(Increase) / decrease in other assets	753	(107)
Increase / (decrease) in payables	7,692	(1,691)
Increase / (decrease) in contract liabilities	7,824	2,614
Increase / (decrease) in income tax payable	(4,167)	10,719
Increase / (decrease) in net deferred tax liabilities	(7,019)	(3,032)
Increase / (decrease) in provisions	(2,606)	(856)
Increase / (decrease) in deposits and advances	(396)	274
Increase / (decrease) in derivative financial instrument	(2,143)	(48)
Increase / (decrease) in accrued interest payable	(1,463)	(1,522)
Net cash inflow from operating activities	**102,293**	**134,033**

7. Statutory obligations

Introduction:

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

Structure:

7.1 Income tax
7.2 Dividends and capital repatriation
7.3 Environmental contribution levy

7.1 Income tax

Consolidated entity	**2022 $'000**	**2021 $'000**
(a) Income tax expense		
The major components of income tax expense are:		
Current tax	39,866	40,947
Deferred tax expense / (income) relating to timing differences	(7,019)	(3,361)
	32,847	**37,586**
(b) Deferred income tax recognised in other comprehensive income		
Gain / (loss) on revaluation of infrastructure assets	(28,806)	(49,944)
Gain / (loss) on revaluation of land and buildings	3,003	7,453
Gain / (loss) on defined benefit superannuation plan actuarial	3,313	2,912
	(22,490)	**(39,579)**
(c) Reconciliation of income tax expense to prima facie tax payable		
Accounting profit before tax	**111,216**	**127,980**
Income tax calculated @ 30%	33,365	38,394
Add		
Non-assessable gain from the sale of pre-CGT land	169	(849)
Non-deductible expenses	66	41
Other adjustments	(753)	-
	32,847	**37,586**
(d) Income tax position		
Current tax payable	**9,392**	**13,559**
(e) Deferred tax items		
Deferred tax liabilities		
Defined benefit superannuation asset	3,145	205
Contract assets	845	891
Land and buildings	17,793	14,840
Infrastructure assets [(a)]	456,808	488,233
Total deferred tax liabilities	**478,591**	**504,169**
Recognised directly in equity	294,851	317,341
Recognised directly in net profit	183,740	186,828
Total deferred tax liabilities	**478,591**	**504,169**

[(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	2022 $'000	2021 $'000
Deferred tax assets		
Provisions	(2,143)	(1,467)
Contract liability	(7,510)	(5,123)
Employee benefits	(7,456)	(7,842)
Property, plant and equipment	(6,196)	(4,389)
Leasehold improvements future deductible amounts	(318)	(327)
Other	(18)	(562)
Total deferred tax assets	**(23,641)**	**(19,710)**
Recognised directly in net profit	(23,641)	(19,710)
Total deferred tax assets	**(23,641)**	**(19,710)**
Net deferred tax liabilities	**454,950**	**484,459**

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 and capital repatriation

7.2.1 Dividends

Consolidated entity	2022 $'000	2021 $'000
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
Final dividend paid during 2021–22 in respect of 2020–21	24,800	-
Interim dividend paid during 2021–22 in respect of 2021–22	17,316	-
Total dividends	**42,116**	**47,900**

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.

7.2.2 Capital repatriation

Consolidated entity	2022 $'000	2021 $'000
Capital repatriation	97,180	-
Total capital repatriation	**97,180**	**-**

Pursuant to Financial Reporting Direction 119 *Transfers through Contributed Capital* under the *Financial Management Act 1994*, the Minister for Water designated the Group to repatriate capital back to the state.

7.3 Environmental contribution levy

Consolidated entity	2022 $'000	2021 $'000
Environmental contribution levy	43,461	43,461
Total environmental contribution levy	**43,461**	**43,461**

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	2022 $'000	2021 $'000
Not later than one year	43,461	43,461
Later than 1 year and not later than 5 years	43,461	86,922
Total environmental contribution levy commitment	**86,922**	**130,383**

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
- derivative financial asset

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. Climate-related matters may be relevant in the calculation of expected credit losses if, for example, they impact the range of potential future economic scenarios or assessment of significant increases in credit risk. 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 (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 liability, using the effective interest rate method where applicable. The Group recognises the following liabilities in this category:

- payables (excluding statutory payables)
- deposits and advances
- interest bearing liabilities
- derivative financial liability

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 (refer Note 2.1.3).

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 2021–22 (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 2022, the Group has no other significant credit risk. There has been no material change to the Group's credit risk profile in 2021–22.

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 consolidated 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 2022 and 30 June 2021 are:

	2022	**2021**
Gearing - Net Debt/(Net Debt + Equity)	54.5%	50.0%
FFO net interest cover (times)	2.3	2.7

The Group's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. The carrying amounts 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.

2022	Weighted average interest rate	Carrying amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000
Financial assets					
Cash	0.28%	2,409	-	2,409	-
Receivables		95,083	-	-	95,083
Derivative financial instrument		1,047	-	-	1,047
Investment in ZEW		15	-	-	15
Total financial assets		**98,554**	**-**	**2,409**	**96,145**
Financial Liabilities					
Payables		(99,409)	-	-	(99,409)
Deposits and advances		(13,418)	-	-	(13,418)
Borrowings - floating interest rate	0.30%	(30,900)	-	(30,900)	-
Borrowings - fixed interest rate	2.40%	(2,262,550)	(2,262,550)	-	-
Lease liabilities	2.84%	(9,397)	(9,397)	-	-
Total financial liabilities		**(2,415,674)**	**(2,271,947)**	**(30,900)**	**(112,827)**

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)**

Interest rate risk sensitivity

As at 30 June 2022, if interest rates changed by +/- 100 basis points from the year end rates with all other variables held constant, post-tax profit would have been $1.586 million lower / higher (2020–21: $0.591 million at +/- 50 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 can affect our capability to supply water to our customers.

This risk is managed and monitored through the Climate Adaptation Action Plan, which outlines our climate risks and governance framework as well as key stakeholders, goals and metrics across the Group. The Climate Adaptation Action Plan embeds climate resilience in the way we design and operate assets, deliver our services, and continue adapting and mitigating to climate change.

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.

	30 June 2022		30 June 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	$'000	$'000	$'000	$'000
Financial liabilities				
Borrowings	2,293,450	2,154,069	2,106,800	2,225,782

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 instruments

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

Consolidated entity	**Financial asset / (liability) at fair value through profit or loss**	
	2022	**2021**
	$'000	**$'000**
Balance at 1 July	**(1,096)**	**-**
New financial instruments recognised in the period	-	(1,144)
Gains/(losses) recognised in profit or loss	2,093	-
Net cash settlements (paid)/received	50	48
Balance at 30 June	**1,047**	**(1,096)**

Description of significant unobservable inputs to Level 3 valuations for 2022 and 2021

Consolidated entity	**Valuation technique**	**Significant unobservable inputs**	**2022 range (weighted average)**	**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	$34.05/MWh to $130.95/MWh ($58.97/MWh)	$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 $0.5 million.
		Discount rate – risk free rates of zero coupon government bonds	0.8500% to 4.3781% (3.1035%)	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 $0.003 million.
		Credit value adjustment – Australian Corporate Bond Spreads and Yields FNFSBBB10M	322.8	136.34	An increase/ (decrease) in the credit value adjustment of 1% would result in an increase/ (decrease) fair value by $0.003 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

2022	Carrying amount at 30 June 2022	Fair value measurement at end of reporting period using:		
Consolidated entity		**Level 1**	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**	**$'000**
Infrastructure assets	3,929,844	-	-	3,929,844
Specialised land	300,307	-	-	300,307
Non-specialised land	15,090	-	15,090	-
Specialised buildings	92,895	-	-	92,895
Plant and equipment	29,231	-	-	29,231
Leasehold improvements	74	-	-	74
Total	**4,367,441**	**-**	**15,090**	**4,352,351**

2021	Carrying amount at 30 June 2021	Fair value measurement at end of reporting period using:		
Consolidated entity		**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**

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 the free cash flows to the firm by utilising management’s forecast cash flow statements. Cash flows from operations have been used, with interest payments added back, less the tax shield on those payments to arrive at an adjusted unlevered cash flows from operations. Cash flows from investing have also been used to include capital expenditure. The adjusted cash flow from operations less the cash flow from investing represents the forecast yearly free cash flows to the firm.
- calculating a terminal value at the end of the 10 year forecast period. The terminal value is calculated by applying an exit multiple to the terminal year regulated asset base (RAB).
- any taxation amortisation benefit (TAB) available to subsequent market participants has been implicitly included through the selection of the terminal value exit multiple.
- discounting the cash flows and terminal value to the valuation date using selected high and low weighted average cost of capital (WACC) estimates.
- deducting non-infrastructure related assets and liabilities to derive the implied water infrastructure assets valuation.

The discounted cash flow methodology has been amended in the current year to reduce the sensitivity of the model to small changes in inputs, whilst adopting market-based evidence such as a RAB multiple methodology for determining a terminal value for regulated assets, consistent with market-participant practice. Previously, a terminal value was calculated at the end of the forecast period using the Gordon Growth methodology, by applying the mid-point of the Group's WACC, terminal growth rate and terminal cash flows. This was then discounted by using WACC estimates, followed by deducting non-infrastructure related assets and liabilities to derive an implied water infrastructure assets valuation. A tax amortisation benefit on the water infrastructure assets was then calculated and added back onto implied water infrastructure asset valuation.

The valuation resulted in a decrement of $96.0 million (2020–21: $166.5 million decrement). The effective date of the valuation is 30 June 2022.

The Group engaged KPMG to independently perform both the 30 June 2022 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 at 30 June 2021. At 30 June 2022, the fair value of the land and buildings were assessed against indices provided by the Valuer-General Victoria, resulting in a valuation increment of $53.8 million.

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 are 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.

Climate change factors are market participants' views of potential climate-related matters, including legislation, which may affect the fair value measurement of assets and liabilities in the financial statements. Where relevant, climate-related matters may also affect the disclosure of fair value measurements, particularly those categorised within Level 3 of the fair value hierarchy. AASB 13 requires disclosure of unobservable inputs used in fair value measurements. Those inputs should reflect the assumptions that market participants would use, including assumptions about climate related risk.

There were no other changes in valuation techniques throughout the period to 30 June 2022.

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.

2022 Consolidated entity	Infrastructure assets	Specialised land	Specialised buildings	Plant and equipment	Leasehold improvements	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July	3,756,200	248,281	94,928	30,055	119	**4,129,583**
Transfers from work in progress	358,307	-	741	8,631	-	**367,679**
Disposals	(875)	-	-	(994)	-	**(1,869)**
Depreciation	(87,771)	-	(2,774)	(8,461)	(45)	**(99,051)**
Sub total	**4,025,861**	**248,281**	**92,895**	**29,231**	**74**	**4,396,34**
Gain / (loss) on revaluation	(96,017)	52,026	-	-	-	**(43,991)**
Sub total	**(96,017)**	**52,026**	**-**	**-**	**-**	**(43,991)**
Balance at 30 June	**3,929,844**	**300,307**	**92,895**	**29,231**	**74**	**4,352,351**

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**
Transfers 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**
Gain / (loss) on revaluation	(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**

Description of significant unobservable inputs to Level 3 valuations for 2022 and 2021

Consolidated entity	Valuation technique	Significant unobservable inputs	2022 range (weighted average)	2021 range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Infrastructure assets	Income approach (discounted cash flow)	Discount rates (WACC)	4.9% to 5.3% (5.1%)	4.3% to 4.9% (4.6%)	An increase/ (decrease) of 25 bps in the discount rate would result in a decrease of ($140.8) million, or (3.6%), or an increase of $96.2 million, or 2.4% to the fair value.
		Terminal value exit RAB	1.15 x to 1.25 x (1.20 x)	N/A refer Note 8.2.2	An increase/ (decrease) of 0.05 bps in the terminal value exit RAB would result in an increase of $239.2 million, or 6.1% or a decrease of ($238.8) million, or (6.1%) to the fair value.
Specialised land	Market approach	Community service obligation adjustment	0% – 30% (20%)	10% – 40% (20%)	The range of the unobservable input ranges between 0% to 30% (10% to 40% in 2020-21). 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	$3,192– $50,414,185 ($4,644,746)	$3,000 – $51,450,000 ($4,997,000)	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	$2,626 – $33,541 ($10,467)	$700 – $43,500 ($9,135)	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 – 11 years (8 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 – $6,178,281 ($9,449)	$1 – $1,730,00 ($10,330)	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 – 25 years (5 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 consolidated 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 2022, various developers have agreed to construct water and sewerage infrastructure assets to the value of $147.9 million (2020–21 $115.0 million). This value relates to $97.2 million of assets which are under construction (2020–21 $77.9 million) and $50.8 million of assets which have not commenced construction (2020–21 $37.1 million).

Contingent liabilities

Contingent on the construction of assets, the Group is liable to reimburse developers a total amount of $27.7 million (2020–21 $35.6 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 2021–22 year).

Other contingent assets and liabilities

Consolidated entity	**2022 $'000**	**2021 $'000**
Contingent assets – legal matters	36	36

The Group also has contingent assets and 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 2021–22 reporting period are as follows:

- The Hon Harriet Shing MLC, Minister for Water (since 27 June 2022)
- The Hon Lisa Neville MP, Minister for Water (from 23 August 2021 – 27 June 2022)
- The Hon Richard Wynne MP, Acting Minister for Water (from 1 July 2021 – 22 August 2021)

Remuneration paid to the responsible Ministers are shown in the State's Annual Financial Report.

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

Ms L Cade	1/07/2021 – 30/06/2022	Chair
Ms G Bell	1/07/2021 – 30/06/2022	Director
Mr T Lyons	1/07/2021 – 30/06/2022	Director
Ms K McGrath	1/07/2021 – 30/06/2022	Director
Mr A Wood	1/07/2021 – 30/06/2022	Director
Ms L Asher	1/07/2021 – 30/06/2022	Director
Mr J Kambovski	1/07/2021 – 30/06/2022	Director
Mr R Henry	1/10/2021 – 30/06/2022	Director
Ms J Stanley	1/10/2021 – 30/06/2022	Director
Mr P Day	1/07/2021 – 30/09/2021	Director
Ms L Olsen	1/07/2021 – 30/06/2022	Managing Director and Accountable Officer

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

			2022 No	2021 No
$10,000	–	$19,999	1	-
$40,000	–	$49,999	2	-
$50,000	–	$59,999	6	7
$90,000	–	$99,999	-	1
$100,000	–	$109,999	1	-
$440,000	–	$449,999	-	1
$450,000	–	$459,999	1	-
Total			**11**	**9**

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.

	2022 $'000	2021 $'000
Short-term employee benefits	2,098	2,777
Post-employment benefits	198	191
Other long-term benefits	42	47
Termination benefits	-	209
Total remuneration	**2,338**	**3,224**
Total number of executives	**12**	**11**
Total annualised employee equivalents [(a)]	**7.7**	**8.7**

[(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 State's Annual financial report.

	2022	**2021**
	$'000	**$'000**
Short-term employee benefits	894	811
Post-employment benefits	71	62
Other long-term benefits	10	10
Total remuneration [a]	**975**	**883**

[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	2022	2021
	$'000	$'000
Payments		
Parks charge collected on behalf of DELWP	69,556	67,608
Environmental contribution levy	43,461	43,461
Receipts		
Administration fees for collection of Parks Victoria charges	2,859	2,696
Project contributions	-	800
Payable at 30 June		
Parks charge collected on behalf of DELWP	21	18
Receivable at 30 June		
Administration fees for collection of Parks Victoria charges	202	224

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	2022	2021
	$'000	$'000
Payments		
Dividend payments	42,116	47,900
Taxes and levies	68,890	51,875
Payable at 30 June		
Taxes and levies	18,941	19,750

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	2022	2021
	$'000	$'000
Payments		
Bulk water and sewage charges	510,397	520,259
Drainage charges collected on behalf of Melbourne Water	96,252	94,888
Receipts		
Administration fees for collection of drainage and other charges	5,786	5,451
Payable at 30 June		
Bulk water and sewage charges and drainage charges	1,918	2,434

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	**2022**	**2021**
	$'000	**$'000**
Payments		
Finance and interest costs	40,166	41,644
Receipts		
Proceeds from borrowings	186,650	159,400
Payable at 30 June		
Total borrowings and accrued interest expense	2,307,195	2,121,740

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	**2022**	**2021**
	$'000	**$'000**
Receipts		
Customer rebate reimbursements	48,339	51,587
Administration expenses	278	274
Receivable at 30 June		
Customer rebate reimbursements	9,033	2,389

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 2022, 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 2022, 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	**2022**	**2021**
	$'000	**$'000**
Payments	91	135
Receipts	239	168
Investment in ZEW	15	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 certain circumstances. 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

2022	**Fair value of plan assets $'000**	**Defined benefit obligation $'000**	**Net defined benefit asset/ (liability) $'000**
Balance at 1 July	**64,487**	**63,805**	**682**
Current service cost	-	1,253	(1,253)
Interest income	1,032	-	1,032
Interest expense	-	1,019	(1,019)
Actual return on plan assets less interest income	(2,509)	-	(2,509)
Contributions by plan participants	374	374	-
Actuarial gains/(losses) arising from changes in demographic assumptions	-	-	-
Actuarial gains/(losses) arising from changes in financial assumptions	-	(14,140)	14,140
Actuarial gains/(losses) arising from liability experience	-	589	(589)
Benefits paid	(3,672)	(3,672)	-
Taxes, premiums and expenses paid	(393)	(393)	-
Balance at 30 June	**59,319**	**48,835**	**10,484**

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**

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 2022	**$'000**	**$'000**	**$'000**	**$'000**
Asset category				
Investment funds	59,319	-	59,319	-
Total	**59,319**	**-**	**59,319**	**-**

The percentage invested in each asset class at the reporting date is:

As at	30 June 2022	30 June 2021
Australian equity	14%	15%
International equity	18%	18%
Fixed income	10%	13%
Property	6%	7%
Growth alternatives	18%	10%
Defensive alternatives	17%	14%
Cash	17%	23%

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 2022	**30 June 2021**	**30 June 2022**	**30 June 2021**
Discount rate	1.70%	1.10%	4.40%[(a)]	1.70%
Expected salary increase rate	2.00%	2.79%	2.00%	2.00%
Expected pension increase rate	2.00%	2.00%	2.50%	2.00%

(a) This includes a change in assumption within the discount rate from the government bond rate to the corporate bond rate.

Use of corporate bond rates to discount defined benefit superannuation

AASB 119 *Employee Benefits* requires the Group to use high quality corporate bonds to discount its post-employment benefit obligations, where there is a deep market in such bonds. Otherwise, the government bond is applied.

Previously, the Group had concluded no such market existed for corporate bonds which has resulted in the Group's defined benefit obligation being discounted at the government bond rate. The Group has now concluded that a sufficiently deep market for corporate bonds exists and therefore have applied corporate bond rates to discount its defined benefits obligation for the year ended 30 June 2022. This reduces the defined benefit obligation as at 30 June 2022.

Sensitivity analysis

The defined benefit obligation as at 30 June 2022 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	4.4%	3.9%	4.9%	4.4%	4.4%	4.4%	4.4%
Salary increase rate	2.0%	2.0%	2.0%	1.5%	2.5%	2.0%	2.0%
Pension increase rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.0%	3.0%
Defined benefit obligation[(a)] ($'000)	48,835	51,292	46,577	47,818	49,893	47,593	50,159

[(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 105 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.

In the most recent review of the financial position as at 31 December 2021, the actuary recommended a Group contribution rate of nil.

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 2022 is eleven years (2020–21: eleven years).

Expected benefit payments for the financial year ending on:	$'000
30 June 2023	4,102
30 June 2024	4,459
30 June 2025	4,907
30 June 2026	4,769
30 June 2027	4,513
Following 5 years	21,116

9.4 Ex-gratia expenses

Consolidated entity	2022	2021
	$'000	$'000
Forgiveness or waiver of debt [a]	130	115
Termination payments [b]	73	-
Closing balance	**203**	**115**

[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, refer to Note 3.1 and Note 5.1.1.

[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	2022	2021
	$'000	$'000
Victorian Auditor-General's Office - audit of the Group's financial statements	274	220

9.6 Controlled entities

The consolidated financial statements at 30 June 2022 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	
		2022	2021	2022	2021	2022	2021
Iota Services Pty Ltd	Australia	$1	$1	100	100	407	303

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, digital meters, 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 2022, 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	2022 $'000	2021 $'000
Current assets	186,525	189,809
Non-current assets	4,669,416	4,577,262
Total assets	**4,855,941**	**4,767,071**
Current liabilities	230,150	224,939
Non-current liabilities	2,704,170	2,551,339
Total liabilities	**2,934,320**	**2,776,278**
Contributed equity	288,968	386,148
Reserves	841,816	858,740
Retained earnings	790,837	745,905
Total equity	**1,921,621**	**1,990,793**
Net profit after tax of parent entity	78,774	89,907
Total comprehensive income	69,578	78,365

9.7 Changes in accounting policies

Initial application of the International Financial Reporting Standards Interpretations Committee (IFRIC) Agenda decision - Software-as-a-Service (SaaS) arrangements

The IFRIC issued two final agenda decisions which impact SaaS arrangements:

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

The Group's accounting policy has historically been to capitalise all costs related to SaaS arrangements as intangible assets in the consolidated balance sheet. The adoption of the above agenda decisions has resulted in a reclassification of intangible assets to either a prepaid asset in the consolidated balance sheet and/or recognition as an expense in the consolidated statement of comprehensive income, impacting both the current and/or prior periods presented.

Impact of change in accounting policy

For the current year, $3.0 million of costs that would previously have been capitalised (under AASB 138) were expensed. Cash outflows of $3.0 million were included in payments to suppliers and employees in the consolidated statement of cash flows that previously would have been included as payments to acquire intangible assets.

No comparative financial information has been restated as the impact on comparative figures has been assessed as not material.

9.8 Events occurring after balance date

Water entitlements

The Group currently holds water entitlements arising from its investment in Stage 1 of the Goulburn-Murray Water Connections Project, under the *Bulk Entitlement (Goulburn System – South East Water) Order 2012.* Following completion of the Connections Project in October 2020, the Minister for Water has granted new bulk water entitlements under the new *Bulk Entitlement (Goulburn System – South East Water) Order 2022*, as all water committed through the Connections Project for irrigators, the environment and Melbourne retail water corporations can now be delivered, with Traditional Owners also to benefit.

These new entitlements have come into effect from 1 July 2022 and are based on a fixed entitlement and seasonal allocation. The existing water entitlements as at 30 June 2022 were calculated based off anticipated savings from the Group's investment towards the Stage 1 of the Connections Project. On average, each year the Group expects the new entitlements to represent the same allocation of water from the Murray-Darling Basin as the existing water entitlements.

For the year ending 30 June 2023, the Group will hold both the new and existing water entitlements. This is a consequence of the existing water entitlements being based on the previous financial year's water savings from Stage 1 of the Connections Project. Amendment orders have been made to include a sunset date for the existing bulk entitlements of 20 June 2023. The new bulk entitlements are issued as a result of the agreement for participating in the Connections Project and as such the existing entitlements will be revoked, and the value (cost paid to participate in Connections Project less any disposals) will be transferred to the new bulk entitlements.

The value of the existing entitlements will be rolled over into the new bulk entitlements. These entitlements will continue to be recognised as an intangible asset and measured at cost with an indefinite useful life and will be tested for impairment annually.

Other than the above, there are no other matters or circumstances that have occurred after reporting date that may significantly impact the Group's operations.

9.9 Australian Accounting Standards issued that are not yet effective

The following 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 2022.

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	1 January 2022	The standard is not expected to have a significant impact on the Group.

Standard / Interpretation	Summary	Effective date	Estimated impact
	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.		
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.
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	Amendments to existing accounting standards. particularly in relation to: AASB 7- to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements; AASB 101 - to require entities to disclose their material accounting policy information rather than their significant accounting policies; AASB 108 - to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates; AASB 134 - to identify material accounting policy information as a component of a complete set of financial statements; and AASB Practice Statement 2 - to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023	The standard is not expected to have a significant impact on the Group.
AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction clarifies that the exemption does not apply to transactions for which entities recognise both an asset and a liability and that give rise to equal taxable and deductible temporary differences. This may be the case for transactions such as leases and decommissioning, restoration and similar obligations. Entities are required to recognise deferred tax on such transactions.	1 January 2023	The standard is not expected to have a significant impact on the Group.

End of audited financial report.

Appendices

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

Dated this 29th of August 2022.

Appendix 2 – performance reporting

Financial performance indicators

Key performance indicator	2021–22 Result	2020–21 Result	Variance to prior year	2021–22 Target	Variance to target
Cash Interest Cover Net operating cash flows before net interest and tax / net interest payments	2.8	3.0	-6.7%	2.8	0.0%
Gearing Ratio Total debt including finance leases / total assets	47.4%	44.4%	6.8%	48.8%	-2.9%
Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure	40.4%	35.3%	14.4% (1)	34.0%	18.8% (2)
Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	1.0 times	1.1 times	-9.1%	1.1 times	-9.1%
Return on Assets Earnings before net interest and tax / average assets	3.9%	4.4%	-11.4% (3)	3.3%	18.2% (4)
Return on Equity Net profit after tax / average total equity	4.0%	4.6%	-13.0% (3)	2.9%	37.9% (4)
EBITDA Margin Earnings before Interest, Tax, Depreciation and Amortisation / total revenue	29.6%	30.9%	-4.2%	28.8%	2.8%

Notes:

1. The favourable internal financing ratio variance to prior year was largely due to lower capital expenditure in 2021–22. Significant prior year spend includes construction works on the Boneo Recycled Water Treatment Plant Stage 4 upgrade, which was completed in the current year. Furthermore, the Group has also spent lower capital expenditure in 2021–22 related to its growth and reliability programs due to coronavirus (COVID-19) restrictions, approval delays and supply chain constraints.
2. The favourable internal financing ratio variance to target was a result of lower capital expenditure of $149.0 million compared to budgeted capital expenditure of $249.4 million. This was largely driven by developer reimbursement projects planned for completion in 2021–22 now carried over into 2022–23, as well as lower information technology and digital utility expenditure.
3. The unfavourable return on assets and return on equity variances against prior year were driven by lower earnings metrics in the current year due largely to the Group's operating expenses with higher operating costs for major contract works, impacts of one-off accounting policy changes, increase in bad debts expense recognised on the Group's debtors, and increase in employee expenses. This is compounded by the growth in the Group's capital spend program, leading to an increased depreciation expense and higher asset base.
4. The favourable return on assets and return on equity variances against target were driven by higher developer contribution revenue of $107.2 million during the year compared to budget of $80.4 million, following an increase in the number of developer projects reaching completion. In addition, average total assets and average total equity was lower against budget, as a result of the $96.0 million valuation decrement to infrastructure assets.

Operational performance indicators

Key performance indicator	2021–22 Result	2020–21 Result	Variance to prior year	2021–22 Target	Variance to target
Water and Sewerage					
Unplanned water supply interruptions[a] Number of customers receiving 6 or more unplanned interruptions in the year	0.000%	0.039%	-100% (1)	0.065%	-100% (2)
Interruption time Average duration of unplanned water supply interruptions	79.0 minutes	84.2 minutes	-6.2% (3)	88.0 minutes	-10.2% (4)
Restoration of unplanned water supply interruption Percentage of unplanned water supply interruptions restored within 5 hours	98.0%	97.7%	0.3%	98.5%	-0.5%
Containment of sewer spills Percentage of sewer spills from reticulation and branch sewers contained within 5 hours	99.2%	98.8%	0.4%	100%	-0.8%
Sewer spills interruptions Number of residential sewerage customers affected by sewerage interruptions restored within 4 hours	99.4%	98.7%	0.7%	98.6%	0.8%
Customer Responsiveness					
Water quality complaints Number of complaints per 1,000 customers	1.19	1.26	-5.6% (5)	1.80	-33.9% (6)
Billing and account complaints Number of complaints per 1,000 customers	1.20	1.16	3.4% (7)	5.5	-78.2% (8)
Environmental Performance					
Percentage of Effluent re-use volume (end use)	26.0%	21.0%	23.8% (9)	30.0%	-13.3% (10)
Total net CO_2 emissions Total net tonnes CO_2 equivalent	27,556 (b)	35,856 (c)	-23.2% (11)	31,834	-13.4% (11)

(a) In the 2021–26 Corporate Plan, there was a typographical error in Appendix C where this indicator defined the number of customers as receiving 5 or more unplanned interruptions, instead of 6 or more unplanned interruptions. The target of 0.065% set in Appendix C was correctly reported to reflect 6 or more unplanned interruptions.

(b) The 2021–22 result for total net CO_2 emissions is an estimate, not final, and will be subject to fluctuations which occur year-to-year. This is 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 our treatment plants and to validate our greenhouse gasses emissions.

(c) The 2020–21 result was estimated at 35,856 tonnes as the actual result was not finalised until October 2021. The actual result for 2020–21 was 37,277 tonnes.

Notes:

1. The favourable unplanned water supply interruptions variance against prior year was largely driven by our Leak Detection Program, whereby a number of leaks were proactively identified, and repairs planned and

completed prior to the leak turning into a burst. The program further identified water mains that required renewal, minimising further unplanned water supply interruptions in the network.

2. The favourable unplanned water supply interruptions variance against target was again largely driven by the Leak Detection Program, where we continue to review customers impacted by multiple water supply interruptions and install additional valves, to reduce the number of customers impacted as a result of potential future failures.

3. The favourable interruption time variance against prior year was due to a smaller number of shutdowns to road ways for repairs this year. The repair works usually take longer to excavate due to the hard surfaces and therefore have led to longer shutdowns and interruption times.

4. The favourable interruption time variance to target was due to a majority of the bursts occurring within the small diameter water mains, allowing crews to repair and reinstate the watermains quicker.

5. The favourable water quality complaints variance against prior year was due to fewer significant bursts and unplanned works that resulted in widespread discoloured water. We continue to work with our contractors to plan large shutdowns to ensure the impact to water quality is minimised, which includes conducting night works where practical, and ensuring the mains are shut down and charged up appropriately to prevent discoloured water.

6. The favourable water quality complaints variance to target was driven by proactively monitoring water quality complaints in anticipation of increased complaints due to COVID-19 restrictions with more customers at home and likely to notice a change in their water quality. Further, a chlorination strategy commenced during 2021–22 to increase chlorine residuals within our network, which has the potential to increase the number of taste and odour complaints. In both cases, there has not been an increase in water quality complaints, nor a noticeable shift in taste and odour complaints.

7. The unfavourable billing and accounts complaints variance to prior year was due to the improvements made in capturing complaint volumes across the business, which has enabled us to gain greater insights into managing billing and account complaints going forward. There were also a few system outages in the second half of the year, impacting customer's abilities to pay their bills, and leading to further increases in billing and account complaints. We are looking to expand the communications of these outages via our different customer touchpoints to assist in reducing the volume of complaints going forward.

8. The favourable billing and accounts complaints variance against target was due to our focus shifting towards sustaining customer service levels during periods impacted by COVID-19 over the past 12 months and embarking on system developments to improve the ease of complaints recording for the frontline team.

9. The favourable effluent re-use volume variance against prior year was due to the Lang Lang Class A Treatment Plant commencing supply of Class A recycled water to customers in mid-July 2021. Previously, these customers received bore water. This resulted in approximately 260 megalitres of additional effluent re-use compared to 2020–21.

10. The unfavourable effluent re-use volume variance against target was impacted by a number of factors, including the reduced demand for recycled water for irrigation purposes. The lower demand was a result of the La Nina climatic conditions experienced in 2021–22, increasing inflows into the treatment plants. In addition, the Pakenham Activated Sludge Plant and Class A Plant were not operating due to extended maintenance and asset inspection between July 2021 to April 2022 and the Boneo Class A Plant was not operating during quarter two as a result of ultrafiltration (UF) membrane issues which was rectified in January 2022. It is not envisioned that supply of recycled water from these plants will be impacted by interruptions in 2022–23.

11. The favourable net CO_2 emissions variance against both target and prior year was due to new contracts securing over 10,000 Large-scale Generation Certificates annually, which were then voluntarily surrendered to reduce our Scope 2 emissions. This contract will continue to positively impact the metric until it concludes in 2030.

Certification of Performance report for 2021–22

We certify that the accompanying Performance Report for South East Water Corporation and its controlled entity (the Group) in respect of the 2021–22 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

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

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

Dated this 29th of August 2022.

Lucia Cade
Chair

Lara Olsen
Managing Director

Lisa Short
Acting Chief Financial Officer

Independent auditor's report

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 2022, which comprises the: • financial performance indicators • water and sewerage service performance indicators • customer responsiveness performance indicators • environmental performance indicators • certification of performance report. In my opinion, the performance report of the South East Water Corporation for the year ended 30 June 2022 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the *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

Independent auditor's report

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
1 September 2022

Paul Martin
as delegate for the Auditor-General of Victoria

Water for Victoria priorities

All Victorian water organisations are required to report against the following measures set out in *Water for Victoria*.

Priority policy area	KPI	Measure	Page
Climate change (LOE 1)	**E1**	Total net greenhouse gas emissions in tonnes of CO2 equivalent	43–44
	E2	Total electricity consumption, and total renewable electricity consumption, in megawatt hours	45
	E3	Adaptation to climate change and variability	38–39
Customer and community outcomes (LOE2)	**C1**	Customer satisfaction	17
	CR1	Number of water quality complaints per 1,000 customers	148
	CR4	Number of billing / payment issue complaints per 1,000 customers.	148
	C2	Development and delivery of an engagement strategy/plan/policy and publication (via website) of the engagement strategy/plan/policy or equivalent explanation	29–31 53
Water for Aboriginal cultural, spiritual and economic values (LOE3)	**AC1.1**	Implementation and reporting on a strategy that demonstrates how the water corporation is addressing procurement barriers and providing procurement opportunities to Aboriginal enterprises. Aboriginal enterprises to supply goods/services to water corporations and number procured in the last year	26–27 159
	AC1.12	Total number of Aboriginal enterprise tender requests received and total number procured in financial year	159
	AC1.2	Number and description of offered / active sponsorships of Aboriginal people in relevant study and training courses, including scholarships, vocational education and traineeships	26–27 159
	AC1.3	Number of staff who have undertaken a cross-cultural training course (by relevant Traditional Owner) in the last year and working towards development of mandatory	26–27 64

		cultural safety training program/ policy.	
	AC2.1	Number of effective engagements and partnerships with Traditional Owners in water planning and management and report on outcome	26–27
	AC3	Implementation of a Reconciliation Action Plan, reflecting measures AC1.1 to AC 1.3 and AC2.1	26–27
Recognising recreational values (LOE 4).	**R1**	Inclusion of recreational values in planning and reporting activities	26–45
Resilient and liveable cities and towns (LOE5)	**L1**	Participation in Integrated Water Management Forums in our region	32
	L2	Collaboration on the Victorian Water Efficiency strategy	37–38
	L3	Total residential bill based on a) average consumption b) 200kl consumption	22
	L4	Number of instalment plans at the end of the reporting period Number of customers awarded hardship grants	18
Leadership and culture (LOE6)	**G1.1**	Delivery of the South East Water Diversity and Inclusion Framework	59–60
	G1.2	Number of females occupying senior leadership positions over projected 5-year period	76
	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	59
	G1.4	Improve participation by Traditional Owners in board committees and other organisational committees	26 64–68
	G1.5	Number of respondents to the VPSC People Matter Survey	–
	G3	Safety and wellbeing performance measures	61–62
Financial sustainability (LOE7)	**F1**	Interest cover	147
	F2	Gearing ratio	147
	F3	Internal financing ratio	147
	F4	Current ratio	147
	F5	Return on assets	147
	F6	Return on equity	147
	F7	EBITA margin	147

Appendix 3 – other disclosures

Consultancy expenditure

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

We engaged consultants for 9 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 $543,179 (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 2 consultants for projects where the total fees payable was less than $10,000 (GST exclusive).

Total expenditure incurred for these consultants was $13,942 (GST exclusive).

Details of individual consultancies are outlined on our website: **southeastwater.com.au**

Government advertising expenditure

Name of campaign	Campaign summary	Start / end date	Advertising (media) expenditure excl GST	Creative and campaign development expenditure (excl. GST)	Research and evaluation expenditure (excl. GST)	Print and collateral expenditure (excl. GST)	Other campaign expenditure (excl. GST)	Total
Make Every Drop Count	Melbourne-wide water efficiency campaign, in partnership with Greater Western Water, Melbourne Water and Yarra Valley Water, to raise awareness of and influence water use behaviours in the community.	January – April 2022	136,750	91,750	12,400	0		240,900

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 $32.5 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">22,667</td><td rowspan="2">9,824</td><td>Operational expenditure</td><td>Capital expenditure</td></tr>
<tr><td>0</td><td>9,824</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 2022.

Water and sewer maintenance services ($286 million)

- Service Stream Maintenance Pty Ltd
- Downer Utilities Australia Pty Ltd
- Programmed Facility Management 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 to request access to documents that we hold. In 2020–21, South East Water received 36 requests to access documents. We finalised 29 requests, and granted access to documents in 28 requests. There was 1 request where no documents were found and 100% of requests were finalised within the statutory time frame.

In addition:

- no applications were made to VCAT by applicants that made a Freedom of Information request to South East Water
- most requests made to South East Water 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 Victorian Information Commissioner. Further information regarding the Freedom of Information process can be found at the Office of the Victorian Commissioner's (OVIC) website: ovic.vic.gov.au.

Requests for access to our documents under the *Freedom of Information Act 1982* must 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 or corrupt 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.

Improper or corrupt conduct by a public officer or public body includes:

- taking or offering bribes, or
- dishonestly using influence, or
- a substantial risk to the health or safety of a person or the environment.

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.

While South East Water is a 'public body' for the purposes of the PID Act, we're not able to receive public interest disclosures. Instead, our policy and procedure explains how a public interest disclosure can be made and what we will do.

Accessing our policy and procedure for the protection of persons from detrimental action

Our policy and procedure also explains that we will take all reasonable steps to protect those who have made public interest disclosures from any detrimental action in reprisal for making the disclosure about our organisation or our employees.

You can access our policy and procedure 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, Mt 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 was one new major project completed in 2021–22 across our headquarters and treatment plants at a sum greater than $50,000.

There was 1 building permit issued, for the demolition of an old caretaker's house at Mt Martha.

Competitive neutrality policy

The objective of competitive neutrality is to prevent market distortion by ensuring that public sector businesses do not have an unfair competitive advantage by virtue of their public sector ownership.

The aim of the competitive neutrality policy in Victoria is to ensure that where public entities do undertake significant business activities and compete in markets with private businesses, they do so on a fair and equitable basis. We therefore continue to observe and apply the principles of the competitive neutrality policy 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.

Projects started – Local Jobs First Standard

For 2021–22, we started 5 Local Jobs First Standard projects totalling $32.3 million, all located in metropolitan Melbourne. The MSPG doesn't 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 80.4% of local content commitment was made.
- a total of 81 Annualised Employee Equivalent (AEE) jobs were committed, including the creation of 3 new apprenticeships and traineeships, and the retention of 67 existing jobs (AEE).

- 77 small-to-medium-sized businesses were also engaged through the supply chain for the above projects.

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 outcomes

For 2021–22, we spent a total of $1.07 million with 23 social benefit supplier and organisations.

Of that, $137,741 was with Aboriginal businesses and associations (total of 11 entities). We also spent $670,663 across 5 disability enterprises, with the remainder of spend with other social benefit suppliers.

We exceeded our Aboriginal procurement target of 1%, achieving 1.62% for the financial year 2022.

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 statement of completion of declarations of pecuniary interests by relevant officers.
- Details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary.
- Details of publications produced by South East Water about itself, and how these can be obtained.
- Details of changes in prices, fees, charges, rates and levies charged by South East Water.
- Details of any major external reviews carried out on South East Water.
- Details of major research and development activities undertaken by South East Water.
- Details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit.
- Details of major promotional, public relations and marketing activities undertaken by South East Water to develop community awareness of the entity and its services.
- Details of assessments and measures undertaken to improve the occupational health and safety of employees.

- A general statement on industrial relations and time lost through industrial accidents within South East Water.
- A list of South East Water's major committees; the purposes of each committee; and the extent to which the purposes have been achieved.
- Details of all consultancies and contractors, including:
  - consultants/contractors engaged
  - services provided
  - expenditure committed for each engagement.

This information is available on request from us and requests can be made in writing to the Freedom of Information Officer, 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.

Indicator	2021–22			2020–21		
	Electricity	Natural gas	Green power	Electricity	Natural gas	Green power
Total energy usage segmented by primary source (MJ)	3,756,380	2,180,019	0	3,607,456	1,961,214	0
Greenhouse gas emissions associated with energy use, segmented by primary source and offsets (tCO2-e)	1,002	112	0	1,022	101	0
Percentage of electricity purchased as green power (%)	0	0	0	0	0	0
Units of energy used per FTE (MJ/FTE)	5,287	3,068	0	5,277	2,869	0
Units of energy used per unit of office area (MJ/m2)	324	188	0	306	166	0

Actions undertaken

There was an increase in energy use in the office in 2021-22 due to more employees starting to use the office again post coronavirus (COVID-19) restrictions. The MJ/FTE for energy use remained relatively the same between the two financial years.

Although we don't procure any green power, we do have rooftop solar that helps generate electricity for our WatersEdge building.

Waste

Indicator	2021–22					2020–21				
	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)	5,237.5	1,447.5	0.0	1,809.0	862.5	4,477.9	1,160.0	80.0	852.9	60.0
Units of waste disposed of per FTE by destinations (kg/FTE)	7.4	2.0	0.0	2.5	1.2	3.5	1.7	0.1	1.3	0.1
Recycling rate (percentage of total waste)	44.0	N/A				46.7	N/A			
Greenhouse gas emissions associated with wasted disposal (kg CO2 –e)	7,881	N/A				3,869	N/A			

Actions undertaken

Results this year were recorded in June 2022, with higher numbers of staff working at WatersEdge. In comparison with the previous financial year, an increase in the total units of waste and waste per FTE was recorded, but these are still lower than the 2019–20 results

Paper

Indicator	2021–22	2020–21
Total units of copy paper used (reams)	710	778
Units of copy paper used per FTE (reams/FTE)	1.0	1.1
Percentage of 100% recycled content	98.6%	92.5%

Water

Indicator	2021–22	2020–21
Domestic water used (litres)	1,406,000	1,340,200
Metered rainwater used (litres)	0	334,600
Metered water consumed in offices per FTE (litres/FTE)	1,979	1,961
Metered rainwater used in offices per office space (litres/m2)	121	114

Actions undertaken
Similar to other results, water consumption has increased compared to the previous financial year due to staff returning to work at WatersEdge.

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.

Indicator	2021–22 diesel	2021–22 petrol	2020–21 diesel	2020–21 petrol
Total energy consumption by vehicles (MJ)	7,889,068	7,025,706	6,731,701	5,981,816
Total vehicle travel associated with entity operations (km)	2,078,261	2,278,139	1,788,231	1,993,102
Total greenhouse gas emissions from vehicle fleet (tCO2–e)	556	490	475	417
Greenhouse gas emissions from vehicle fleet per 1,000 km travelled (tCO2–e)	0.27	0.21	0.27	0.21

T5 – Total distance travelled by air – 162,641 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
Although, there is an increase in our fuel usage compared to last financial year, we are still lower than our pre-coronavirus (COVID-19) baseline. We are investigating different electric vehicle options to add to our fleet.

Greenhouse gas emissions

Indicator	2021–22	2020–21
Total greenhouse gas emissions associated with energy use (tonnes CO2-e)	1,114.0	1,123.0
Total greenhouse gas emissions associated with vehicle fleet (tonnes CO2-e)	1,045.9	891.5
Total greenhouse gas emissions associated with air travel (tonnes CO2-e)	52.2	6.0
Greenhouse gas total greenhouse gas emissions associated with waste disposal (tonnes CO2-e)	7.9	3.9
Greenhouse gas emissions offsets purchased (tonnes CO2-e)	0.0	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, and amount of waste recycled.
- weighting of environmental considerations in tender evaluations.
- Reduced the paper grammage of our notification cards by 20% to minimise the amount of paper required to print and distribute these to our customers. Considering adopting SMS notifications in lieu of physical cards.

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 and identify energy efficiency opportunities at our water recycling plants

Appendix 4 – 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.

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 [17, 18, 22]
The annual volume of water taken	Clause 16.1 (a) 160,399.0 ML	Clause 13.1 (a) 0 ML	N/A	N/A
The water allocation volume made available	Clause 16.1 (b) 214,441.3 ML[3, 22]	Clause 13.1 (a) 44,545.0 ML [8]	Clause 14.1(c) 6,296.5 ML [13]	Clause 11.1(a) 4,808.6 ML [19]
The volume of carry over	Clause 16.1 (b) 166,266.2 ML	Clause 13.1 (a) 44,544.0 ML	5,123 ML[14]	3,766.2 ML [20]
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) 757.3 ML[10]	Clause 13.1(b) -757.3 ML[10]	Clause 14.1(d) -9,200.0 ML Clause 14.1(e) 0 ML	Clause 11.1(b) -3,818.0 ML 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) Nil	Clause 13.1(c) Nil	Clause 14.1(f) Yes Nil[16]	Clause 11.1(d) Yes Nil[21]
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). 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 2021-22 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 2021–22, South East Water undertook reciprocal trades with South Gippsland Water and Westernport Water of 673.420 ML and 83.901 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 2021 was 8,096.2 ML. At 30 June 2022, South East Water held 5,123 ML.

15 Diversion limits are specified in Clause 9 of the Bulk Entitlement.

16 The Bulk Entitlement (Goulburn System – South East Water) Amendment and Revocation Order 2022 to revoke the Bulk Entitlement (Goulburn System – South East Water) Order 2012 as at 20 June 2023 and to reflect the name change from City West Water to Greater Western Water, was signed by the Minister for Water on 20 June 2022 and gazetted on 23 June 2022, but the amendment order came into effect on 1 July 2022. Therefore, these amendments (and revocation) will be reported in next year's (2022-23) Annual Report.

Murray River

17 South East Water holds Bulk Entitlement (Murray River – South East Water) Conversion Order 2012 – WSE000133.

18 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.

19 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 Murray component of the GMID from the Goulburn Murray Water Connections Project Stage 1 as verified in the latest audit.

20 South East Water's commencement volume on 1 July 2021 was 2,973.9 ML (1545.3 ML in Zone 6 and 1,428.6 ML in Zone 7). At 30 June 2022, South East Water held 3,766.2 ML (2,125.4 ML in Zone 6 and 1,640.8 ML in Zone 7).

21 The Bulk Entitlement (River Murray – South East Water) Amendment and Revocation Order 2022 to revoke the Bulk Entitlement (River Murray – South East Water) Order 2012 as at 20 June 2023 and to reflect the name change from City

West Water to Greater Western Water, was signed by the Minister for Water on 20 June 2022 and gazetted on 23 June 2022, but the amendment order came into effect on 1 July 2022. Therefore, these amendments (and revocation) will be reported in next year's (2022-23) Annual Report.

General

22 South East 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.

23 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 14.4 ML under the BWSA in 2021–22.

Appendix 5 – 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 22	Manner of establishment and the relevant Ministers	**4**
FRD 22	Purpose, functions, powers and duties	**4**
FRD 22	Key initiatives and projects	**14–15**
FRD 22	Nature and range of services provided	**4**
Management and structure		
FRD 22	Organisational chart	**63**
Financial and other information		
FRD 10	Disclosure index	**168–169**
FRD 12	Disclosure of major contracts	**156**
MRO	Capital projects	**13**
FRD 15	Executive officer disclosures in the Report of Operations	**77**
FRD 22	Employment and conduct principles	**75**
FRD 22	Workforce inclusion policy	**59–60**
FRD 22	Occupational health and safety policy	**61–62**
FRD 22	Summary of the financial results for the year	**12–13**
FRD 22	Current financial year review	**12–13**
FRD22	5-year financial summary	**12–13**
FRD 22	Significant changes in financial position during the year	**12–13**
FRD 22	Major changes or factors affecting performance	**47–56**
FRD 22	Subsequent events	**12–13**
FRD 22	Application and operation of Freedom of Information Act 1982	**156–157**
FRD 22	Compliance with building and maintenance provisions of Building Act 1993	**157–158**
FRD 22	Statement on Competitive Neutrality Policy	**158**
FRD 22	Application and operation of the Public Interest Disclosure Act 2012	**157**
FRD 22	Details of consultancies over $10 000	**155**
FRD 22	Details of consultancies under $10 000	**155**
FRD 22	Disclosure of government advertising expenditure	**155**
FRD 22	Disclosure of ICT expenditure	**156**
FRD 22	Statement of availability of other information	**159**
Social Procurement Framework	Social Procurement	**159**
FRD 24	Reporting of office based environmental data by government entities	**160–163**
FRD 25	Local Jobs First disclosures in the report of operations	**158–159**
FRD 27	Presentation and reporting of performance information	**147–149**

FRD 29	Workforce data disclosures in the Report of Operations	**75–77**
Ministerial reporting directions		
MRD 01	Performance reporting	**147–149**
MRD 02	Water consumption and drought response	**22, 34**
MRD 03	Environmental and social sustainability reporting	**26–45**
MRD 04	Disclosure of information on bulk entitlements	**164–167**
MRD 05	Major non-residential water users	**23**
MRD 06	Greenhouse gas and energy reporting	**28, 43–45**
MRD 07	Disclosure of information on letter of expectations	**153–154**
Compliance attestation and declaration		
SD 5.1.4	Financial Management Compliance Attestation	**146**
SD 5.2.3	Declaration in report of operations	**10–11**
Financial statements		
SD 5.2.2	Declaration in financial statements	**82**
Other requirements under Standing Directions 5.2		
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	**82–144**
SD 5.2.1(a)	Compliance with Ministerial Directions	**Entire report**
SD 5.2.1(b)	Compliance with Model Financial Report	**Entire report**
Other disclosures as required by FRDs in notes to the financial statements		
FRD 03	Accounting for dividends	**120**
FRD 07	Early adoption of authoritative accounting pronouncements	**N/A**
FRD 10	Disclosure index	**168-–169**
FRD 11	Disclosure of ex-gratia expenses	**141**
FRD 21	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	**132–144**
FRD 100	Financial reporting directions - framework	**Entire report**
FRD 103	Non-financial physical assets	**109–110**
FRD 105	Borrowing costs	**115**
FRD 106	Impairment of assets	**107–108**
FRD 110	Cash flow statements	**90**
FRD 112	Defined benefit superannuation obligations	**137–140**
FRD 114	Financial instruments	**121–125**
FRD 120	Accounting and reporting pronouncements applicable for 2021–22	**143–144**

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	**59–60**
	Supporting First Nations communities	**26–27** **159**
	Case study: Gender equality – making the workplace fairer for all	**60**
Labour	Case study: Working with First Nations organisations to procure services	**27**
	We put safety first	**61–62**
	Employee wellbeing	**61–62**
	Aims for gender parity	**75–76**
Environment	Greenhouse Gas Emissions Abatement	**28**
	Targeting sewage spills	**28**
	Recycled water	**32**
	Integrated water solutions	**32**
	Adaptation to climate change	**38–39**
	Our community grants	**29**
	Case study: Water conservation and sustainability	**55**
	Award winning Biosolids to biochar recycled waste technology	**15** **40–41**
Anti-corruption	Cybersecurity	**80**
	Maintaining our governance and risk frameworks	**79–80**

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: Revitalise 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:

Gender equality – making the workplace fairer for all (**case study page 60**)

Our Community Grants program (**case study page 29**)

Social procurement (**page 159**)

Working together to support our customers and protect our environment (**case study page 49**)

Working with First Nations organisations to procure services (**case study page 27**)

Outcome	Sustainable Development Goals	Reference
Outcome 1: Get the basics right, always	6, 9, 5, 10, 14, 15, 16	**47–48**
Outcome 2: Make my experience better	6, 3, 8, 11, 12, 17	**49–50**
Outcome 3: Warn me, inform me	6, 4, 16	**51–52**
Outcome 4: Fair and affordable for all	6, 9, 1, 7, 11, 12	**53–54**
Outcome 5: Support my community, protect our environment	6, 11, 13, 17, 2, 8, 7, 14, 15	**55–56**

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How to get in touch

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Hearing and speech impaired services
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