

Annual Report 2018–19



Aboriginal acknowledgement

We acknowledge the Traditional Owners of the Country on which we operate, the land of the Bunurong, Boon Wurrung and Wurundjeri peoples of the Kulin Nations.

We acknowledge their songlines, cultural lore, and connection to land and water. We acknowledge their elders past, present and emerging, and for their sharing of knowledge and cultural lore.



Adam Magennis goes On Country at Davey's Bay Mount Eliza with (left to right) South East Water employees, Kate Forehan, Scott Collins, and Lisa Watene-Tapa.

Case study: Supporting Aboriginal communities – our Reconciliation Action Plan (RAP)

We've started engaging with Traditional Owners from Bunurong, Boon Wurrung and Wurundjeri peoples, and the Aboriginal and Torres Strait Islander communities in our service region to develop a RAP, joining more than 1,000 organisations Australia-wide who have formally committed to reconciliation.

We've made steady progress this year and were thrilled to engage Adam Magennis, a local Aboriginal artist, to create a visual representation of the RAP cultural narrative and values map.

Guided by this year's theme of 'Grounded in Truth. Walk together with courage', we celebrated National Reconciliation Week on 30 May with a traditional Welcome to Country and smoking ceremony performed by a local Bunurong Elder at Frankston beach. Following the ceremony, we had a presentation about our RAP journey so far, a panel discussion with some of the local Aboriginal people we're working with, and a special lunch from a local café founded and run by members of the local Aboriginal community.

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About us

We support healthy and liveable communities

Every day and every night we deliver water, sewerage and recycled water services to 1.83 million people who rely on us for health, work, play and recreation.

Our service area borders more than 270 kilometres of coastline and covers a land area of 3,640 square kilometres from Port Melbourne to Portsea and approximately 30 kilometres east of Pakenham.

Each year we deliver more than 140 billion litres of drinking water and collect more than 100 billion litres of wastewater (waste from the toilet, shower, laundry and kitchen in the home 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 25,700 kilometres of pipeline. We own, operate and maintain \$4.4 billion of assets including water, recycled water and sewerage networks.

We're a water corporation under the *Water Act 1989*.

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

Minister for Water, the Hon. Lisa Neville MP, was our responsible Minister during the 2018–19 reporting period. 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*.

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

The Essential Services Commission (ESC) is our economic regulator. Every five 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'll set our direction for the next five years – so we can deliver on the promises we've made.

Our service region

People

- 1.83 million people serviced
- 15,773 new customers in the past 12 months, with a growth rate of 2.1 per cent
- 92 per cent of our customers rely on us for their home's water and waste water services
- Eight per cent of our customers rely on us for non-household purposes
- Our customers speak more than 200 languages

Assets

- 14,041 kilometres of water mains
- 1,068+ kilometres of recycled water main
- Eight water recycling plants
- One stormwater treatment plant
- 10,995+ kilometres of sewer mains
- 273 sewage pump stations
- Nine recycled water pump stations
- 82 water pump stations
- 270 kilometres of coastline



We're creating green spaces for our community to enjoy throughout our service region, so we can all enjoy Melbourne's world-famous liveability. Recycled water is a key part of our approach, so we can reduce our reliance on drinking water while still keeping our parks, gardens and community spaces green.



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 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 customer outcomes

Our five 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 over the next five years.

1. 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.

2. Make my experience better

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

3. Warn me, inform me

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

4. 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.

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.

Our business enablers

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

Our business enablers are:

- People
- Technology
- Financial capability
- Legal and governance.

Our values

We put safety first

The 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.



A year in review

A message from our Chair and Managing Director

We're pleased to present our *Annual Report 2018–19*, which provides an overview of our operational performance, audited financial reports and key highlights, along with statements on our governance and management practices.

We're proud of what we've achieved this year. We kept the promise we made to our customers in our *Five-year Customer Commitment 2018–23* to keep our services fair and affordable for all by reducing our service and usage charges.

Our financial results remain strong in a challenging market. Our Aquarevo partnership development with Villawood Properties has now sold over 270 lots, more than half of the available 460 lots, with further land releases planned in the coming 2019–20 financial year. We've continued to focus on technology and digital transformation to make our organisation more efficient, and made great progress in this space. We continued to invest in our people to create a workplace that is future-ready to keep pace with our changing world.

We're proud of our story and our place in our community, and look forward to continuing to support the health and liveability of our region.

Rising to the challenge of climate change

We know a warmer and drier climate is our new normal, so we've taken steps to secure our water supply in the face of long-term climate change.

We've always believed in an integrated approach to the way we use (and re-use) water and support the Victorian Government's recent decision to help secure our water supply by placing an order of 125 billion litres of water from the Victorian Desalination Plant.

Although desalinated water provides us with greater water security, we're not relying on it alone.

We believe in co-creating water savvy communities, where our customers have the right information, infrastructure and support to 'make every drop count' and minimise their water use in line with Target 155 – a voluntary water efficiency campaign to encourage Victorian households to keep water use to 155 litres of water per person per day.

We've seen great progress this year with Aquarevo, delivering liveability and water efficiency to this important growth corridor estate. The first residents have now moved in and a new community is starting to form, and they're some of the first in Melbourne to be plumbed with three sources of water, which means they'll only use drinking water where it's really needed.

We've also expanded our digital utility program. Right now, we have 200 Advanced BlokAid® devices working within our network, helping us to detect potential spills and blockages before they happen by monitoring wastewater flow patterns. We're also seeing the benefits of our OneBox® pressure sewer, which is helping to control wastewater flows through our network and allowing our customers to make the switch from septic to sewer in some of our most environmentally sensitive areas.

We already have close to 80,000 remotely connected meters in our network, and our new generation digital meter pilot program is in full swing. We've installed 630 new generation digital meters in our pilot program and already alerted 41 customers about potential leaks in their home, booked 19 plumbing audits and fixed 36 leaks detected by the meters. This is just the start of our digital transformation, and we'll be continuing to install many more digital meters over the upcoming financial year.

Keeping our promises to our customers

Our customers are the reason we exist and are at the heart of everything we do.

We've been working hard to keep the promises we made in our *Five-year Customer Commitment 2018–23*, which was developed following in-depth research to help us understand what our customers value most. Their feedback shaped our five customer outcomes: *get the basics right; warn me, inform me; make my experience better; fair and affordable for all; and support my community, protect our environment* – and guide our actions every day, at every level of our organisation.

We've made great progress this year. We launched our Customer and Community Advisory Council to give a voice to the diverse members of our community and stakeholders and further build our understanding of the issues that matter to them. We've accelerated our customer communication, focussing on water efficiency, affordability and what their bill pays for.

We've also changed the way we talk to our customers to make it easier for them to understand what we do and how we're supporting their communities. We've made it easier for them to talk to us online,

through upgrades to our mySouthEastWater customer portal and our renewed focus on social media to keep our customers warned and informed about anything that might affect them.

We established our Customer First program to develop a structured and sustainable approach to help vulnerable customers who want to pay their water bills, but can't pay everything. More than ever, we're working with our local councils on initiatives like targeted concession campaigns to support these customers and healthy, liveable communities.

Working with our industry partners

We continued to invest in research and are working with strategic partners to drive our organisation, and our industry, forward.

Right now we have 25 research projects underway, working with our industry and some of Australia's best universities to find new solutions to shared problems, so we can continue to create a better world for our customers.

Just one example of this is our significant research into biosolids, a natural, nutrient-rich by-product of the water recycling process.

Earlier this year, we hosted over 100 industry professionals, farmers and researchers at our Longwarry Water Recycling Plant to share the results of a trial we led in partnership with the University of Newcastle and the Soil Cooperative Research Centre.

Our research tested the liquid injection of biosolids into the ground as a fertiliser. The result was a bumper crop of summer forage sorghum, making the case for a new, sustainable way of using biosolids in agriculture.

Supporting our people

We put the safety and wellbeing of our people first in everything we do. We believe in supporting our employees through all life stages, and this year developed our flexible work framework to encourage and enable work life balance.

We also offered our first on-site school holiday program at our WatersEdge headquarters during the summer school break. It was so successful that we now offer the program every school holidays, making it easier for working families to balance their responsibilities.

We've invested in the mental health and wellbeing of our people with the launch of our Mental Health First Aid program, mental health awareness training and fatigue management training.

We're proud of the culture we're creating through our ongoing commitment to our values, our people and our customers.

On behalf of the Board, we thank all our employees, contractual partners, and everyone who helps us deliver on our customer commitments. As we look towards the 2019–20 financial year, we're now better placed than ever to create a better world for our customers.



Lucia Cade

Chair



Terri Benson

Managing Director

Responsible body declaration

In accordance with the *Financial Management Act 1994*, we're pleased to attest that our *Annual Report 2018–19* complies with all statutory reporting requirements.



Lucia Cade

Chair



Terri Benson

Managing Director

Dated this day 19th of August 2019

Performance highlights

Achievements that we're proud of in 2018–19.

Get the basics right, always

Healthy water for our customers and community

We've performed well against our safe drinking water standards, water quality complaints and unplanned water interruption targets.

We've upgraded key secondary chlorination sites with automated systems that remotely monitor and control water quality. We've also improved our dosing systems by adding additional alarms and notifications.

We've had more sewer blockages than we'd like, so we're making improvements that will allow us to see and control our sewer network better than ever before. This includes installing more Advanced BlokAid® sensors throughout our network, so we can find and fix blockages before they become a problem. We've also improved data analysis across our 273 pump stations, and we'll continue our significant investment in our maintenance and renewals programs so our network performs as well as it can.

Our biggest industrial pressure sewer to date

Installed at an industrial site in Dandenong South in May 2019, this significant milestone provides a blueprint for future developments and helps us manage the flow of wastewater into our network.

See case study 'Our biggest industrial pressure sewer installation ever' on page 50

Major upgrades at Boneo delivering for our environment

We appointed the John Holland SUEZ Beca (JHSB) joint venture to deliver and then manage a major upgrade of our Boneo Water Recycling Plant. They'll be implementing innovative treatment technologies designed to reduce energy consumption in the water recycling process and protect the local environment.

We've worked hard to develop great relationships with the local council, Environment Protection Authority (EPA) and the local community, and as a result, works have progressed quickly. We've already redirected water flows on the site and completed major works to the sewer rising mains to remove old, unused infrastructure and asbestos pipes laid many years ago.

See case study 'Boneo Water Recycling Plant upgrade – big benefit to the peninsula' on pages 36 – 37.

Warn me, inform me

Growing our social media reach

Our customers want us to tell them about works that may impact them, so we're using SMS, email and social media to keep them informed about both planned and unplanned works.

We've also looked at the types of notifications we send and have made some changes to better meet our customers' needs. For example; we now send notifications to customers who may have experienced a water outage overnight, so they know what to do if the water isn't coming out crystal clear in the morning.

We're continuing to analyse and question our processes. We're investigating what happened if our customers weren't notified about something that may impact them – so we can get it right next time.

See case study 'Keeping our customers in the loop' on page 55.'

Digital meters delivering near real-time alerts

We made significant progress in our digital meter pilot program this year. We now have 630 meters operating at customer properties, and they're already helping our customers identify leaks on their properties.

We've notified 41 customers about potential leaks in their homes, booked 19 plumbing audits and fixed 36 leaks detected by the meters (1,200 litres an hour was the largest one detected).

See case study 'Digital metering trial – near real-time information' on page 54.

Fair and affordable for all

Helping our customers manage their bills

We're continuing to help more customers who need support to access grants and concessions. We established our Customer First program to provide early intervention and assist vulnerable customers who want to pay their water bills, but can't pay everything.

As part of this, we're expanding our proactive outreach program to customers we might be able to help through our South East Water Assist program. We supported 5,485 customers through this program over the year.

Customers can also spread the cost of their bills with a payment plan, making fortnightly or monthly payments. In total this year, 34,924 customers chose to pay their bills using our payment plan service.

Financial assistance for older adults

We worked with Frankston City Council to provide financial assistance to older adults at risk of poor health. As part of this initiative, we developed a campaign that targeted 2,100 customers who currently receive in-home care services and may be eligible for a concession discount on their water bills. The average concession back-payment to date has been around \$800, and one eligible customer received a large credit balance, which assisted her ability to pay other bills.

Make my experience better

Delivering value for money

We're receiving less customer complaints and more customers are giving us a high value for money rating. In recent surveys, 89 per cent of our customers said they were satisfied with our services, 74 per cent think we're adding value and 64 per cent trust us.

This tells us that our customers are having a better experience with us each time they speak to us or see us out and about.

Upgrading our customer portal

We refreshed our mySouthEastWater customer portal making it simpler and easier for our customers to use anywhere, anytime.

The upgrade reduced the time our customers spend on the portal by an average 50 seconds each visit. Mobile traffic represented more than 40 per cent of total visits (up five per cent from last year).

See case study 'Improved customer experience' on page 52.

Refreshing our brand and tone of voice

We've been working to understand our customers and community and the role we can play in their lives.

We refreshed our writing style and visual brand based on their feedback, to make it easier for our customers to understand what we do, what they need to do if we get in touch, and make their experience better with us every time.

Support my community, protect our environment

Supporting bushfire relief

When the Bunyip State Park bushfires affected our customers we visited customer properties to refill rainwater tanks, provide bill support and refer customers to our community partner for specialised support.

See case study 'Supporting our community affected by Bunyip State Park bushfires' on page 26.

Expanding our recycled water network

We're expanding our recycled water network to future-proof our network and build our drought resilience. We're delivering more recycled water than ever so we can save our drinking water for where it's really needed – like the kitchen and bathroom taps. We currently have more than 1,060 kilometres of recycled water main and supplied 37,000 homes in our region with recycled water this year.

We delivered a total of 6.9 billion litres of recycled water this year. We've achieved this by expanding our recycled water network (for example, our Cranbourne Recycled Water tank is now operational).

We're also supplying recycled water to sporting grounds, vineyards, golf courses, market gardens, nurseries and turf growers in our region, so they can use fit-for-purpose water to support their activities.

Protecting the Dandenong Creek Industrial zone

We've partnered with Melbourne Water for an important five-year project *Enhancing our Dandenong Creek*. It aims to measure and prevent industrial waste making its way into Dandenong Creek and Old Joe's Creek through the stormwater network.

We've installed seven of our Advanced BlokAid® devices in the area to help identify potential contaminants in the water flowing into Dandenong Creek. They're currently hard at work monitoring the stormwater drains and reporting water flow patterns.

See case study 'Protecting the Dandenong Creek industrial zone' on page 44.

Business enablers

Ozwater'19

Our employees shared research, knowledge and expertise at the Australian Water Association's Ozwater'19 conference, the biggest water industry event in the Southern Hemisphere.

Focussing on the event's theme of 'transforming our world' 13 of our employees presented on a range of topics, from the importance of customer trust, to how to shut down a pressure sewer in an emergency – and lots in between. We invited employees who couldn't attend the event to a special preview event at our Frankston headquarters, WatersEdge, so they could benefit, too.

Onsite school holiday program at WatersEdge

We believe in supporting work life balance for all our people, and we know the school holidays can be challenging for parents or guardians of school-aged children. To help ease the pressure, we offered our first onsite school holiday program in partnership with CommunityOSH in January 2019.

Children aged five to 12 took part in daily activities and excursions as part of the program, and parents/guardians were encouraged to meet with their children during lunch.

The program was a huge success and is now ongoing.

Social procurement

We're making a difference through the Victorian Government's Social Procurement Framework and supporting organisations that provide significant social benefit to our community.

We're already supporting some great organisations through the framework, including Nairm Marr Djambana, Frankston Aboriginal Gathering Place for catering and off-site workshops, Muru Office Supplies, a 51 per cent Aboriginal owned and Supply Nation certified business, where 15 per cent of their profits are utilised for Aboriginal community purposes.

We're also working with Enviro Management Services for maintenance and gardening at our offices, water recycling plants and facilities.

Refer to case study 'Creating new work opportunities' on page 60.'

Other achievements during the year

Australian Water Association (AWA) Awards

Research Innovation

Our research project '*Driving change from conservatism to pragmatism – better use of biosolids and recycled water by using research to challenge guidelines*', was awarded the AWA's Research Innovation Award at both state and national levels.

Our Senior Research Scientist, Aravind Surapaneni, led the project which challenged existing guidelines by proposing shorter retention times for both biosolids and recycled water production. The project has delivered regulatory changes that have reduced the biosolids storage requirements from three years to just one. Australian water organisations have already adopted the results of this research, and are benefitting from significant time and money savings.

We're now trialling soil injection of biosolids in liquid form (known as T2 or T3 treatment grade) to improve soil structure, fertility and function at our Longwarry Water Recycling Plant in partnership with the University of Newcastle and supported by the Soil Cooperative Research Centre. The trial has already seen a bumper crop of summer forage sorghum. We celebrated the success of the project so far by hosting a biosolids networking field day at the plant with more than 100 industry professionals and researchers from all over Australia.

Water Professional of the Year

Our Operational Technology Manager, Andrew Forster-Knight, was named Water Professional of the Year at the AWA Victorian Water Awards.

Andrew was recognised for his passion for innovation and the work he's done to take the ideas behind Hydroshare®, Advanced BlokAid® and OneBox® and turn them into a portfolio of successful patented water solutions. Andrew went on to be recognised as a finalist at the national awards.

Program Innovation

Our Fishermans Bend Integrated Water Servicing Strategy was a finalist in the Program Innovation Category at the Victorian awards. The strategy proposes an integrated water management approach through the use of alternative water sources and its own sewer mining plant to provide climate resilient, reliable and sustainable water and wastewater services at Fishermans Bend.

Civil Contractors Federation

We were finalists at the Civil Contractors Federation Earth Awards with our contractual partner FHDB for our Mount Martha Emergency Storage Lagoon and Sixth Avenue Pump Station Inlet Rehabilitation projects.

Digital Utility Awards

We were a finalist in the category Digital Utility of the Year – Water in recognition of our innovative use of technology, tools and processes at Aquarevo and for protecting our sewers using Advanced BlokAid®.

Andrew Forster-Knight also received further recognition as an innovator and leader when he was awarded Utility Innovator of the Year.

Serving our customers in 2018–19

Here's a snapshot of service to our customers over the past year.

Our region

- Supplied drinking water and sewerage services to **1.83 million** people
- Our customer base grew by **2.1 per cent to 778,018**

Improving our services

- **10 per cent** decrease in complaints to water ombudsman
- **64 per cent** of our customers trust us (based on our regular customer engagement surveys)
- **74 per cent** of our customers perceive we add value (based on combined responses to customer surveys after interactions with us)
- **89 per cent** of our customers are satisfied with our services (based on combined responses to customer surveys after interactions with us)
- **97.7 per cent** of unplanned water interruptions were restored within five hours

Supporting our community

- We supported **5,486** customers through South East Water Assist (up **3.5 per cent**)
- Our customers accessed more than **\$891,000** in state government Utility Relief Grants
- We supplied **79** community events with free water from our hydration stations (12 more events than in 2017–18)
- **306** schools in our service area are saving water through the Victorian Government Schools Water Efficiency Program

Service to our customers

- Delivered **nearly 170 billion** litres of water
- Treated **12.7 billion** litres of sewage at our eight water recycling plants
- Delivered **6.9 billion litres** of recycled water
- Switched **649** customer properties from septic tank sewer as part of our Peninsula ECO project
- Serviced **37,000 homes** with **Class A recycled water**
- **2,627,349** online sessions across all digital platforms (47 per cent from a mobile or tablet)
- **1,801,215** total unique page views of **southeastwater.com.au**
- **533,693** customer calls
- **73,686** email contacts
- **10,122** live chats
- **7,354** call back requests
- **102,000+** visits to South East Water LIVE interactive map (emergency works and planned improvements across our service area)
- **79 per cent** of reachable properties were sent an emergency text and proactive water outage text and/or email
- **10 per cent** increase in customers using mobile devices to view **southeastwater.com.au**
- **16 per cent** increase in customers subscribing to our mySouthEastWater customer portal
- **12,000** visits a month to our water education website
- **18,606** followers and **17,559** engagements (likes, shares, comments and click throughs) across our main social media platforms: Facebook, Twitter and LinkedIn
- **40 per cent** increase in customers opting for eBilling.

Financial overview

Five-year financial summary

Table 1. Financial results for year ended 30 June 2019 (extract)

	2015 (\$ million)	2016 (\$ million)	2017 (\$ million)	2018 (\$ million)	2019 (\$ million)
Total revenue	916.5	1,038.9	1,029.4	1,092.9	1,043.5
EBIT	195.4	253.3	273.0	316.0	230.4
Financial costs	77.1	80.5	81.0	82.8	83.6
Net result before tax	118.3	172.8	192.0	235.2	146.7
Tax expense	35.6	52.0	57.7	70.1	43.1
Net result after tax	82.7	120.8	134.3	165.1	103.6

Table 2. Financial position as at 30 June 2019 (extract)

	2015 (\$ million)	2016 (\$ million)	2017 (\$ million)	2018 (\$ million)	2019 (\$ million)
Total assets	3,781.4	3,873.8	3,993.6	4,224.4	4,439.6
Payables and provisions	692.9	656.4	641.1	655.7	701.8
Borrowings	1,321.1	1,386.5	1,460.2	1,586.3	1,712.3
Net assets	1,767.4	1,830.9	1,892.3	1,982.5	2,025.5

Table 3. Cash flows for year ended 30 June 2019 (extract)

	2015 (\$ million)	2016 (\$ million)	2017 (\$ million)	2018 (\$ million)	2019 (\$ million)
Operating	128.1	126.1	136.3	150.9	129.8
Investing	(233.3)	(153.4)	(162.7)	(147.3)	(174.9)
Financing	107.1	26.3	26.7	(3.2)	45.1

Current year financial review

Our financial results for 2018–19 remain strong with a net profit after tax of \$103.6 million. Our lower revenue result for the year reflects our commitment to customers in lowering service and usage prices as part of our 2018 Price Submission approved by the ESC. Further, developer income also declined compared to prior year, due to the easing of developer activities.

Our net profit after tax result is \$16.7 million higher than budget primarily a result of the following:

- higher developer income due to the forecast reduction in developer activity not being as significant as planned;
- higher water sales as consumption exceeded budget as a result of drier conditions and above average maximum temperatures; and
- savings in finance charges due to lower borrowings and lower interest rates.

We continued to deliver on our commitments to drive efficiencies by focusing on technology to leverage off existing and new data and digital capabilities through our digital utility transformation.

Our Aquarevo project in Lyndhurst has now sold over 270 lots, more than half of the 460 in the completed project.

Capital expenditure of \$192.7 million was driven largely by population growth and the renewal and upgrade to our water and sewerage infrastructure network. In 2018–19, our expenditure program included:

- Renewing 57 kilometres of water and sewer mains.

- Starting the design and construction to our Boneo Water Recycling Plant Stage 4 upgrade to respond to growth on the Mornington Peninsula and help meet our emission reduction targets.
- Expanding our services in our growth corridor through Clyde on the McPherson precinct structure plan project.

Our financial position remains sound with gearing at 45.8 per cent and funds from operations net interest cover at 2.6 times. Total liabilities increased by \$172.1 million in 2018–19 largely as a result of additional borrowings of \$100 million which were primarily used to fund capital investments for our water and sewerage infrastructure.

Shareholder returns for the year include a final dividend of \$58.7 million in respect of the 2017–18 financial year.

Please refer to Appendix 1 – performance reporting on page 146 for relevant performance indicators for the financial year.

Capital projects

We manage a number of capital projects, including projects to upgrade our water recycling plants and growing our water and sewer networks, bringing a number of long-term benefits to our 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 state government departments and their related portfolio agencies' asset investment programs.

Significant changes in financial position

There were no significant matters that changed our financial position during the reporting period.

Significant changes or factors affecting performance

There were no significant changes or factors which affected our performance during the reporting period.

Subsequent events

There were no events occurring after balance date which may significantly affect our operations subsequent reporting period.

Major projects and initiatives

Major projects and initiatives we delivered or that were underway in 2018–19.

Month	Highlights
July 2018	<p>Began roll out of Five-year Customer Commitment 2018–23 Our customer commitment came into effect, delivering better value, simpler charges and lower prices.</p> <p>Supported Kids Under Cover Donated 10 tanks and pumps to meet Bushfire Management Overlay restrictions in fire-prone areas.</p> <p>Upgraded our mySouthEastWater customer portal Improved mobile compatibility to deliver a better customer experience.</p>
August 2018	<p>Celebrated 300th school in our service area joining the School Water Efficiency Program (SWEP)</p>
September 2018	<p>Awarded Boneo Water Recycling Plant Stage 4 Upgrade to John Holland/SUEZ/Beca (JHSB) consortium Awarded our major Boneo Water Recycling Plant Stage 4 upgrade to JHSB with a Design Build Operate contract and a 10 year operate period – it's our largest ever Water Recycling Plant upgrade and totals over \$170 million.</p> <p>Launched Customer and Community Advisory Council Held our first council meeting to help us further learn from our customers and community.</p> <p>Held tree planting day at Sunshine Reserve, Mount Martha Partnered with Mornington Peninsula Shire to plant 800 trees and build a new bridge to give the community a safe crossing point at the reserve and protect native plants.</p> <p>Joined Gems in STEM A development program to inspire students across Victoria to choose a career in water or a STEM-related field.</p>
October 2018	<p>Presented to 150 safety professionals Our safety team shared our collaborative approach to common challenges at the national Water Industry Safety Event.</p> <p>First 12 customers settled their land at Aquarevo</p> <p>Shared knowledge with Irish Water Welcomed engineers from Irish Water to talk pressure sewers, wastewater treatment, customer and stakeholder management and SCADA architecture.</p> <p>Partnered with the EPA to form Drain Detectives Recruited local schools to become 'drain detectives' to monitor local stormwater drains and take simple water quality tests.</p>
November 2018	<p>Embraced First Nation values of water Welcomed Terori Hareko-Samios, Senior Project Manager – First Nation Values of Water to strengthen cultural understanding and engagement between the water sector and First Nation peoples.</p>
December 2018	<p>Introduced Stoptline Provided our employees with an independent, confidential and impartial helpline service where they can raise workplace issues, like conflicts of interest.</p> <p>Funded Nepean School sensory garden restoration Helped this Seaford-based specialist school restore its water sensory garden, first installed in the 1970s.</p>
January 2019	<p>Launched our onsite school holiday program Supported employees with our first onsite school holiday program</p>

	<p>Supported our customers with water efficiency knowledge Shared practical tips to help our customers save water and money during the warm summer months – and explained why it’s so important to use water wisely.</p>
February 2019	<p>Supported living our values <i>War on Waste</i> creator Craig Reucassel and world champion surfer Layne Beachley joined us at WatersEdge to talk about living our values: we deliver sustainably and we care.</p> <p>Ran payment support campaign to help customers struggling to pay bills during summer, post-Christmas and back-to-school.</p>
March 2019	<p>Sponsored Cultural Diversity Week, 16–24 March</p> <p>Supported our community affected by the Bunyip State Park bushfires Partnered with Cardinia Shire Council to provide immediate relief to residents and animals affected by the fire, and provided payment relief to customers.</p> <p>Improved the usability of our customer app Updates included a quick payment option, Siri shortcuts ‘view my water bill’ and ‘are there any water outages in my area’ and improved accessibility.</p> <p>Supported working parents Our employee parents’ group invited parenting author Pinky McKay to share tips to help parents return to work, at an event open to all employees.</p>
April 2019	<p>Co-founded World Water Innovation Fund Partnered with water utilities worldwide as a founding member to form the World Water Innovation Fund, to find, develop and accelerate emerging technologies.</p> <p>Sponsored Melbourne Museum school holidays education activation Teamed-up with City West Water and Yarra Valley Water to sponsor Melbourne Museum’s school holiday activity on smart water habits.</p>
May 2019	<p>Day at the Zoo community event Joined City West Water and Yarra Valley Water for our annual Day at the Zoo, celebrating culturally diverse communities and helping those new to Melbourne to understand the role of water organisations and how we can help.</p> <p>Completed diversion works at Boneo WRP to allow construction of new plant to begin Diverted Peninsula ECO and Sixth Avenue sewer rising mains, undertaking significant community consultation to minimise customer disruption.</p> <p>Shared our learnings at Ozwater’19 Thirteen employees presented at Ozwater’19, the water industry’s annual event. We hosted an information stall, too, alongside our commercial arm Iota, demonstrating how we use customer insights to create technology that addresses customer needs.</p> <p>Longwarry Biosolids Field Day Welcomed more than 100 water industry professional, scientists and farmers to learn about the use of biosolids in agriculture at our Longwarry Water Recycling Plant.</p> <p>Completed Centre Road Clayton major renewal program Completed over two weekends and reaching more than 24,000 people through social media and community engagement to warn and inform them about the works.</p>
June 2019	<p>First homeowners moved into Aquarevo</p> <p>Signed on as partners of Living Melbourne Joined with Resilient Melbourne and The Nature Conservancy to announce a new urban forest strategy: <i>Living Melbourne: our metropolitan urban forest</i>.</p> <p>Launched our ECO Office employee program Our employee-led environmental group launched with the aim to deliver sustainability in every action.</p> <p>Celebrated National Reconciliation Week with traditional smoking ceremony and RAP information session</p>

Challenges and looking forward

Challenges and considerations

We're addressing a range of challenges and considerations to make sure we're on the right track to achieving our longer term targets.

Climate change

Increasing focus on long-term sustainability requires us to play a proactive role in the health of our community and environment. Climate change impacts the security of our water supply and our ability to supply the water and wastewater services our customers rely on. That's why addressing the impacts of changing weather patterns and events are embedded into the way we design and operate our assets, and the way we deliver our services through our Climate Adaptation Strategy.

Under the Victorian Government's Statement of Obligations (Emission Reduction), which came into effect in March 2018, we've pledged to reduce our carbon emissions by 45 per cent from our 2016 baseline of 41,744 tonnes of greenhouse gasses (CO²). In addition, we've committed to have net zero greenhouse gas emissions by 2030.

Population growth

Population in our service area is forecast to double by 2065, which will place increasing pressure on our drinking water supplies and create higher volumes of wastewater at our water recycling plants (we're expecting a 60 per cent increase in the next 40 years alone).

Changing customer expectations

The world we live and work in is increasingly interconnected – for us and our customers.

Innovation and disruption in one industry invariably drives change in others. Our customers apply the same expectations to us as they do all service providers, from quality of service to payment flexibility.

We're continuing to listen to our customers, and collaborate both inside and outside our sector, to ensure we keep improving on our customers' experience.

Technological change

Technology and connected devices provide increasing access to real-time data, predictive analysis and remote monitoring. This will support greater connectivity between our organisation and its assets and customers, and create efficiencies to help maintain bill affordability.

We already have more than 10,000 remotely connected assets sending real-time data to our operations team. This is just the first step in our journey to become a truly digital water organisation.

The future workforce

Our world is constantly changing and the services we provide to our customers and the community are always evolving. A workforce that is future ready is critical to our success and ability to keep pace with the changing world around us.

We know we need to attract the right people with the right skills to achieve our vision and strategic objectives. That's why we're working to become an employer of choice to attract and retain the best people in our industry. To do this, we're developing approaches that support diversity, flexible work and professional growth.

The year ahead

Our Corporate Plan 2019–24

Our Corporate Plan is our roadmap to meeting our customers' expectations and addressing the challenges of household affordability, population growth and climate change, while efficiently delivering safe and reliable water services that support liveable communities.

It builds on the five customer outcomes outlined in *Our Five-year Customer Commitment 2018–23*, which reflects what our customers and community told us matters most to them, and positions our organisation to deliver on the priority policy areas outlined in *Water for Victoria*.

Central to our plan is an increased focus on climate change, and its impact on the services we provide to customers and the way we operate our business.

We're looking forward to getting started in the coming year.

Initiatives and projects

Some of the initiatives and projects we've promised to deliver in 2019–20.

Longwarry Water Recycling Plant upgrade

We're going to start design and construction of this upgrade, to ensure the safe discharge of wastewater to the environment and cater for growth within the catchment area of Bunyip, Garfield, Longwarry, Nar Nar Goon and Tynong.

Strengthening our relationships with local councils

We'll be strengthening our relationships with local councils in our catchment area so we can help contribute to healthier communities.

For example, in 2019–20 we'll be conducting trials with Frankston City Council and the City of Casey to improve water efficiency and affordability in their communities. We'll also collaborate with local councils to co-create greener, more liveable spaces

Installing digital meters

In January 2020, we'll continue installing increased numbers of digital meters in homes throughout Melbourne's south-east. We'll also be starting to install them in high rise buildings as well as in areas where remotely read meters are due to be replaced. The meters take readings every 30 minutes and send us a usage report once every day, so we can let customers know if we notice anything unusual – like continuous water use – that could mean they have a water leak. This is just one of the ways we're working to eliminate bill and budget shock and water loss.

Near real-time water usage information

We're going to empower our customers to better manage their water use and its effect on their bills by providing customers with greater visibility of water usage information in near real-time.

For example, we'll give digital meter customers access to a new view in our mySouthEastWater customer portal to help manage their water use.

A cogeneration plant for Mount Martha

We'll install a cogeneration plant at our Mount Martha Water Recycling Plant to replace our current aging boiler and will generate our own green electricity and in turn, contribute to our reduction in CO² emissions.



Our customers

About our customers

We support healthy and liveable communities by delivering water, sewerage and recycled water services to 1.83 million people who rely on us every day and every night.

Our customers rely on us for safe, reliable water services, a high quality customer experience, modern infrastructure and a reduced environmental footprint.

Our customers live in one of Australia's most culturally diverse regions, and speak more than 200 languages.

Our water and sewer network covers high-rise communities in Southbank through to growth suburbs in the Casey–Cardinia region, and from intensive industrial areas in Dandenong, to small agricultural holdings in Somerville.

92 per cent of our customers are residential and rely on us for their home water and waste water services. Our business customers make up the remaining eight per cent and they rely on us for commercial and industrial purposes, as well as agricultural, recreation and community use.

We want to create a better world for our customers, whether they're connected to our services, or stakeholders, partners or simply part of our community. Over the past year we've been on a journey to better understand them and increasingly align our activities and our organisation around that ambition.

A snapshot of our customers in 2018–19

92 per cent of our total customers are residential
8 per cent of our total customers are businesses
17,773 new customers in the past 12 months
2.1 per cent customer growth rate

Case study: Supporting our community affected by Bunyip State Park bushfires

Our employees were out in our community over the Labour Day 2019 long-weekend, providing relief to residents and animals affected by the bushfires that swept the Bunyip State Park.

They were supported by South East Water, Priority Plumbing and Cardinia Shire Council and visited more than 200 properties to provide damage assessments, flush out water tanks, replenish water supplies, provide water for animals, return wandering livestock, conduct plumbing repairs, investigate leaks and replace melted meters.

Once the fires were out, we reached out to affected customers through personalised letters and emails, flyers at recovery centres, website notifications, and social media posts that reached more than 4,500 residents. We provided several support options including complete bill waivers, discounts, payment plans, access to government grants, and free financial counselling.

Supporting our customers in need

We know that anyone can struggle trying to manage bills and financial commitments – and it can be hard to ask for support.

Members of our South East Water Assist team are trained to work with customers who want to pay their water bills, but can't pay everything.

This specialised team works in line with our commitment to treating all customers fairly, respectfully and with dignity.

In 2018–19 we continued our partnership with Better Place Australia to help support customers with free financial counselling, connection to community support services and referral to specialist providers.

We also continued our partnership with the Thriving Communities Partnership, a cross-collaboration project across water, utility and finance sectors.

Through this partnership, we support our customers who, for whatever reason, may be experiencing vulnerability by providing fair access to water as an essential service.

Ways we've supported our customers

No matter the situation, we have a range of payment support options to help our customers get their water and sewerage bills back on track.

We've supported our customers with:

- payment plans to spread the cost of their bill into installments
- more time to pay
- regular bill payments deducted from their Centrelink benefits
- access to concessions and government grants.

Table 4. **Community Service obligations**

Value of Community Service Obligation provided	2016–17 (\$)	2017–18 (\$)	2018–19 (\$)
Provision of concessions to pensioners	45,651,373	45,253,572	44,167,611
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	889,831	943,113	952,094
Utility Relief Grants Scheme payments	814,826	814,818	891,337
Water Concession Grant on life support machines (haemodialysis)	30,933	30,406	41,296
DHHS Hardship Relief Grant Scheme (Sewerage Connection Scheme)	0*	0*	0*
South East Water Hardship Relief	167,142	23,171	347,157

* In 2018–19, 2017–18 and 2016–17, our team in backlog sewer connections informed customers about the Hardship Relief Grant Scheme (Sewerage Connection Scheme); however no customers applied for and received a grant.

Our Customer and Community Advisory Council

We believe in challenging ideas – even our own. That’s why we’re working with opinion leaders and influencers on our Customer and Community Advisory Council.

The council is our ‘critical friend’ – challenging our ideas and offering valuable feedback to help us improve the way we respond to our customers.

We want our council to be as diverse as the people in our community, so everyone has a voice. That’s why it’s made up of community and business leaders, including members from local government, the Victorian Multicultural Commission, the manufacturing, plumbing and development industries, the financial counselling sector, and youth, environment and community representatives.

These valuable insights help us continue to improve the way we operate and make our customers’ experience with us even better.

The council met four times in 2018–19.

Report from the Council

This year was the first for our refreshed Council with seven new members welcomed at our September and December meetings.

The first meeting in September provided an opportunity for members to meet one another and for the Council to endorse its terms of reference. South East Water Managing Director, Terri Benson provided an overview of our strategy and key initiatives in the corporate plan. South East Water management also provided an update on their digital utility program including the trial of digital meters and Advanced BlokAid®.

For the December meeting, Council members were provided with a quarterly operations report summarising key initiatives and customer engagement for the quarter. This report was endorsed to be provided for all meetings. South East Water management also outlined the company’s stakeholder engagement framework and approach to developing a reconciliation action plan.

In March, South East Water management provided an update on water storages and recommendations made to the Minister for Water, the Hon Lisa Neville MP, for an increased desalination water order. Proposed reporting on customer outcomes from the pricing submission was shared and made simpler as a result of feedback from the Council.

Draft initiatives for South East Water’s *2019-24 Corporate Plan* were shared with the Council for their input. As a result, initiatives were made clearer and more tangible for the final corporate plan. Council members also workshopped with South East Water management to help define the concept of “liveability” and the role South East Water should play.

In June, South East Water management provided an update on a proposed water security and behaviour change campaign being developed with City West Water, Melbourne Water and Yarra Valley Water. Management also sought guidance from the Council on the role South East Water should play to assist business customers in hardship. As a result of discussions, South East Water is now developing a new business customer program for those in hardship.

The Council also endorsed South East Water’s administrative arrangements and plans to develop a community grants platform to donate money to community groups impacted during the year by beach closures caused by dry weather sewer spills. As a part of its pricing submission, South East Water had made a commitment to “update guaranteed service levels so that we donate up to \$10,000 to a community group affected by a spill, if we cause a dry weather spill in our area and it results in a beach closure”. This financial year, five beach closures were caused by dry weather spills and after assessing impact, South East Water will donate \$25,000 through its new community grants platform.

Members of the Council also joined members of the South East Water Board and Executive team on 4 April on a field trip to the Pakenham water treatment plant, the rising main and pump station installation works in Cardinia, and to the Aquarevo display centre and South East Water’s house on the estate.

South East Water Customer and Community Advisory Council Chair, David Heeps said, “While we’re still maturing as a Council and new members are still learning about how South East Water operates, we’ve had some great conversations and been able to provide frank feedback and input into South East Water initiatives while they are still in development. In particular, we’ve appreciated being able to feed directly into the *2019-24 Corporate Plan* and customer reporting on how South East Water is meeting its pricing submission requirements.”

Council members

David Heeps (independent Chair)

Customer and community segment: Government

David has over 40 years of experience in the water industry in a variety of roles, having worked in policy departments, operating agencies and an economic regulator. David most recently spent six years as CEO of the Essential Services Commission. He is a senior associate at Aither Consulting and is deputy chair at Goulburn Valley Water.

Dr Sundram Sivamalai

Customer and community segment: Culturally and linguistically diverse (CALD)

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

Jon Onley

Customer and community segment: Business customers

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

Max Shifman

Customer and community segment: Property development

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

Associate 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.

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 has helped give the city's most marginalised young people a voice and is also a member of the Dandenong Sustainability Reference Committee.

Kevin Shinnars

Customer and community segment: Plumbing

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

Rebecca McKenzie

Customer and community segment: Local council

Rebecca is CEO of Glen Eira City Council and a Zoos Victoria Board Member. Rebecca has extensive international leadership experience across local and State government, and in the higher education sector. Rebecca is passionate about creating high performing, customer centred organisations with a strong connection to place.

Gidja Walker

Customer and community segment: Environment

Gidja is a well-respected ecological consultant and natural systems teacher based on the Mornington Peninsula. She was previously President of the Southern Peninsula Indigenous Flora and Fauna Association and was involved in the Clean Ocean Foundation and has a keen interest in land and water environmental protection.

Catherine Caruana-McManus

Customer and community segment: Technology

Catherine is an Internet of Things (IoT) and Smart Cities expert with more than 25 years of experience in the IT, telecommunications and urban infrastructure sectors. She is the Co-Founder and Director of Meshed (IoT Integrators) and founder of Giant Ideas for Smart Cities.

Edward (Eddie) Matt

Customer and community segment: Agriculture

Eddie is a beef farmer in Rye, operating the Hillcock Downs farm-gate store. He's an active member of the local community and is Lieutenant in the Country Fire Authority. Eddie is also President of the Victorian Farmers Federation Peninsula Branch. Eddie is passionate about expanding recycled water on the Peninsula and an advocate for protecting agricultural land in the Green Wedge.

Jennifer (Jenny) McGowan

Customer and community segment: Vulnerable customers

Jenny is a financial counsellor based at the Cranbourne Information and Support Service and is also a co-convenor of the Southern Network for Financial Counsellors. Before she became a financial counsellor, Jenny served in the Navy, was a kindergarten teacher and a child protection worker. She is passionate about social inclusion and providing support for the most vulnerable in our community.

Terri Benson

Managing Director, South East Water. Terri's biography is on page 72.

Mikala Hehir

General Manager Customer and Community Engagement, South East Water. Mikala's biography is on page 75.

Peter Day

South East Water Board representative. Peter's biography is on pages 70–71.

Water consumption

Water consumption report

Table 5. Residential and non-residential customers

District	Residential customers				Non-residential customers			
	Number	Potable water (ML)	Recycled water (ML)	Recycled stormwater (ML)	Number	Potable water (ML)	Recycled water (ML)	Recycled stormwater (ML)
South East Water	717,091	106,084	577	0	60,927	34,334	6,496	0

Residential customers in the South East Water service area consumed an average of 163 litres of potable water per person per day. The bill based on average residential consumption of 150 kL was \$961.45 (and \$1,119.59 on 200kL consumption).

Table 6. 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	778,018	140,418	7,073	147,491	141,712	169,119

Table 7. Non-revenue water

District	Leakage (ML)	Firefighting (ML)	Other (ML)	Total non-revenue water (ML)
South East Water	14,340	688	6,600	21,628

Table 8. Corporate water consumption report

Location	Average full time equivalent employees and contractors	Office space (m2)	Water consumption (kL)	Average water use per employee (kL per employee)	Water consumption by office space (l/m2)
101 Wells Street, Frankston	616.7	11,510	2,185	3.5	190

Data in the table above 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 23 non-residential customers that use more than 100 ML per year for uses other than farming, irrigation or domestic purposes.

Alfred Health	Lesaffre Australia Pacific Pty Ltd
Australian Meat Properties Pty Ltd	Melbourne Sports & Aquatic Centre
Bega Cheese Limited	Nissan Casting Australia Pty Ltd
Bluescope Steel Limited	Pakenham Land Co Pty Ltd
Chobani Pty Ltd	Parmalat Australia Ltd
Coca-Cola Amatil (Aust) Pty Ltd	Saurin Investments Pty Ltd
Corval Ingham Pty Ltd	Simplot Australia
Crown Melbourne Ltd	Southern Health Care Network (Monash Medical Centre, Clayton)
Defence Corp Support Sth Vic	Southern Health Care Network (Dandenong and District Hospital)
Esso Aust Ltd	USG Boral Building Products Pty Ltd
Fountain Gate Trust	Victoria Amateur Turf Club
L D & D Milk Pty Ltd	

Table 9. Customer by volume range

Volumetric range – ML per year	Number of customers
Equal to or greater than 100 ML and less than 200 ML	15
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	0
Greater than 1,000 ML	0
Total number of customers	24

Participation in water conservation programs

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

The Water Management Action Plan (WaterMAP) program became voluntary in 2011. None of our business customers participated in the program in 2018–19, however we continue to support water efficient behaviours for businesses.

Trade waste

We work with trade waste customers to manage the quality and quantity of the waste they discharge. In 2018–19, 10,885 customers contributed a combined volume of more than 5.45 billion litres of trade waste.



Our community and environment

Our community and environment

Our customers want us to help protect our environment and support their local communities.

We've taken a future-focussed, community-led approach to make sure liveable communities and a healthy environment are at the heart of everything we do – from daily decision making to creating technology that supports water efficiency. We're proudly on a path to achieve net zero greenhouse emissions by 2030.

One of our greatest responsibilities is to ensure long-term water security while also protecting Port Phillip Bay and minimising our impact on the environment.

We're doing this in lots of ways – removing septic tanks and connecting properties to the sewerage system, creating water efficient communities and implementing our plan to reduce greenhouse gas emissions, to name just a few.

We're committed to working with local communities to make our service area and its surrounds more liveable.

Case study: Future-ready living at Aquarevo

The first residents have moved into their new homes at Aquarevo in Lyndhurst, on track to become Australia's most water and energy-efficient residential community.

They're among the first customers in Australia to have three types of water plumbed straight to their homes – drinking water for drinking and cooking, rainwater converted to hot water for bathing, and Class A recycled water for the garden, toilet or washing machine.

Each home is fitted with solar panels on the roof and a solar-powered heat pack system, making them even more energy efficient.

Residents can keep track of their real-time water, energy and gas usage information by logging into the mySouthEastWater customer portal to better understand their usage habits, help predict their bills and eliminate bill-shock.

We've also completed our flagship Aquarevo house. It showcases the water and sustainability features that make Aquarevo so special, so homebuyers can try before they buy and see the technology in action.

Protecting our environment

Using solar to reduce greenhouse gas

We made a promise in our *Emissions Reduction Pledge* to reduce our greenhouse gas emissions in a way that's financially responsible. We're doing this by putting in solar power at a number of water recycling plants and identifying new opportunities within our existing operations to be more efficient.

The construction of our solar panels at our Pakenham and Somers Water Recycling Plants was completed in 2018–19 ready for commissioning in July and August 2019. We also signed a joint power purchase agreement (PPA) for Kiamal Solar Farm in Northern Victoria that will help to minimise greenhouse gas emissions and maintain affordable water bills for our customers. We've committed to installing a co-generation unit at our Mount Martha Water Recycling Plant to make our work more efficient and decrease emissions. We're anticipating a significant reduction in our greenhouse gas emissions in 2019–20 because of the projects implemented this year, supporting our commitment to reduce emissions by 45 per cent from our baseline. We believe this early action can help mitigate the impacts of climate change and help us to deliver healthy water into the future.

Targeting sewage spills

To protect our environment, we're also working to minimise sewage spills. To do this, we've committed to improve our current levels of significant spills while rolling out a new sewer monitoring program to reduce them further. We've also set ourselves a target number of sewer spills avoided (1,857) in our *Corporate Plan 2019–20* so we can measure our progress. We believe this is a first for the Victorian water industry.

Integrated water management

We've committed to exploring ways to better harness the water cycle to reduce reliance on drinking water for purposes where it's not required. This will help us create water efficient and liveable communities that are more resilient to the impacts of climate change and a growing population.

Working with local government, community groups and other agencies

We work closely with local government, community groups and other government agencies to identify and plan for works that enhance the social, recreational and economic benefits of the parks, waterways and other recreational facilities in our area.

We know our customers and community value and enjoy using Port Phillip and Western Port bays for recreational purposes. We've committed to minimising the impact of our activities and if we need to close a beach (or another community space) due to a spill or burst, we'll work with community groups to improve their local beaches and waterways.

Frankston City Council partnership

We partnered with Frankston City Council to design a concession campaign targeting 2,100 older adults currently receiving in-home care services. The first mail out, from the Council introducing South East Water, started in April 2019.

To date, we've sent 795 letters and had a response rate of approximately 20 per cent. The average concession back-payment has been around \$800, and one eligible customer received a large credit balance, which assisted her ability to pay other bills.

We also entered into an MOU to work together to manage potential spills and protect the local beaches and creeks. We each committed to:

- coordinate clean-up responses to minimise community impacts
- working with key stakeholders to minimise impacts
- maintaining contact throughout spill and clean up activity, 24 hours a day if necessary.

We've installed our Advanced BlokAid® devices throughout Frankston to monitor for anything out of the ordinary that could cause a blockage or spill so we can get to work before it causes a problem.

Working with community groups

We worked with a number of community groups throughout the year to support the important work they do for the people and communities in our region.

Some of the activities we supported:

- **Donated water tanks to Kids Under Cover**
We donated 14 tanks and pumps to meet Bushfire Management Overlay restrictions in fire-prone areas and support their studio accommodation program for kids at risk of homelessness.
- **Restored Nepean School's sensory garden**
We helped to fund the specialist school in Seaford restore and rejuvenate the water sensory garden. The garden was originally installed in the 1970s and was in a state of disrepair.
- **Repaired toilet at Wallara heritage homestead**
We repaired the cottage toilet at Sages Cottage a heritage-listed homestead in Baxter. Wallara employs young people of all abilities to work in the homestead's café and gardens, providing employment, training and development opportunities.
- **Supported Frankston North Community Centre's wall of kindness**
Our employees donated warm winter coats to the Frankston North Community Centre's wall of kindness for people in need.
- **Sponsored Walk against Family Violence**
We co-sponsored the Safe Steps Walk Against Family Violence. Members of our executive and senior leadership team also participated in the walk on the day.
- **Patron sponsor of Cultural Diversity Week**
We were a patron sponsor of Victorian Multicultural Commission's Cultural Diversity Week and sponsored a table at the Premier's Gala Dinner at Melbourne Convention and Exhibition Centre.
- **Supported Harmony Day community events**
We were out in our community on Harmony Day and supported and attended the Dandenong West Primary School Harmony Day festival, and the Cardinia Shire Harmony Day.
- **Sponsored tickets to Women on Farms Gathering 2019**
We sponsored a table of 10 for women who had been affected by the Bunyip State Park bushfires and otherwise wouldn't have been able to attend the event.

- **Sponsored Bundjil Nest Project excursion**
We sponsored two primary schools, a preschool and an early learning centre to visit the Bundjil Nest Project, a collaborative teaching and learning project about First People's culture in Balnarring to help children learn about caring for our land and waterways.
- **Sponsored Port Phillip EcoCentre Sustainable Schools Festival**
We sponsored the Teacher of the Year Award and provided show bags for the teachers filled with garden supplies and water efficiency tools (like shower timers and trigger hose nozzles).
- **Supported Women's Health in the South East (WHISE) 16 Days of Activism**
We designed posters, brochures and a social media toolkit free of charge in support of WHISE's 16 Days of Activism.
- **Joy of the Earth Frankston community garden maintenance**
We visited the community group after we learned they were having difficulties with blocked pipes. We'd previously donated two rainwater tanks to the garden, so we visited the group to help fix the problem and donated new equipment to help keep their garden green.

Choose Tap program expansion

We made fantastic progress implementing Choose Tap in our region. Choose Tap is an initiative run by a coalition of water organisations and councils across Australia. Together, the coalition are working to increase community access to free, fresh drinking water when people are out and about.

Throughout the year we:

- gifted three water fountains to Glen Eira City Council (located at Duncan Mackinnon Reserve, Murrumbeena and East Caulfield Reserve)
- partnered with local organisations within our service region to install 20 new water fountains between June and December 2019.

We'll also be installing fountains in the municipalities of Glen Eira, Knox and Bayside, and at three Alfred Health sites in early 2019–20.

Environmental sustainability

We promote an integrated and sustainable approach to using water, including better use of alternative supplies – like rainwater, stormwater, recycled water and desalinated water.

Throughout 2018–19 numerous projects and strategies supported and promoted **sustainable water use** and **sustainable and resilient water services systems**.

Recycled water

Our eight water recycling plants each produce Class A or Class C recycled water.

In 2018–19, construction continued on the upgrade to our Lang Lang Water Recycling Plant so it can produce Class A recycled water, as well as Class C.

We awarded the contract to upgrade the Boneo Water Recycling Plant to John Holland SUEZ Beca joint venture. The upgrade will enable the plant to produce fit-for-purpose recycled water using an energy efficient process.

The volume of recycled water used in 2018–19 was 6.9 billion litres. This is higher than the annual target due to a hot and very dry summer and autumn, and the continued expansion of our recycled water network (for example, our Cranbourne Recycled Water tank is now operational).

As of 30 June, approximately 37,000 homes in our region receive recycled water. This is in addition to the open spaces and sporting ovals irrigated with recycled water by local councils, and the vineyards, golf courses, market gardens, nurseries and turf growers who rely on recycled water to support their businesses.

Case study: Boneo Water Recycling Plant upgrade – big benefit to the peninsula

With the completion of the Peninsula ECO project, more than 16,000 properties between Rye and Portsea will be able to make the switch from septic to sewer. We know this will increase demand on the Boneo Water Recycling Plant, so we're planning for the future and undertaking our largest ever upgrade project.

We've appointed the John Holland SUEZ Beca (JHSB) joint venture to manage the design and build, then operate the plant for the next 10 years. They'll be delivering a range of innovative treatment technologies that will significantly reduce the electricity required to treat the wastewater – taking us one step closer to achieving our emissions reductions target of 45 per cent by 2025.

As part of the Stage 4 upgrade of the plant, we carried out major works diverting the Peninsula ECO and Sixth Avenue sewer rising mains at the Boneo plant in May. Thanks to careful planning, coordinating and engaging with the community and despite inclement weather, logistics challenges, tight timelines, and presence of hazardous asbestos cement, we completed the works safely and successfully without inconveniencing our customers.

Water efficiency and awareness

Campaigns and partnerships

We help our customers understand why it's important to be water wise around the home and at work. We do this through targeted messages and videos displayed across our website, water bills and social media as part of the following campaign partnerships:

- Target 155
- Smart Approved WaterMark.

We're also partnering with Melbourne Water and the metropolitan water retailers to develop the largest water efficiency behaviour change program since the Millennium Drought. This will be implemented in 2019–20, helping a new generation of Melburnians to manage their water use

This past financial year, we also attended 79 community events (attended by over 1.4 million people) with our mobile hydration stations.

Education

We continued to support the Victorian Government's Schools Water Efficiency Program (SWEP), which helps schools to identify leaks through data logger technology and regular water usage readings.

During 2018–19, we sponsored 10 SWEP customer school memberships, which helped grow the number of schools in our region participating to 306 (equating to almost half of the schools in our catchment area).

Collectively since 2012, participating SWEP schools have saved 1.3 billion litres of water worth an estimated \$5.22 million.

Our education website received an average of 12,000 views a month. The website offers parents and students lots of helpful resources about water and water efficiency, as well as the opportunity to subscribe to our regular education newsletter. The newsletter had 754 subscribers as of 30 June 2019.

We teamed up with Yarra Valley Water and City West Water during the April school holidays to sponsor a Melbourne Museum school holiday activity, to teach children about water efficiency in a fun and interactive way. We also supported the National Water Week poster competition in October, promoting and collecting entries from primary schools in our region. We were proud to co-present the state prize for the grade three/four category to the winning school, St Joseph's Primary School in Chelsea, alongside VicWater CEO, Tony Wright.

Integrated water solutions

We're continuing to implement solutions that we believe will help transform traditional water supply to homes and meet our responsibility to manage water resources on behalf of our customers and community.

An integrated water solution is one that captures rainwater, reduces flooding, treats sewage, recycles Class A water to replace non-drinking water for uses that don't require it (like flushing the toilet) and reduces the demand on drinking water.

In partnership with Water for Victoria, and as part of our Urban Water Strategy, we've committed to collaborating with stakeholders through the new Integrated Water Management Forums.

Over the past year, we've led four co-funded forum projects across our three catchments: Westernport, Dandenong and Yarra.

We've collaborated with DELWP, councils, other water businesses, the Victorian Planning Authority and catchment management authorities to identify new integrated water management opportunities for our region. Through the forums, we've developed a vision – in the form of strategic direction statements – and priority projects for the three catchments.

We're involved in research projects with the Cooperative Research Centre for Water Sensitive Cities and with Water Services Association of Australia (WSAA) to ensure Melbourne's future growth and development is supported by integrated water solutions. This includes how to make sure water sensitive aspects are included in development within existing urban areas.

Fishermans Bend and Aquarevo

Fishermans Bend, Australia's largest urban renewal project, is an exciting opportunity to deliver a water sensitive city using integrated water solutions that maximises locally available water, minimises water and sewage loads, reduces flooding and transforms urban amenity.

We've continued to collaborate with key stakeholders and authorities to plan and design integrated water solutions for this area and we've made significant progress. In particular, the Fishermans Bend Framework was released, which includes many elements of integrated water management. We've also developed a joint strategy with Melbourne Water, Fishermans Bend Taskforce, City of Melbourne and City of Port Phillip to manage future flooding and ensure Fishermans Bend will be a great place to live.

We've also seen great progress at Aquarevo, our flagship water and energy efficient development with Villawood Properties. The first customers have now moved in and will benefit from features like rain-to-hot water, solar panels, smart pressure sewers, and soon an onsite water recycling plant that closes the Aquarevo loop.

See case study 'Future-ready living at Aquarevo' on page 34.'

Monash National Employment and Innovation Cluster (Monash Cluster)

The Monash Cluster is one of seven major centres of health, education and employment identified in *Plan Melbourne 2050*. Through a collaborative IWM study, we've identified synergies in water cycle planning to manage the existing and future water demands within this area.

Casey–Cardinia regional servicing

We continued to develop a regional integrated water management scheme in the growth corridor. We engaged with stakeholders on key issues including managing the ecological impacts in the sensitive Westernport catchment and integrating long-term treated water demand with emerging land use and employment opportunities.

There's potential to provide a further four to five billion litres a year of recycled water to agribusiness in the region, predominantly for vegetables and arboriculture applications; a business case is being developed to support a funding application for this scheme. The demand for recycled water is seasonal, and peaks in summer. For the remainder of the year, the high quality treated water is sent back into Western Port Bay.

We've assessed the impact of the sewerage system on the Westernport catchment and worked to establish a baseline to use as a reference point in the future – so we can be sure that the future scheme is truly improving environmental outcomes. There are a variety of alternative approaches that can offset the potential for residual water quality impacts from the water sent back from the treatment plant into Westernport. An important consideration is resilience in the face of rising sea levels due to climate change.

Drought response and alternative water sources

Permanent Water Use Rules were in place for Melbourne at 30 June 2019. We published our Drought Preparedness Plan in 2016–17, incorporating our Uniform Drought Response, although we didn't invoke the plan in 2018–19.

In accordance with the plan, we joined other metropolitan water organisations and Melbourne Water to jointly publish the Annual Water Outlook in December 2018. This outlined a number of individual and joint industry short and medium-term actions to improve future drought response.

During the year, 15 billion litres of desalinated water was delivered to support Melbourne's water supplies.

In March 2019, the Victorian Government ordered 125 billion litres of desalinated water to secure our future water supply for 2019-20.

Environmental flow

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

Trade waste management

To prevent harmful waste entering our sewer, we work with business customers to help them manage their trade waste and meet acceptance criteria, through pricing incentives and a technical appraisal process.

A review of pricing incentives identified that our approach is similar to others throughout Australia. It also identified opportunities to tailor a better response to address emerging issues including reduced landfill availability and commercial activity centre's high food waste volumes.

Adaptation to climate change

Climate change impacts the security of our water supply and our ability to supply the water and wastewater services our customers rely on.

That's why addressing the impacts of changing weather patterns and events are embedded into the way we design and operate our assets, and the way we deliver our services. We're committed to future-proofing our network and services to the potential shocks and stresses associated with a changing climate.

Our Climate Change Adaptation Plan aims to improve our resilience by assessing the greatest climate threats applicable to us and identifying appropriate measures we can undertake to address them.

We've completed a number of these adaptation measures this year. We've also strengthened some of our key partnerships to ensure our activities match up with the broader industry and integrated climate change into our decision making processes.

For example, we updated our businesses continuity plans, water and sewer asset management plans and have informed the Government's first Pilot Water Sector Climate Change Adaption Action Plan, launched in October 2018. This pilot addresses climate change adaptation in water, sewerage, drainage and floodplain management across Victoria. It identifies a range of important projects, and we're active participants in a number of these.

Key strategies and policies

Urban Water Strategy

Our Urban Water Strategy provides a guide to help us adapt to a warmer, drier climate in accordance with Guidelines for Assessing the Impact of Climate Change on Water Supplies in Victoria.

Our actions aim to enhance water availability and create more liveable communities. These are:

- managing our water resources adaptively to suit changing circumstances
- creating water efficient communities through campaigns and education
- delivering effective wastewater systems, including ensuring supply of recycled water where suitable
- delivering integrated water management solutions that bring together all facets of the water cycle, such as our Fishermans Bend and Aquarevo place-based solutions
- enhancing our climate change resilience through mitigation and adaptation
- empowering and engaging communities through ongoing communication and education.

Our Drought Preparedness Plan is delivering and supporting these strategies.

Regional Catchment Strategy

We're a founding stakeholder of the Port Phillip and Westernport Catchment Management Authority Living Links catchment program.

This is a large-scale collaborative environmental and social program to create a web of green spaces in Melbourne's south east, underpinning the Regional Catchment Strategy that we contribute to.

During 2018–19, Living Links:

- continued to deliver the 'Transforming the Dandenong Creek corridor into a world-class urban Living Link' project with Victorian government funding
- managed or established 7,808 hectares of native vegetation, including planting 200,000+ native plants to improve habitat and strengthen corridors and enhancing riparian vegetation along 156+ kilometres of waterways
- established or improved 13 kilometres of recreational trails

- involved 22,000+ hours from volunteers in time spent caring for the environment.

Victorian Biodiversity Strategy

We contribute to Biodiversity 2037 through the delivery of our holistic Biodiversity Master Plan, where we've identified biodiversity values across our key sites.

During 2018–19, we:

- completed our ongoing annual pest and noxious weed control program
- continued to improve the habitat for the Southern Brown Bandicoot at our Koo Wee Rup and Blind Bight Water Recycling Plants
- partnered with Melbourne Water to enhance riparian vegetation along Deep Creek, Pakenham and Balcombe Creek, Mount Martha, and to help rehabilitate the Tootgarook Wetlands
- collaborated with and endorsed the *Living Melbourne: our metropolitan urban forest* strategy which was launched on 5 June 2019 – World Environment Day. Its vision is for a more liveable Melbourne, where thriving communities are resilient and connected through nature.

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 if there's an incident that may impact a waterway.

Together we engage on specific environmental improvement programs, and are collaborating with Monash University and other water organisations to improve environmental monitoring. These programs will help us understand how our sewerage network interacts with diffuse pollution, for example stormwater in key catchments like Elster Creek. We also have a number of memorandums of understanding (MOU) with relevant councils to support timely and effective information sharing.

We're investing to make sure our sewer system has the capacity to handle population growth. This includes the upkeep of existing pipes to reduce spills, an ongoing backlog program (to switch properties from septic tanks and onto mains sewer) and a pilot program to improve septic tank management.

We've established an MOU with Mornington Peninsula Shire Council and fund a waste water officer to assist council to meet its obligations to inspect and support the community to maintain septic tanks.

The Mornington Peninsula has a significant number of septic tank systems, and failing systems are a contributor to waterway pollution. We regularly monitor waterway health in key creeks and rivers and share this information with councils to improve the health of local waterways.

See *'Working with local community groups and other agencies'* for information about our MOU with Frankston City Council on page 35.

Getting ready for the *Environment Protection (Amendment) Act 2018*

We participated in the EPA's formal stakeholder working groups on the *Environment Protection Act* reforms. We also gave feedback to support the subordinate instrument implementation program and preparation of DELWP's Regulatory Impact Statement. We've outlined SEPP related programs and projects in other sections throughout this report.

Victorian Water Efficiency Strategy

Along with DELWP and the other Victorian water organisations, we've delivered on the state-wide Victorian Water Efficiency Strategy, launched in 2017–18. It guides our water efficiency actions. We also continue to work through Smart Approved WaterMark to promote consistent messaging, and enhance collaboration across the industry.

Research

Our strategic research program allows us to collaborate on research where there's common interest. We're collaborating with four of Australia's best universities and three Cooperative Research Centres to research new solutions under our Strategic Research Program.

As of June 2019 we have 25 projects underway.

Here's a summary of some of the research projects we've undertaken during the past 12 months.

Collaboration with Monash University on rain to hot water testing

We worked with experts at Monash University to test our innovative rain-to-hot-water system, which will be installed in every house at Aquarevo.

Because the system uses rainwater, we needed to quantify and measure its performance and ability to remove pathogens and micro-organisms – and understand any risks or limitations.

We did this through microbial testing. This meant intentionally introducing a high number of microbes to the system, then testing the level of microbes after the water has been through the rain-to-hot-water system. We completed the testing on three different units, under challenging flow conditions.

The results clearly demonstrated that the system can supply fit-for-purpose hot water even under challenging flow conditions, that's safe for our customers.

Biochar project with RMIT

We've done a lot of work to understand how we can better use biosolids – a natural organic by-product of the water recycling process. We're currently leading a three-year, \$400K 'Biochar' research project on behalf of the Victorian water sector with RMIT.

It involves charring biosolids to produce a high-value end-product (one step off activated charcoal) – and in the process transforming large piles of biosolids waste into a small, valuable product. As part of this, we're developing portable equipment to take around Victoria.

We're expecting the following advantages:

- 40–60 per cent reduction in biosolids volume (i.e. reduction in management cost)
- 100 per cent destruction of pathogens and micro-plastics
- production of high quality fertiliser that also helps reduce resource depletion and environmental damage through slow-release phosphorous.
- immobilising heavy metals (and potentially chemicals) in biochar
- portable equipment that allows great operational flexibility

See case study 'Biosolids – a boon for agriculture' on page 58.

IVK™ development – portable network intelligence

To keep our network running smoothly, we need to open and close water valves for repairs, maintenance or new connections. Once work is completed, the valves need to be returned to their correct position, as unintentionally closed valves can collect sediment and affect water pressure and delivery.

We've developed IVK™, an automated system to monitor valve status across our network smartly and efficiently to ensure water quality for our customers.

IVK™ identifies the exact location of the valves and records the number and speed of valve turns, so our operators have a clear view of our network and can address any issues before they can cause a problem.

Effective engagement of Aboriginal communities

We conducted more than 20 engagements with Traditional Owners during the year as part of our RAP development and ongoing engagement.

This included engagements with Bunurong Land Council Aboriginal Corporation (BLCAC), Wurundjeri Tribe Council and the Boon Wurrung Foundation.

Pilot programs

We ran a number of pilot programs to trial new ways to achieve shared benefits.

For example, we trialled an annual consultation arrangement with the BLCAC's Water Sector and Projects Facilitator, so we can ask for input throughout the year on the following topics:

- water strategy engagement, review and advice
- natural resource management assistance and advice
- traditional ecological knowledge education and advice
- integrated water management projects and strategy development/advice
- assistance with conference presentations.

This allowed us to work more closely with BLCAC and avoided the need to complete formal booking forms and pay one off consultation fees throughout the year.

Events and activities

We participated in a number of events/activities with Willum Warrain, the First Nations Gathering Place located in Hastings, including:

- a collaborative planting day within their wetland area
- participation at their Christmas event, including running a stall
- ongoing engagements to determine how to work together for the next few years.

We created stronger ties with Nairm Marr Djambana, Frankston Aboriginal Gathering Place particularly helping them with the planning for their Strategic Plan (2018–22) and providing letters of support for the Community Infrastructure Grants offered by DELWP.

We've also offered to support the development and rehabilitation of the wetland area adjacent to the Gathering Place.

Sponsorships

We're proud to have supported First Nations community groups to attend a number of significant cultural events throughout the year. These included:

- a table of 10 BLCAC representatives at the Victorian NAIDOC Gala Ball
- a table of 10 at the Long Lunch during National Reconciliation Week
- a table of 10 at the Frankston Mornington Peninsula NAIDOC Ball.

Cross-cultural training and development

Our employees participated in a number of cross-cultural training and development activities throughout the year to foster understanding and respect for First Nations People and traditions.

Employees who engage with First Nations Peoples participated in First Nation cultural knowledge exchange training in October 2018. Employees from Melbourne Water, City West Water and Yarra Valley Water also attended this session.

Also in October, our Board held their monthly meeting at Abbotsford Convent. Clancy Dobbyn from the Wurundjeri Land and Compensation Cultural Heritage Council Aboriginal Corporation presented the Wurundjeri Water Policy and Wurundjeri Elder, Uncle David Wandin led the Board on the Dights Falls Walk.

Employees on our RAP working group attended a field trip hosted by Adam Magennis and Jennelle Bain from Kapify (who are producing our RAP artwork) to learn about the cultural significance and rich Aboriginal history of the land in our region.

We hosted two special Welcome to Country and Smoking Ceremony events this year to celebrate NAIDOC Week and National Reconciliation Week. Employees heard from local Aboriginal Elders, who shared their rich history and tradition of story-telling with us.

See case study 'Supporting Aboriginal communities – our Reconciliation Action Plan (RAP)' on page 1.

lota

lota plays an integral role in achieving our vision *to create a better world for our customers with forward thinking water solutions, for all and always, that won't cost the earth* – by taking new innovations developed at South East Water and commercialising them for use beyond our borders.

This not only helps to share what we know works with others in the region and across the world, but delivers economic and social benefit for South East Water, our customers, and Victoria.

The OneBox® smart pressure sewerage system is a great example of a South East Water invention commercialised by lota.

As well as being used in Australia (including in our Peninsula ECO project to deliver a sewerage solution to customers under budget and ahead of time), OneBox® technology has been adopted by organisations worldwide from New Zealand to Ireland as part of our commitment to working with others in our industry to find shared solutions to shared problems.

For more information visit lota.net.au

For information about lota see page 69.

Case study: A smart pressure sewer network for the Yarra Ranges

When Yarra Valley Water identified that septic systems presented a risk to ground and surface water quality in the picturesque and environmentally significant Yarra Valley, they knew they needed to update the sewerage system in the region. They wanted to minimise the environmental disruption of installing a traditional pressure sewer so they engaged lota to design a smart sewer system using its patented OneBox® platform.

Developed and proven within our network, OneBox® is an IoT platform that monitors the storage tank at the home and pushes the wastewater into the sewer network. lota worked closely with Yarra Valley Water to design a smart hydraulic sewer network based on our learnings from installing a similar network in the Mornington Peninsula.

The design is currently being tested in a pilot program across the townships of Kallista, Monbulk, Sherbrook, Olinda and the surrounding area and has the potential to be expanded to thousands of properties – both residential and commercial – in the Yarra Ranges.



lota's OneBox® is helping homes and businesses in the Yarra Ranges make the switch from septic to sewer, protecting this important region from groundwater contamination.

Case study: Protecting the Dandenong Creek industrial zone

We're always looking for better ways to protect our network, customers and environment. Our industry-leading Advanced BlokAid® technology helps identify anything out of the ordinary that could cause a sewer spill or blockage, so we can get to work before it causes a headache.

In 2019, Iota will partner with Melbourne Water to trial seven Advanced BlokAid® devices in the Dandenong Creek industrial zone. They'll remotely monitor the stormwater drains and report water flow patterns, which will help identify potential contaminants in the water flowing into Dandenong Creek.

It's just one of the ways we're working with our fellow metropolitan water partners to find solutions to share challenges and protect Melbourne's waterways.

Case study: Safe sanitation for rural communities

Iota is supporting Monash University's Revitalising Informal Settlements and their Environments (RISE) program to help improve water quality and sanitation in developing countries. The program is focussing on nature-based water and wastewater solutions in 24 informal, rural settlements based in Fiji and Indonesia.

RISE aims to improve community health and, in particular, to improve health outcomes for children aged five and under. It's doing this by delivering safe wastewater and sewerage systems that prevent wastewater making its way into local drinking water supplies.

In 2019, Iota's Technical Director, Eamon Casey visited developments in Indonesia and Fiji to train local community members (including local utilities) to install and maintain Iota's pressure sewer and OneBox® technology.

This fantastic initiative is just one of the ways Iota is helping to promote healthy water and healthy communities by sharing their knowledge and technology.



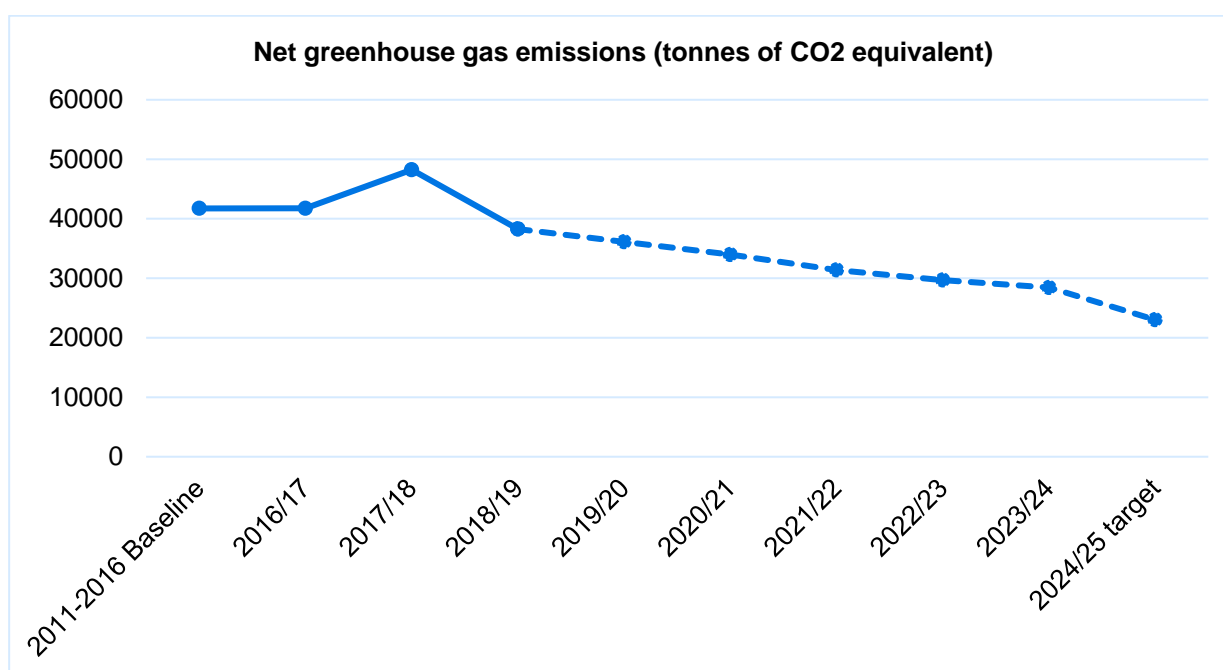
Iota's Technical Director, Eamon Casey in Suva, Fiji. He's demonstrating how to use Iota's OneBox® devices to control wastewater flows.

Other statutory obligations

Greenhouse gas emissions and energy consumption

Table 10. **Greenhouse gas**

Performance indicator	Tonnes CO ² -e			Variance	Commentary
	Baseline	2018 - 19 target	2018 - 19 result		
Water treatment and supply	5,607	N/A	5,784	3%	
Sewage collection, treatment and recycling	32,259	N/A	31,818	-1%	~25% reduction in emissions compared to the 2018-19 financial year due to sludge management
Transport	1,448	N/A	1,541	6%	
Other	2,430	N/A	-879	-136%	~27% reduction in electricity with new office at Frankston compared to Heatherton and Lynbrook combined in 2014–15 2,308 LGCs were surrendered to meet the target
Total emissions	41,744		38,265	-8%	
Offsets (self-generated)	N/A	N/A	0	N/A	
Total	41,744	38,266	38,265	-8%	-8% variance to 2018-19 target



Dashed line represents future targets, not future forecasting.

Explanatory notes

In comparison to 2017-18, emissions associated with the treatment and management of sewage and sludge resulted in decreases in Scope One emissions at two water recycling plants. Somers Water Recycling Plant had a decrease in emissions due to loading of drying pans from the sludge lagoon compared to the last financial year. Boneo Water Recycling Plant also had a decrease in emissions due to emptying the entire effluent holding basin for monitoring and repairs. Our Scope Two emissions were consistent with previous years.

Scope One fluctuations occur year-to-year due to the nature of sludge management practices including holding times, holding capacity and weather conditions.

This year we voluntarily surrendered large-scale generation certificates (LGCs) to help reach the target. The LGCs were created from our mini hydro renewable electricity generator. A total of 2,308 LGCs were voluntarily surrendered so that they could be counted towards the Pledge target.

Table 11. Energy consumption

Performance indicator	(a) Total energy use (MWh)	Renewable energy use (MWh)							(h) Renewable energy use (%) $((h)/(a))*100$	Renewable energy generated for Export (MWh)	Renewable energy use target (%)	Commentary
		(b) solar panels	(c) hydro	(d) wind power	(e) biogas	(f) green power	(g) other	(h) total				
Water treatment and supply	5,429.55	40.1	0	0	0	0	0	40.1	0.7%	5.903	N/A	<ul style="list-style-type: none"> • Garfield WPS • Fogarty WPS • Mini hydro
Sewage treatment and management	23,060.89	0	0	0	0	0	0	0.0	0%		N/A	
Other (headquarters, workshops, depots, etc.)	1,535.83	131.7	0	0	0	0	0	131.7	9%		N/A	99kW solar at WatersEdge
Total	30,026.27	171.8	0	0	0	0	0	171.8	1%	5.903	N/A	



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.



Our crews at work in Frankston in May 2019. They're reinstating a damaged road that was affected by a burst pipe following heavy rains.

Case study: Our biggest industrial pressure sewer installation ever

We installed and commissioned our biggest industrial pressure sewer to date in May 2019. The Dandenong South site included a truck wash, workshop, and large office facilities.

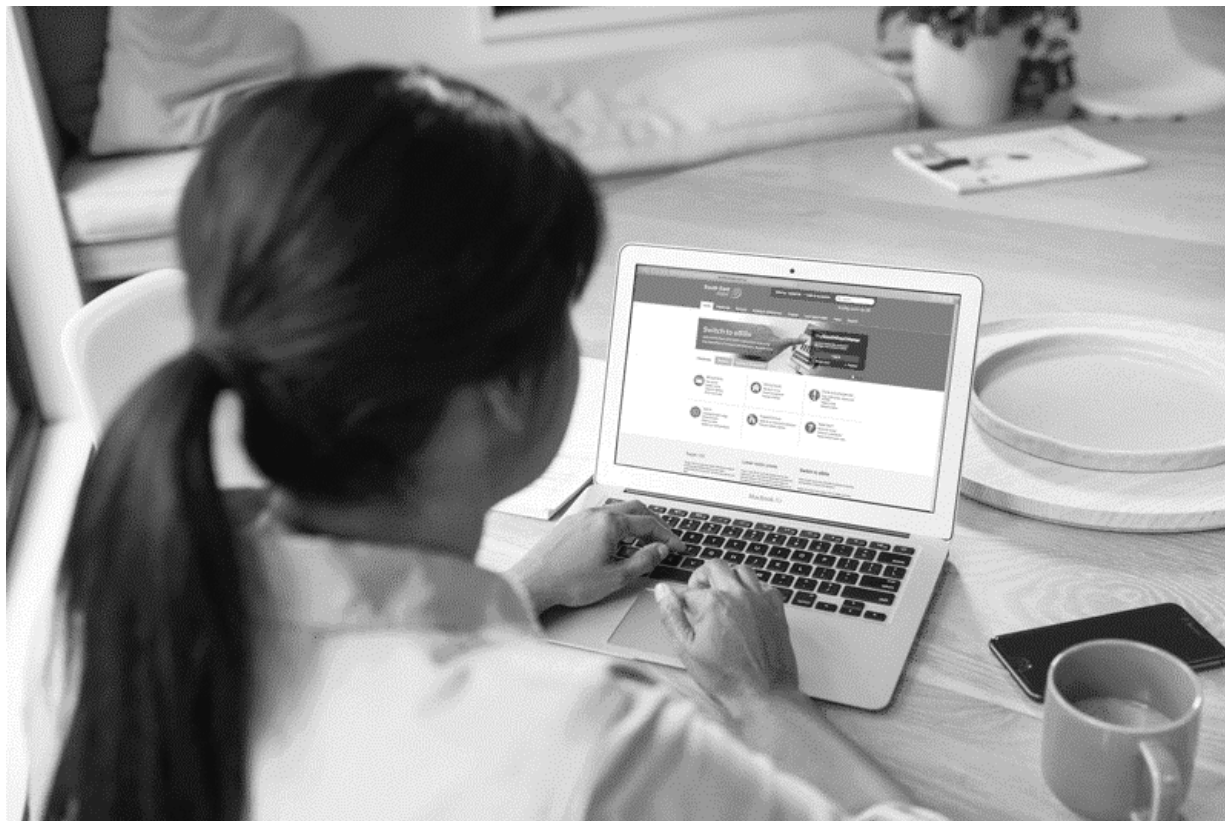
The system we designed was made up of a primary 15 kilolitre tank, complete with a three phase duplex pump package and an additional 10 kilolitres of emergency storage capacity – with a total effective capacity of 25 kilolitres.

Our pressure sewer team delivered the project in a safe and cost-effective way despite timeline and logistical challenges. The end result was a safe and reliable system to dispose of wastewater.

Key initiatives	Our progress in 2018–19
<p>Minimise repeat, unplanned service interruptions and their related impacts on our customers and community through a targeted upgrade of approximately 35 kilometres of water mains throughout our service area. This not only supports customers immediately connected to these mains, but helps to keep our infrastructure up-to-date so we can more reliably deliver our services to everyone.</p>	<ul style="list-style-type: none"> • Exceeded our target and replaced 35.8 kilometres of water mains in 2018–19.
<p>Prepare for population growth in Clyde and Officer, two of the fastest growing suburbs in our service area, by designing and constructing water and sewerage infrastructure that allows new customers to connect to our services.</p>	<ul style="list-style-type: none"> • On track to deliver the Ballarto Road Sewerage Scheme, Cranbourne West Recycled Water Tank, and Clyde Trunk Water Main within target timelines.
<p>Prepare for new customers to connect to our sewerage services on the southern Mornington Peninsula, by continuing a major upgrade of the Boneo Water Recycling Plant (now near capacity). This will support both population growth in the area and cater for customers switching from septic tanks thanks to Peninsula ECO – helping to protect the peninsula’s precious environment and Port Phillip Bay.</p> <p>We’ll make minor updates at other water recycling plants too, with initiatives that help to reduce wear on our assets over time – and therefore our future expenditure.</p>	<ul style="list-style-type: none"> • Received EPA works approval for the Stage 4 upgrade of our Boneo Water Recycling Plant in October 2018, followed by planning permit approval by Mornington Peninsula Shire Council in January 2019. • Awarded the contract for the Stage 4 upgrade of our Boneo Water Recycling Plant to the John Holland SUEZ Beca (JHSB) joint venture in September 2018. JHSB took operational and maintenance responsibility in February 2019. • Started construction in April 2019 including diversion of the incoming sewage rising mains and bulk earthworks.

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 mySouthEastWater customer portal is an important channel for our customers, where they can manage their account, pay their bill, or talk to our team using the in-built chat function. It's just one of the ways we're making our customers' experience better.

Case study: Improved customer experience

We currently have more than 290,000 customers registered for our mySouthEastWater customer portal. Registration is growing by an average 3,800 new registrations each month – so our customers can see their account at any time of the day or night.

We upgraded the customer portal in 2018–19 to deliver a simpler and more intuitive customer experience on any device. The new and improved interface has reduced the amount of time our customers spend on the portal by an average 50 seconds per visit. The mobile-friendly design has increased mobile traffic to 40 per cent of total visits, with customers visiting an average 160,000 pages in the portal each month. As a result, online customer satisfaction is now up to 10 per cent higher than before the upgrade.

We're continuing to offer a range of choices when it comes to how and when customers interact with us, from live chat and social media to simply speaking directly with one of our locally based support employees.

Key initiatives	Our progress in 2018–19
Continue to centralise records of our interactions with customers so we can better resolve issues first time, every time, to help improve their experience with us.	<ul style="list-style-type: none"> • Upgraded our customer relationship management system (CRM) so our capital works team and contractors can use the platform for projects. • Rolled out new functionality in our CRM to allow our Peninsula ECO team to manage pressure sewer connections within the CRM, and integrate these customers within our main system.
Enhance our complaints management process to provide consistency in how we manage complaints from our customers, to provide a seamless experience.	<ul style="list-style-type: none"> • Delivered our new complaints management framework. • Developed new customer satisfaction and complaints KPIs and included these in our <i>Corporate Plan 2019–24</i>.
Help our customers to better understand what we do and how we can help when they need us, through a range of targeted initiatives.	<ul style="list-style-type: none"> • Introduced a 12-month customer communication campaign plan to deliver consistent messaging across all channels. • Rolled out targeted customer campaigns including: <ul style="list-style-type: none"> ○ Lower prices and simplified charges (2018–23 pricing commitment) ○ Updates to mySouthEastWater ○ Why be water wise? (water efficiency campaign) ○ More than just water (value for money campaign) • Increased customer trust measure from 56 to 64 per cent in our Brandtracker surveys.
Better manage relationships with our customers by enhancing our Customer Engagement Framework and developing plans that better address their individual and diverse needs (C2).	<ul style="list-style-type: none"> • Refreshed mySouthEastWater customer portal (including an improved login experience) followed by the release of our Community Board for Aquarevo. • Refreshed our visual brand and tone of voice based on how our customers told us they want to hear from us. • Improved website and search engine optimisation including content on high-profile pages. • Decommissioned the <i>Solutions on Tap</i> website to simplify and consolidate South East Water Assist information into our website.

Outcome 3: Warn me, inform me

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



Our customers want to know about anything we're doing that might affect their day (or night). So we're working on new ways to keep customers in the loop, like near real-time notifications and expanding our use of social media.

Case study: Digital metering trial – near real-time information for prompt action

Our trial of digital meters in Melbourne's south east is in full swing. We've installed 630 meters including 44 at employee properties. Based on this, we've notified 41 customers about potential leaks in their home, booked 19 plumbing audits and fixed 36 leaks – with 1,200 litres per hour being the largest leak detected. By mid-2019, we're planning to install up to 2,000 digital meters and eventually a total of 10,000 meters.

Digital meters are taking us one step closer to becoming a digital utility. They help to better connect our network and assets, leading to greater efficiency and reduced unplanned water interruptions. The meters take readings every 30 minutes and send us a usage report every day, so we can keep customers informed about their usage and provide alerts so leaks can be fixed quickly – saving water and money.

It all helps to inform the Melbourne-wide Digital Metering Joint Program with City West Water and Yarra Valley Water.

Key initiatives	Our progress in 2018–19
<p>Work with our customers to identify ways we can improve how we warn and inform them about interruptions to their services, and increase the number of customers we can communicate with digitally about both planned and emergency interruptions.</p>	<ul style="list-style-type: none"> • Reviewed and expanded the types of incidents displayed on our customer notification dashboard. • Expanded our use of paid social media to let customers know about water outages in their area. • Started sending notifications to customers affected by overnight water outages. • Updated our planned works dashboard so we can let customers know about any date changes. • Updated the live map on southeastwater.com.au so it only displays relevant water interruptions. • Completed data analysis of customers who weren't notified about water outages that impacted them. • Ran a campaign to encourage customers to update their digital details.
<p>Review and analyse customer feedback gathered throughout 2017–18, to better understand the level of impact to our customers when their water service is interrupted unexpectedly. These insights will help us to build tailored solutions to keep our customers informed during such incidents moving forward.</p>	<ul style="list-style-type: none"> • Prioritised a project for 2019-20 for an early-warning system to let customers know about unplanned water interruptions, based on responses to our customer survey

Case study: Keeping our customers in the loop

Digital notifications including email, text messages, our South East Water LIVE tool and social media posts are doing a great job informing our customers about disruptions in their area.

Previously, we only sent digital notifications for emergency works, so in 2018-19 we expanded our notifications to include emails and text messages about planned works too. While we already used social media to notify customers about emergency works (83 tweets on Twitter and 52 Facebook posts last year), we started using paid targeted social media posts about some planned works and sewer spills.

During summer 2018-19, we used paid social media ads to cost-effectively reach a combined total of 33,000 people to inform them about two sewer spills in Black Rock and Brighton. Another paid Facebook ad advised residents in the The Basin, Boronia and Kilsyth South that the major renewal works on Mountain Highway may impact their commute. The ad reached more than 5,400 people and had 14,500 impressions and 330 engagements.

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.



Our customers want us to deliver fair and simple pricing, so they don't need to worry about their bills. That's why we've committed to keeping our prices as low as possible and are working hard to explain exactly what their bill pays for through the messages we tell our customers.

Case study: Reduced prices and simplified charges campaign

We were happy to be able to offer our customers lower prices from the start of our new five-year price regulatory period, which began on 1 July 2019.

As part of our Quarter 1 campaign, customers received a 'Lower prices and more of what you value' brochure with their bills, where we told them to expect lower prices and simplified charges for water, sewerage, and recycled water.

We also let them know about the five outcomes we'll be focussing on, based on what they told us they valued the most from our services during engagement for our Five-year Customer Commitment.

The campaign included communications through our bills, website, phone message systems and sponsored posts on social media (reach of 563,200 people). It also helped drive an increase in our trust measure, rising from 56 per cent to 69 per cent during the campaign.

Here are some results from the campaign:

- 647,200 print bills and brochures mailed
- 353,100 eBills distributed
- 3,900 unique visitors to the pricing commitment web page
- 7,350 unique visitors to the residential prices and charges web page

Key initiatives	Our progress in 2018–19
<p>Provide our customers with more awareness about bill payment methods and payment support solutions, so they have greater control over their bills and greater certainty around how they can pay.</p>	<ul style="list-style-type: none"> • Continued to provide simple, clear and consistent messaging about payment and support on customer bills. • Improved our SMS communication platform with Bambora.
<p>Help our customers to better manage their bills in the future, by piloting new technologies including meters and sensors across our network, which could provide more timely information about their water use, including potential leaks.</p>	<ul style="list-style-type: none"> • Continued digital meter trials and learnings/improvements.
<p>Implement and evolve customer initiatives that strengthen how we support and manage customers who want to pay their water bill but can't pay everything.</p> <p>This includes further building the capabilities of our employees to support these customers.</p>	<ul style="list-style-type: none"> • Established our Customer First Program to develop a structured and sustainable approach to identify and assist vulnerable customers.

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.



Our employees welcomed industry colleagues, farmers, scientists and researchers to our Longwarry Water Recycling Plant in May 2019. Here, you can see them walking alongside our bumper summer forage sorghum crop, grown with biosolids.

Case study: Injecting new life into biosolids

Our AWA award-winning project, 'Driving change from conservatism to pragmatism – better use of biosolids and recycled water by using research to challenge guidelines' has delivered regulatory changes that reduce the biosolids storage requirements from three years to just one.

Australian water authorities have already adopted the results of this research. They'll save millions of dollars which will flow back to benefit customers, improve efficiencies at treatment plants, and increase the availability of higher quality fertiliser product to their farming customers.

We're now trialling soil injection of biosolids in liquid form (known as T2 or T3 treatment grade) to improve soil structure, fertility and function at our Longwarry Water Recycling Plant in partnership with the University of Newcastle and supported by the Soil Cooperative Research Centre. The trial has already seen a bumper crop of summer forage sorghum. We celebrated the success of the project so far by hosting a biosolids networking field day at the plant with more than 100 industry professionals and researchers from all over Australia.

Key initiatives	Our progress in 2018–19
<p>To help us reduce our carbon emissions by 2025 (E3), we're commissioning solar panels at our Pakenham and Somers Water Recycling Plants and will start installing them at our Mount Martha plant as part of our Climate Mitigation Strategy.</p>	<ul style="list-style-type: none"> • Due to be commissioned at Pakenham and Somers throughout July and August 2019. Expected to reduce carbon emissions by around 1,000 tonnes of CO²-e in the first year. • Reallocated funding for Mount Martha to a new co-generation engine at the site.
<p>Help to protect the health of our bay into the future by commencing a three-year sewer monitoring trial that aims to prevent sewer spills.</p>	<ul style="list-style-type: none"> • Upgrading/installing Advanced BlokAid® devices at our highest risk catchments and pump station emergency relief structures.
<p>Support the creation of water sensitive communities by completing development of rainwater and stormwater solutions for broad scale application in future urban communities.</p>	<ul style="list-style-type: none"> • Welcomed first homeowners at Aquarevo, where homes are equipped with smart tanks that capture, store and use rain and stormwater. • Incorporated smart tanks into a holistic water sensitive flood strategy for Fishermans Bend.
<p>Review our Water Efficiency Strategy and develop a Community Engagement Plan that helps us to educate our customers about how they can play a part in creating sustainable and liveable water efficient communities (L2), and the importance of being involved. This will involve participating in relevant forums within our region (L1).</p>	<ul style="list-style-type: none"> • Supported integrated water management forums on a number of important milestones: <ul style="list-style-type: none"> ○ challenged regulatory barriers (like the application of stormwater quality standards) more broadly across development types ○ developed strategic directions statements for our catchments ○ prioritised and funded projects where appropriate, and led four ○ hosted the Dandenong catchment forums at WatersEdge. • Continued to educate and involve our customers in water efficiency: <ul style="list-style-type: none"> ○ ran 'why be water wise' water efficiency campaign. ○ updated our website and worked with City West Water, Yarra Valley Water and Melbourne Water to develop consistent messaging that helps customers understand their water usage. ○ conducted customer research to understand how we can help customers meet Target 155.
<p>Deliver on customer expectations to increase supply and use of recycled water, with a focus on new estates with recycled water infrastructure in our service area.</p>	<ul style="list-style-type: none"> • Started to connect more customers to recycled water using Cranbourne Recycled Water Tank.

Enabling our business

Our customer outcomes are supported by our four business enablers: people, technology, financial capability and governance. These provide the foundation for us to deliver high quality service to our customers in a changing world.

Case study: Creating new work opportunities

We've engaged *Enviro Management Services (EMS)*, a wholly owned subsidiary of *Marriott Support Services* (a *Social Traders* certified social enterprise working with people with intellectual disabilities) to provide grounds maintenance and gardening services at our offices, treatment plants, sites and facilities. EMS won our tender in August 2018, and have been delivering grounds maintenance services to the water industry for 20 years, including servicing us for the last six years.

The new contract provides people with disabilities a significant and meaningful opportunity to work, learn and participate in a high functioning team and eventually transition into the open employment market. EMS crews deliver quality work, integrating people with disability into real operational situations. EMS rotate up to five people with disability through the crews that work with us, and at times that makes up about 60 per cent of their total crew number. We're proud to support EMS and the work they do.

Key initiatives	Our progress in 2018–19
People We strive to ensure that our organisation reflects the community that we service. We'll continue to build on our capability and develop a diverse, inclusive workplace.	
Help to ensure our workforce represents the community we serve (G1.1), by implementing the third year actions from our Diversity and Inclusion Framework.	<ul style="list-style-type: none"> The third year of our Diversity and Inclusion Framework has supported moves towards gender parity, raising awareness of Aboriginal culture, enhancing employee awareness of positive workplace behaviours and a focus on understanding and managing psychological wellbeing.
Implement different and flexible ways of working that support an inclusive workforce and achieve our strategic priorities and Employer of Choice aspirations.	<ul style="list-style-type: none"> Delivered our Flexible Work Arrangements Framework to normalise and embed flexible work practices. The framework is designed to ensure all people leaders and employees are aware of the options available to them so they can make informed decisions to be at their best both at and away from and outside of work
Improve cultural diversity in our business by adopting a one per cent target for Aboriginal people in our business (G1.3)	<ul style="list-style-type: none"> Our Diversity and Inclusion Framework 2016–19 contains an aspirational target of one per cent representation of Aboriginal Australians with government expectations – right now, we have one employee who identifies as Aboriginal. We don't have any Aboriginal Australians in relevant training courses, however we continue to focus on developing long-term relationships with Aboriginal communities based on mutual respect and trust as part of the development of our first RAP.
Implement the South East Water Safety and Wellbeing Strategy, including initiatives that grow and enhance our safety and wellbeing mindset, mature our safety behaviours and further strengthen our safety systems.	<ul style="list-style-type: none"> Completed Safety and Wellbeing Strategy with an increased focus on mental health, building a proactive safety culture and a broad wellbeing offering. Work started on replacing our Myosh safety system to improve safety reporting and analysis capability.
Develop a RAP (AC3).	<ul style="list-style-type: none"> Developed draft cultural narrative and values map, vision, pillars and set of actions. Appointed a local Aboriginal artist to create a visual representation of the RAP cultural narrative and values map. Conducted over 20 engagements with Traditional Owners during the year as part of our RAP development and ongoing engagement. Highlights included a field trip to learn

	about the cultural significance and Aboriginal history of the land in our region, and a panel discussion during National Reconciliation Week where Traditional Owners shared their thoughts about reconciliation, Treaty and RAP development.
Technology	
Technology enables us to deliver innovative solutions that provide better outcomes for our customers and the management of our assets, while enhancing our IT systems and their security.	
Continue to develop and enhance our cybersecurity landscape to manage any potential threats.	<ul style="list-style-type: none"> Submitted our Victorian privacy and data security framework (VPDSF) attestation report. We've aligned our security framework to this framework and continue to identify and implement improvements. Developed a security roadmap and are progressively implementing this.
Invest and develop IT platforms to maintain and improve the services we deliver and be at the forefront of emerging technologies.	<ul style="list-style-type: none"> Ongoing development of an advanced IoT and analytics platform to support our digital utility transformation. We'll be building the platform over the next 12 months. Relaunched our MySouthEastWater customer portal to improve our customers' experience.
Financial capability	
Our focus on efficiency, innovation and prudent financial management will continue to drive our financial strength over the next five years and ensure we deliver on our customer outcomes.	
Leverage our strong financial capacity to invest in emerging opportunities to enhance the service we provide in the most efficient and affordable way.	<ul style="list-style-type: none"> Operating expenditure remained below budget for 2018–19, with savings in employee wages due to vacancies in the first half of the year. Delivered savings through the procurement of new contracts for vulnerable customers support services, human resources management system, and maintenance and repair services (like grass cutting at our water recycling plants). Completed 2019–20 business expenditure budget, including the efficiency commitments from our <i>Five-year Customer Commitment 2018–23</i>.
Governance	
We're committed to the highest standards of governance to ensure that we comply with all relevant legal, regulatory and internal policy requirements.	
Refresh and articulate risk appetite in line with the strategic objectives of Our <i>Five-year Customer Commitment 2018–23</i> and <i>Corporate Plan 2018–23</i> .	<ul style="list-style-type: none"> Completed our risk appetite framework and reviewed and updated our business case and procurement processes. We held information sessions across the organisation to explain these changes to employees. We'll review the framework in 2019–20.
Assess compliance training and induction policies, procedures, responsibilities and regulations affecting our business to ensure organisational culture around compliance is maintained.	<ul style="list-style-type: none"> Reviewed and updated all compliance training modules (where appropriate) and added three new modules to our compliance suite. Training modules available to employees include: <ul style="list-style-type: none"> Victorian Privacy and Data Protection Act Sexual Harassment in the Workplace Consumer Law Equal Opportunity in Employment Cybersecurity Incidents - General Awareness Misleading Conduct and Competition Law Health and Safety Electronic Communication and Social Media Bullying



Our people

About our people

An inclusive workplace for all

We're committed to providing an inclusive work environment, where each and every employee feels safe and valued.

We're creating a vibrant and diverse workplace that supports employees of all ages, abilities, cultures and backgrounds. We believe in equality and are fostering respectful relationships with Aboriginal people and the LGBTIQ+ community through whole-of-organisation education on leading diversity and positive workplace behaviours.

In 2018–19 we rolled out the third year of our Diversity and Inclusion Framework, focusing on strengthening partnerships within our communities, building our flexible work framework, moving towards gender parity, fostering closer relationships with our three Traditional Owner Groups and working with our local councils to increase the profile of diversity events.

Innovation and transformation underpin everything we do

We know that when our people are engaged and empowered, our customers benefit. That's why we're working to build a safe, supportive and bold culture where employees can push ideas to the limit and move with changing technology to protect our environment, drive water efficiency, and provide healthy water, for all and always.

Working behind the scenes, we have more than 600 employees working as engineers, scientists, analysts, emergency technicians, information technology and customer support people.

A range of highly skilled partners support our workforce. They're contractors, property developers, plumbers, builders, real estate agents, councils as well as counsellors and mediation specialists.

While they may not all wear the South East Water 'badge', we consider them to be our own people and they're very much part of how we meet the needs of our customers.

Case study: Training future water professionals

We partnered with City West Water, Melbourne Water and Yarra Valley Water to design an integrated graduate development program, tailored to the water industry. Together we aim to attract top talent to the water industry and grow a pipeline of skilled professionals.

In 2019, we welcomed seven graduates (including three engineering, one finance, one economics and two information technology graduates). They'll complete three 12-month rotations in their specialist area at WatersEdge, supported by professional development and networking opportunities.

During the summer break, we welcomed three students from Monash University for a three-month research project designing a customer-centric water organisation from the ground up.

We also provided opportunities to three students from RMIT on a part-time basis (one completed and two ongoing) to gain work experience in our research and development team on our ground-breaking liquid biosolids research project.

Safety and wellbeing

Occupational Health and Safety (OHS)

We put safety first in everything we do and are focussed on employee wellbeing.

Safety underpins absolutely every element of our organisation and supports each and every employee (including our contractual partners) – from how we design and plan, issue and monitor work, to looking out for one another each day.

We believe everyone, regardless of their role, can be a safety and wellbeing leader. We all have a role to play to ensure we have a safe working environment.

Our continued commitment to a safe and healthy workplace, along with visible safety leadership, has enabled us to visibly grow our proactive safety culture in partnership with our contractors. We're committed to best practice health and safety systems, and relentlessly pursue the mitigation of all operational risks.

Our Safety, People and Wellbeing strategy, along with our refreshed values and Living Safely Rules, played a key role in driving our safety and wellbeing programs.

We've successfully delivered a number of key initiatives this year. They've contributed to the continued safety and wellbeing of our employees, contractors and community.

- **Launched our Mental Health First Aid training program**
The program helps and guides employees who may experience mental health issues, and also included mental health awareness training for employees and people leaders. This program is a key component of our strategy and will support in building a strong wellbeing framework.
- **Changed our safety performance reporting metrics**
We are moving from a calculative to a proactive safety culture. We developed new KPIs in consultation with the executive team and have an increased focus on leadership, positive behaviours, accountability for safety, and wellbeing.
- **Conducted an end-to-end review of our incident reporting and investigation process**
A cross-business working group set out to develop a structured and standardised framework that clearly articulates the requirements from pre to post investigation. The new process has clearly defined roles and responsibilities, stringent incident investigation timeframes, clear incident classifications, communication requirements and process quality reviews.
- **Delivered fatigue management training**
We delivered a series of fatigue management awareness sessions across the organisation along with a detailed sleep study for on-call employees within our network delivery operations team. This was developed to provide a systematic and sustainable approach to manage fatigue at work.
- **Piloted digital safety solutions**
We successfully piloted digital innovation in safety at our treatment plants to promote engagement, drive continuous improvement and improve efficiency. We partnered with CodeSafe to introduce QR technology and mobile applications to our main water recycling plants (Boneo, Mount Martha and Pakenham) as a new and improved way to track site attendance and deliver safety inductions. We're planning to extend this innovation to our remaining treatment plants and other parts of the business.
- **Focussed on industry collaboration.**
Water Industry Operators Association recognised our continuous leadership in consultation and driving best practices within the water industry. We also presented our successful collaborations within the Urban Water Authorities group in managing high risk activities at Ozwater'19.

We've again achieved good results with our end of year Total Recordable Injury Frequency coming down from 14.16 to 11.59 per million work hours (18.1 per cent less than in 2017–18).

Our safety performance continues to improve with 11 per cent fewer injuries recorded compared to 2017–18 despite a 10 per cent increase in hours worked.

We continued our focus on reporting of hazards and close calls throughout the year. There was a combined one per cent increase in reported hazards from our employees and contractual partners this year compared to the previous year. This demonstrates an increased employee focus on reporting quality and our aspiration to create a workplace that's free from harm.

We recorded six lost time injuries (LTIs) for the year (a combination of our employees and contractors) compared to four in the previous year. The lost time injury frequency was 2.16 injuries per million work hours an increase from 2.02 last year. We set a target of zero lost time injuries for the year.

There were 10 accepted WorkCover claims in the year; six of these were psychosocial with an average cost of \$52,027. This is an increase on last year with three claims, one of which was psychosocial with an average cost of \$29,929.

Table 12. Performance against our OHS indicators (based on our employee data only)

Measure	KPI	2016–17	2017–18	2018–19
Incidents*	Number of reported incidents	5	4	6
	Rate for 100 FTE	0.81	0.75	0.86
Hazards**	Number of reported hazards	360	178	140
	Rate for 100 FTE	58.57	33.19	20.02
Claims (WorkCover)	Number of standard claims	4	3	10
	Number of lost time claims	3	3	6
	Rate per 100 FTE	0.49	0.56	0.86
Fatalities	Fatality claims	nil	nil	nil
Claim costs	Average cost per standard claim	\$53,216	\$29,929	\$52,027
Management commitment	Management participation in planned safety observations	199	173	157
Consultation and participation	OHS committee meetings including employee elected and management representatives	12	24	30
Risk management	Safety management system audit actions closed	100%	100%	100%
Training	Safety compliance training completed within 10 days of commencement	100%	100%	98%

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.

Diversity and inclusion in our workplace

The third year of our Diversity and Inclusion Framework supported moves towards gender parity, raising awareness of Aboriginal culture, enhancing employee awareness of positive workplace behaviours and a focus on understanding and managing psychological wellbeing.

First Nations Peoples

Our comprehensive training programs continued to increase employee awareness and understanding in these key areas, along with our refreshed values and Aboriginal Traditional Owner engagement.

We've undertaken a number of steps internally to raise awareness of Aboriginal communities and culture. These include engagement with local Aboriginal gathering places, NAIDOC Week and National Reconciliation Week celebrations including a Welcome to Country and smoking ceremony. For more information about what we've done this year, see pages 41 and 42.

In June 2018, we entered into a commercial arrangement with Bunurong Land Council Aboriginal Corporation, where we can engage their Water Strategy and Water Projects Facilitator on an as-needs basis to develop shared benefit projects/initiatives.

Flexible work options

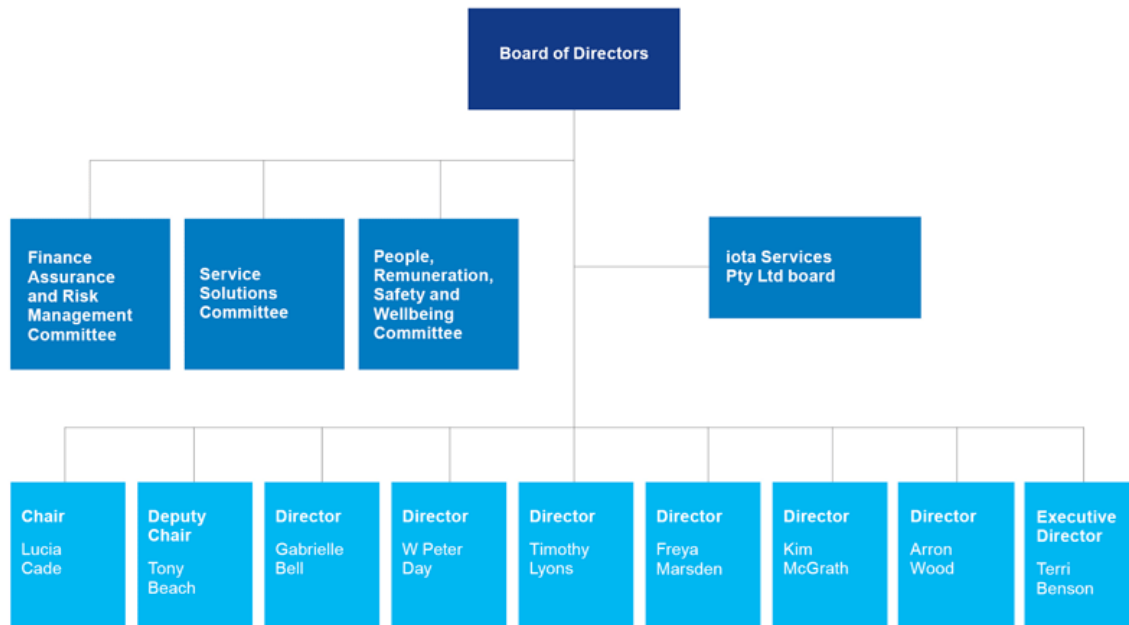
We're committed to providing flexible work options that support all of our employees in achieving life balance. Right now, 83 per cent of our employees access some form of flexible work, including part-time hours, job sharing, purchased leave arrangements, flexible and varied work hours, working remotely, rostered days off and short and medium-term secondments and deployments.

In 2018–19 we developed our Flexible Work Framework to normalise flexible work through all areas of our organisation. Employee training and toolkits will support this framework throughout 2019–20.

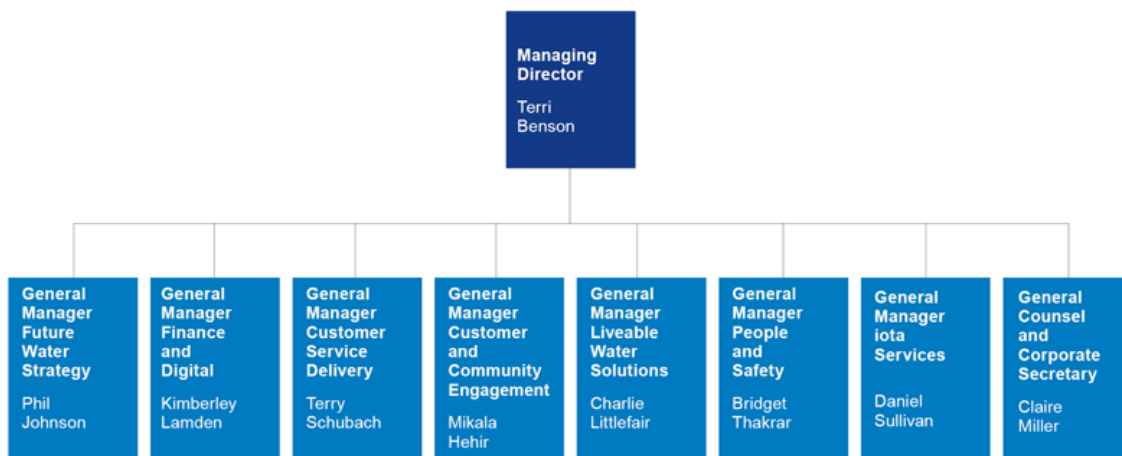
In 2019–20, we'll implement our new annual Diversity and Inclusion Operational Plan which will continue our focus on an inclusive and diverse workplace, gender parity and a more flexible workforce.

Organisation and governance chart

Governance structure as at 30 June 2019



Organisation structure as at 30 June 2019



Our Board of Directors

We have eight non-executive directors (including the chair), and a managing director on our board (at 30 June 2019).

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

The board is of the view that each non-executive director is independent. No board members have any relationships or interests, business or otherwise, that compromise their autonomy. The board annually reviews its performance and effectiveness under the *Public Administration Act 2004* and its Statement of Obligations.

The board conducts an annual assessment of its performance and effectiveness, as well as of its committees and individual directors. All directors and members of the executive completed a survey and participated in individual interviews as part of this review. Each director participates in an individual interview with the chair every year. Their annual assessment includes discussion and review of each committee, to make sure they're delivering what they need to.

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

We were proud to host the annual Metro Water Corporations Board Dinner in February 2019. This year's theme was the water sector's future and its role in enabling happy, sustainable and thriving cities and communities, delivering the UN Sustainable Development Goals and engaging customers and communities to be sustainable. We engaged guest speaker Craig Reucassel to speak on a range of topics, including the role of water in the 'war on waste'.

Bringing the outside in

We regularly invite industry experts and members of our community to attend our board meetings – bringing the outside in and sharing real customer stories. In 2019, 10 guest stakeholders attended our board meetings. They represented a diverse cross-section of our customers, stakeholders and experts in climate and customer relationships, including presentations from Aboriginal people. Each shared important insights that help us better understand our customers, community and the world we live in.

Month	Guest stakeholder
September 2018	Tony Wright CEO, VicWater
October 2018	Bryon Payne , Mayor, Mornington Peninsula Shire Council Richard Hawkes Farmer, Hawkes Vegetables Colin Gazzola Farmer, Gazzola Farms Daniel Rolek Farmer, Sunny Ridge Strawberry Farm Clancy Dobbyn Wurundjeri Land and Compensation Cultural Heritage Council Aboriginal Corporation
February 2019	Roderick Simpson Environment Commissioner, Greater Sydney Commission Karl Braganza Head of Climate Monitoring, Bureau of Meteorology
May 2019	Cynthia Gebert Ombudsman, EWOV Monika Smith Customer

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 Services Pty Ltd, a wholly owned subsidiary of South East Water. She has extensive experience in the utility, infrastructure and construction industries as a director, executive and an advisor, specialising in business strategy, organisational change, strategic stakeholder engagement, incentivised procurement models and major projects. Ms Cade is an independent director of Engineers Australia, Carbon Revolution, PuriflOH (ASX:PO3), the Regional Investment Corporation and the Cooperative Research Centre for Future Fuels. She is a Global Advisor to the UN Global Cities Compact and a member of the Dean's Advisory Council at Monash University's Faculty of Engineering.

Committees

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

Tony Beach – Deputy Chair

MAICD, MIE Aust, BEng (Civil)

Mr Beach was appointed as a Director of South East Water in October 2013 and is a Director of Iota Services Pty Ltd, a wholly owned subsidiary of South East Water. His executive career includes foundation Managing Director of the Zinfra Group and he also undertook key executive management roles with Jemena, Asciano, AGL, Powercor Australia and HEC Tasmania. Mr Beach has extensive experience in essential infrastructure across electricity, gas, water, rail and ports and provides strategic advisory and non-executive director services via his role as the Managing Principal of Phase 10 Consulting Ltd.

Committees

- Customer Service Solutions Committee (Chair until December 2017)
- People Remuneration Safety and Wellbeing Committee

Gabrielle Bell – Director

BLaws (Hons), BEng (Chem) (Hons), GAICD

Ms Bell was appointed as a Director of South East Water in October 2015 and is Chair of Iota Services Pty Ltd, a wholly-owned subsidiary of South East Water from December 2017. Ms Bell is a corporate lawyer with broad experience working in Australia and South East Asia. She specialises in corporate advisory (including corporate governance), mergers and acquisitions and capital markets. She is also a Director of V/Line Corporation, InLife Independent Living Ltd, Vic Super Pty Ltd and the Victorian Water Industry Association. Ms Bell was a Director of Southern Rural Water from October 2012 to September 2015.

Committees

- Finance Assurance and Risk Management Committee (from December 2017)
- People Remuneration Safety and Wellbeing Committee (Chair until December 2017)

W Peter Day – Director

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

Mr Day was appointed as a Director of South East Water in October 2015. Mr Day previously held executive positions as Chief Financial Officer of Amcor, Chief Financial Officer and Executive Director at Bonlac Foods and Managing Director Business Services with Rio Tinto. He is currently a non-executive Director of a number of ASX listed companies including Alumina, Ansell, and Australian Unity Office Fund. Mr Day is a Director of Multiple Sclerosis Australia and Authorities Online. He is also an advisory committee member with Maurice Blackburn. Mr Day is an Honorary Fellow of the Faculty of Business and Economics at Monash University. Mr Day was a past Director of Gippsland Water from October 2008 to September 2015.

Committees

- Finance Assurance and Risk Management Committee
- Customer Service Solutions Committee (from December 2017)

- People Remuneration Safety and Wellbeing Committee

Timothy Lyons – Director

BA, DipFinSvcs, GAICD

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

Committees

- Customer Service Solutions Committee
- People Remuneration Safety and Wellbeing Committee (Chair from December 2017)

Freya Marsden – Director

MComm, BAgResEc, GAICD

Ms Marsden was appointed as a Director of South East Water in October 2015 and is Chair of South East Water's Finance Assurance and Risk Management Committee. Ms Marsden is the Managing Director of The Acuity Group which provides governance, strategy, policy and economic advice. She has held senior advisory and economist roles across state and federal governments and federal parliament and is a former Director of Policy at the Business Council of Australia. An experienced non-executive Director, Ms Marsden's other current boards include the Victorian Planning Authority (Director and Chair of Risk and Audit), Chair of the Victorian Government's Sustainability Fund and Committee Member of VicRoads Risk, Audit and Governance Committee.

Committees

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

Kim McGrath – Director

BLaws, BA, MAICD

Ms McGrath was appointed as a Director of South East Water in October 2015. Ms McGrath is Principal Consultant at BKE Consulting, a public policy advisory and research service. She has over 20 years' experience in public policy formulation and implementation at international, federal and state levels including eight years as water policy adviser to the Premier of Victoria. She has provided strategic advice, research, policy development, writing and editorial services to governments, private companies, universities and not-for-profit organisations. Ms McGrath is a director of VicForests. She is currently a doctoral candidate at Monash University. Ms McGrath has previously served on the board of South Gippsland Water.

Committees

- Finance Assurance and Risk Management Committee
- Customer Service Solutions Committee

Arron Wood – Director

BForSc, GAICD

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

Committees

- Customer Service Solutions Committee (Chair from December 2017)

Terri Benson - Managing Director

Ms Benson was appointed Managing Director of South East Water on 29 May, 2017 and is a director of Iota Services Pty Ltd, a wholly-owned subsidiary of South East Water. Ms Benson is a Director of the Cooperative Research Centre for Water Sensitive Cities, a director of Water Services Association of Australia, a director of The Centre for New Energy Technologies, an advisory board member with Birdon and a board member with Zero Emissions Water. A highly experienced chief executive officer, she has held a range of both executive and non-executive director roles in the government utility and private infrastructure sectors. She is a former CEO of Seqwater, a wholesale water utility in south-east Queensland, a former Managing Director of Essential Energy and a former Chair of the Energy and Water Ombudsman NSW. Ms Benson was the Managing Director of Birdon, a diversified engineering and services business providing innovative solutions to the military and marine industries with operations across Australia, USA and Europe.

Committees

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

Board committees

There are three committees that provide the board with strategic guidance and help deliver its responsibilities.

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

The board determines and reviews membership at least every two 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 and executive team. Right now, we don't have anyone identifying as Aboriginal on any of our board committees.

Iota Services Pty Ltd, a wholly-owned subsidiary of South East Water, has a board which includes non-executive director members. In 2019, Iota Services changed its name to Iota.

Finance Assurance and Risk Management Committee

This committee helps the board deliver its duties regarding our organisation's financial management, risk and control framework.

Four meetings were held during the financial year. The Victorian Auditor-General's Office and the internal auditor regularly attended these.

Customer Service Solutions Committee

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

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

The Service Solutions Committee changed its name to the Customer Service Solutions Committee in December 2018.

People Remuneration Safety and Wellbeing Committee

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

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

The People Remuneration and Safety Committee changed its name to the People Remuneration Safety and Wellbeing Committee in December 2017.

iota Services Pty Ltd. board

iota plays an integral role in achieving our vision *to create a better world for our customers with forward thinking water solutions, for all and always, that won't cost the earth* – by taking new innovations developed at South East Water and commercialising them for use beyond our borders.

This not only helps to share what we know works with others in the region, and across the world, but delivers economic and social benefit for South East Water, our customers and for Victoria.

The Iota board is responsible for steering Iota in a way that ensures it fulfils its functions effectively and complies with its governance framework. The Iota board is accountable to South East Water and presides over all significant strategic, commercial, regulatory, financial and risk focused elements of Iota Services. Its board comprises a majority of independent directors: four non-executive directors from South East Water's board, the managing director and an executive director from South East Water.

Six meetings were held during the financial year. Meetings are generally held on a bi-monthly basis.

Iota board members:

- **Gabrielle Bell**
Chair since December 2017
- **Lucia Cade**
Independent
- **Tony Beach**
Independent
- **Arron Wood**
Independent
- **Terri Benson**
- **Phil Johnson**

Table 13. Attendance at board and committee meetings

	Board of Directors meetings		Iota Services Pty Ltd board meetings		Finance Assurance and Risk Management Committee		Customer Service Solutions Committee		People Remuneration Safety and Wellbeing Committee	
	Eligible attendance	Attended	Eligible attendance	Attended	Eligible attendance	Attended	Eligible attendance	Attended	Eligible attendance	Attended
Lucia Cade	10	10	5	5	5	5	4	4	4	4
Tony Beach	10	8	5	4	N/A	N/A	4	4	4	4
Gabrielle Bell	10	9	5	5	5	5	N/A	N/A	N/A	N/A
W Peter Day	10	10	N/A	N/A	5	4	4	3	4	3
Tim Lyons	10	9	N/A	N/A	N/A	N/A	4	4	4	4
Freya Marsden	10	10	N/A	N/A	5	5	N/A	N/A	4	4
Kim McGrath	10	9	N/A	N/A	5	4	4	4	N/A	N/A
Arron Wood	10	10	5	5	N/A	N/A	4	4	N/A	N/A
Terri Benson	10	10	5	5	5	5	4	4	4	4
Philip Johnson	N/A	N/A	5	5	N/A	N/A	N/A	N/A	N/A	N/A

Our executive team

Terri Benson – Managing Director

BBus (Act), CPA, GAICD

Terri's biography is on page 72.

Mikala Hehir – General Manager Customer and Community Engagement

Mikala was appointed General Manager, Customer and Community Engagement in January 2018. Mikala leads the Customer and Community Engagement group which is responsible for customer, community and stakeholder engagement and strategy, media, communications, design, campaigns and reporting and insights. 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.

Phil Johnson – General Manager Future Water Strategy

BBus (Acc), CPA, GAICD

Phil leads the Future Water Strategy group, which oversees the strategy, planning, regulation, integrated water management and innovation functions. Oversight of the organisation's Digital Utility/Internet of Things (IoT) program is also within this group. Phil is also a director of Iota Services, a wholly-owned subsidiary of South East Water. Previous roles include Chief Financial Officer and General Manager of Corporate and Commercial, Group Manager Commercial and Technical Services for Utility Services (an alliance formed between South East Water, Thiess and Siemens) and other senior commercial positions within the utilities industry. Phil joined South East Water in 1995.

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

BBus (Acc), CPA, MBA, GAICD

Kimberley leads the finance and digital group which oversees the finance, business improvement and business technology services functions of the business. Kimberley has extensive experience in finance and has worked across a number of industries. Kim has previously held senior financial management roles in the energy sector at Jemena, Zinfra and United Energy and Multinet Gas as well as financial management roles for organisations such as Johnson & Johnson and RACV. Kimberley joined South East Water in 2016.

Charlie Littlefair – General Manager Liveable Water Solutions

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

Charlie leads the Liveable Water Solutions group, which manages the land development, resource recovery, liveability, connections, reliability, growth 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.

Claire Miller - General Counsel and Corporate Secretary

BA, LLB, MAICD, AGIA, ACIS

Claire was appointed General Counsel and Corporate Secretary at South East Water in 2017. Claire leads the Governance and Legal group which is responsible for the legal, compliance and corporate secretarial functions. Claire has extensive executive experience and has held the role of General Counsel and Company Secretary including the functions of compliance, risk, audit and insurance across a diverse range of industry sectors including energy, infrastructure, gas, utilities, mining, and property in government, listed and private entities.

Terry Schubach - General Manager Customer Service Delivery

Terry was appointed General Manager, Customer Service Delivery in January 2018. Terry leads the Customer Service Delivery group which oversees our customer service contact centres, water and sewerage network and treatment plants. The group incorporates network delivery, product quality, operational technology, accounts, metering, faults and connections, and business support functional areas. Terry is a senior executive manager having held various senior roles in major corporations and government departments. He has over 27 years' experience in the planning and development, construction, operation and maintenance of infrastructure assets, projects and programs throughout Australia and internationally. Over the course of his career, Terry has worked in the water, energy, rail and gas sectors and is experienced in corporate business leadership and governance. He has a passion for leading people, safety and developing teams.

Daniel Sullivan - General Manager Iota

BBus, MBA

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

Bridget Thakrar – General Manager People and Safety

BCom, GAICD

Bridget leads the People and Safety group, which is responsible for overseeing South East Water's key people functions of human resources, payroll, employee experience, and safety and wellbeing. She brings a wealth of experience in the people field, gained across various industries including construction and manufacturing at Grocon and Fonterra respectively. She currently sits on the board of Dress for Success South East Melbourne and is an Activator as part of the SheEO movement. Bridget joined South East Water in 2012.

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 on an annual basis in collaboration and consultation with relevant employee groups and other key stakeholders.

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 14. Full time equivalents (FTE) staffing trends at 2017, 2018 and 2019

2019	2018	2017
645.7	571.4	567.0

Table 15. Employment levels at June 2018 and June 2019

	Ongoing employees			Fixed-term and casual	
	Total	Full-time	Part-time	FTE	FTE
June 2019	653	541	112	620.2	25.5
June 2018	585	474	111	550.8	21
June 2017	569	469	100	536.9	30.1

Aims for gender parity

Our Diversity and Inclusion Framework supports our continued move towards gender parity.

Our shortlisting process sets an expectation that all positions have a balanced shortlist of 50 per cent female and 50 per cent male applicants. We now expect that our interview panels will have both female and male representatives.

We have a projection of 50 per cent representation of women in senior leadership positions within the next five years and are actively working to achieve this.

Table 16. Details of gender distribution in management positions in June 2018 and 2019

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
Senior officers	129	33	96	0	25.6	74.4

Table 17. Details of employment levels at 30 June 2019

	All employees		Ongoing			Fixed term and casual	
	Number	FTE	Full-time	Part-time	FTE	Number	FTE
Gender							
Male	367	362.8	338	14	348.2	15	14.6
Female	313	282.9	203	98	272.0	12	10.9
Self-described	0	0.0		0	0.0	0	0.0
Age							
15–24	18	18.0	9	0	9.0	9	9.0
25–34	137	128.2	101	26	118.2	10	10.0
35–44	205	192.5	163	36	187.5	6	5.0
45–54	185	176.8	152	31	175.3	2	1.5
55–64	115	111.0	98	17	111.0	0	0.0
65+	20	19.2	18	2	19.2	0	0.0
Classification							
Executive	9	9.0	9	0	9.0	0	0.0
Group managers	16	15.6	14	2	15.6	0	0.0
Senior officers	152	149.1	136	14	147.3	2	1.7
Officers	503	472.0	382	96	448.3	25	23.8
TOTAL	680	645.7	541	112	620.2	27	25.5

Executive officer disclosure

Annualised total salary, by \$20,000 bands, for executives and other senior non-executive staff who have a total salary of \$159,501 or more.

Table 18. Annualised total salary for senior employees

Income band (salary)	Executives	Senior non-executive staff
<\$160,000	0	0
\$160,000–179,999	0	24
180,000–199,999	0	9
200,000–219,999	1	4
220,000–239,999	1	0
240,000–259,999	1	0
260,000–279,999	2	0
280,000–299,999	2	1
300,000–319,999	1	0
320,000–339,999	0	0
340,000–359,999	1	0
Total	9	38

Notes:

The salaries reported above are as at 30 June 2019 and based on headcount, and the salary brackets based on FTE \$ (not actual \$ paid PTE).

Total remuneration package reported, inclusive of superannuation.

We employed four individuals on a part-time basis.

Governance and risk

We maintain a comprehensive framework of governance practices. They're designed to provide appropriate levels of review and oversight and mainly come from statutory requirements.

We've embedded good governance guidelines throughout our organisation.

Our management systems underpin our performance. These systems, frameworks and standards are subject to independent auditing and certification, including:

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

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

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. That's why we've recently redefined our risk appetite in line with our strategy in order to provide internal boundaries for better decision making and ensure highly efficient governance.

Risk management will always be a key focus and is embedded across all of our management systems and processes.

We maintain an enterprise risk management framework consistent with the Australian/New Zealand Risk Management Standard (AS/NZS 31000:2009) and the requirements of the Victorian Government Risk Management Framework.

Our risk framework incorporates risk appetite. It's built on implementing a consistent, forward-looking approach to identifying and assessing uncertainty 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 statement
- active management and review of the key strategic risks that may impact the achievement of our objectives through our board and board committees (including the Finance Assurance and Risk Management Committee)
- 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 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 (in no particular order) 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, they're 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 e 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 quality management systems, frameworks 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 and research program informs our strategies on how to improve services in areas that matter most to our customers. It has in place a number of key programs that strive to constantly deliver value for money and enhanced outcomes for the 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 (e.g. social media) as well as managing disruption away from peak times.
People	To attract, recruit and retain the right people for the right role to take our business forward and help achieve our strategic goals.	As the needs of our business evolve, we've committed to initiatives that continually improve our culture, capability and diversity and inclusion practices so that we develop our people and attract high calibre talent.
IT/OT and data security	To effectively manage the information technology and operational technology (IT/OT) assets that underpins business operations and to protect customer and corporate data in line with regulatory and customer expectations.	We manage IT/OT infrastructure to an asset management plan to ensure the stability and reliability of all of platforms. We align our data security to the Victorian Protective Data Security Standards and already have mandatory data security awareness training and network controls in place to protect the data we store.
Asset management	To plan, build, operate and maintain 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 55001:2014 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 have fostered and continue to develop strong relationships with key stakeholders, built on a platform of transparency and trust. Our underlying approach is to engage in a constructive and collaborative manner to achieve positive solutions for our customers. We also take compliance seriously and manage our compliance obligations in line

		with AS/ISO 19600: 2015 Compliance management systems.
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 developed adaptation and mitigation plans for our assets and business operations. We've also committed to reducing our greenhouse gas emissions and in 2018 formalised our pledge of net zero emissions by 2030.
Disruption and non-traditional markets	To be able to adapt our business and positively respond to major changes in industry composition, technology or consumer behaviours.	We have a long and proud history of innovation and continue to monitor shifts inside (and outside of) the industry and trial emerging technologies. The Aquarevo development and establishment of Iota are just two examples of how we're challenging the conventional approach of a regulated water business. Longer term, we see innovation and our investment in becoming increasingly digital, in particular, 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 continuity framework in place that comprise business continuity plans, incident and emergency management response as well as crisis management procedures to help prevent service interruptions and to respond and recover in the event they occur.



Financials

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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 2019 and the financial position of the Group as at 30 June 2019.

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 19th day of August 2019.



Lucia Cade
Chair



Terri Benson
Managing Director



Kimberley Lamden
Chief Financial Officer

Independent auditor's report



Victorian Auditor-General's Office

Independent Auditor's Report

To the Board of the South East Water Corporation

Opinion	<p>I have audited the consolidated financial report of the South East Water Corporation (the corporation) and its controlled entity (together the consolidated entity), which comprises the:</p> <ul style="list-style-type: none">• consolidated balance sheet as at 30 June 2019• consolidated statement of comprehensive income for the year then ended• consolidated statement of changes in equity for the year then ended• consolidated cash flow statement for the year then ended• notes to the financial statements, including significant accounting policies• statutory certification. <p>In my opinion, the consolidated financial report presents fairly, in all material respects, the financial position of the consolidated entity as at 30 June 2019 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation and the consolidated entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Key audit matters	<p>Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.</p>

Independent auditor's report

Key audit matter	How I addressed the matter
<p>Revenues from service and usage charges are derived from a complex IT billing system with several inputs, including external service providers</p> <p><i>Note 2.1.1 – Revenue from service and usage charges</i></p> <p>Revenue from service and usage charges: \$861.479 million.</p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> → revenue recognised is financially significant to the corporation → revenue is generated by a complex IT system that uses several inputs and business rules → revenue includes a significant accrual for unbilled water and sewerage services at year end that involves a higher degree of estimation uncertainty → a key input, customer water volume consumption, relies on external service providers to conduct meter readings. 	<p>My key procedures included:</p> <ul style="list-style-type: none"> → testing the operating effectiveness of key application controls and key manual controls in the billing system → obtaining an understanding of management's approach to estimating the value of unbilled water and sewerage services revenue at year end and assessing the reasonableness of key assumptions and inputs → substantive analytical procedures → reviewing the adequacy of the revenue recognition and measurement policies → assessing the adequacy of financial statement disclosures against the requirements of Australian Accounting Standards.
<p>The fair value estimate of infrastructure assets is derived from an income-based valuation approach that uses a complex discounted cashflow model ('DCF model')</p> <p><i>Note 4 – Key assets available to support output delivery</i></p> <p>Fair value estimate of infrastructure assets: \$3.697 billion</p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> → the infrastructure assets are financially significant to the corporation → the fair value estimate relies on management's use of an external valuation expert → the DCF model is highly complex and involves significant management judgements, underpinned by various subjective assumptions → the calculated value is sensitive to small changes in key assumptions used in the DCF model → the model's forecast period is long, and includes a terminal value, which increases the difficulty in accurately estimating the fair value → applicable accounting standard AASB 13 Fair Value Measurement (AASB 13), and the Assistant Treasurer issued Financial Reporting Direction 103H Non-financial physical assets (FRD 103H) both require extensive financial report disclosures. 	<p>My key procedures included:</p> <ul style="list-style-type: none"> → obtaining an understanding of management's approach to estimating the fair value of infrastructure → assessing the competence and capability of management's expert engaged to assist with the valuation process → engaging a subject matter expert to assist us in obtaining sufficient appropriate audit evidence, including: <ul style="list-style-type: none"> - the appropriateness of using an income-based valuation approach - the reasonableness and consistency of all the assumptions used in the DCF model - identify any changes to the DCF model and/or assumptions. - the reasonableness of all inputs used in the model, with specific reference to underlying data and supporting documentation - the DCF model's computational accuracy - the appropriateness of all infrastructure asset related financial report disclosures with regard to AASB 13 and FRD 103H, including the significant observable and unobservable inputs utilised in the model and the sensitivity analysis → evaluating our subject matter expert's workings and concluding the work was adequate for the purposes of our audit.

Independent auditor's report

Board's responsibilities for the financial report	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>
Auditor's responsibilities for the audit of the financial report	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.</p> <p>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:</p> <ul style="list-style-type: none">• identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for 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 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 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 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 financial report represents the underlying transactions and events in a manner that achieves fair presentation• obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the corporation and consolidated entity to express an opinion on the financial report. I remain responsible for the direction, supervision and performance of the audit of the corporation and the consolidated entity. I remain solely responsible for my audit opinion.

Independent auditor's report

Auditor's responsibilities for the audit of the financial report (continued)	<p>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.</p> <p>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 the 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.</p>
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MELBOURNE
23 August 2019



Paul Martin
as delegate for the Auditor-General of Victoria

Consolidated statement of comprehensive income

For the year ended 30 June 2019

Consolidated entity	Note	2019 \$'000	2018 \$'000
Revenue from contracts with customers ^(a)	2.1	1,040,304	1,089,937
Other income	2.2	3,180	2,998
Total revenue		1,043,484	1,092,935
Operating expenses	3.1	(620,885)	(598,914)
Employee benefits	3.2.1	(56,034)	(56,371)
Depreciation and amortisation	4.2, 4.3	(95,573)	(91,810)
Finance costs	6.2	(83,616)	(82,773)
Environmental contribution	7.3	(40,693)	(27,860)
Total expenses		(896,801)	(857,728)
Net result before income tax		146,683	235,207
Income tax expense	7.1	(43,068)	(70,109)
Net result after income tax		103,615	165,098
Other comprehensive result			
Items that will not be reclassified to net result			
Change in asset revaluation surplus - infrastructure assets	4.2	78,191	21,572
Change in asset revaluation surplus - land and buildings assets	4.2	(13,935)	37,908
Actuarial gains/(losses) on defined benefit fund		(7,886)	4,775
Deferred income tax relating to other comprehensive income		(22,526)	(9,915)
Other comprehensive result		33,844	54,340
Total comprehensive result		137,459	219,438

^(a) Due to the initial application of AASB 15, sales revenue is now classified as revenue from contracts with customers.

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

Consolidated balance sheet

As at 30 June 2019

Consolidated entity	Note	2019 \$'000	2018 \$'000
CURRENT ASSETS			
Cash		2,237	2,209
Receivables	5.1	95,503	81,447
Contract assets ^(a)	5.3	69,289	89,171
Income tax asset	7.1	2,537	-
Inventories		4,813	5,884
Prepayments		6,347	7,869
Assets classified as held for sale	4.4	4,895	15,580
Total current assets		185,621	202,160
NON-CURRENT ASSETS			
Infrastructure, property, plant and equipment	4.1	4,115,956	3,884,356
Intangible assets	4.3	137,440	128,416
Defined benefit superannuation asset	9.3	568	9,507
Total non-current assets		4,253,964	4,022,279
TOTAL ASSETS		4,439,585	4,224,439
CURRENT LIABILITIES			
Payables	5.2	113,784	91,807
Borrowings	6.1	42,300	46,300
Employee benefits provision	3.2.2	19,109	16,515
Income tax payable	7.1	-	17,744
Contract liabilities	5.3	20,639	-
Deposits and advances ^(a)	5.4	12,695	9,887
Other provisions		497	633
Total current liabilities		209,024	182,886
NON-CURRENT LIABILITIES			
Borrowings	6.1	1,670,000	1,540,000
Deferred tax liabilities	7.1	532,458	517,042
Employee benefits provision	3.2.2	2,585	2,038
Total non-current liabilities		2,205,043	2,059,080
TOTAL LIABILITIES		2,414,067	2,241,966
NET ASSETS		2,025,518	1,982,473
EQUITY			
Contributed equity		386,148	408,328
Reserves		890,236	850,872
Retained profits		749,134	723,273
TOTAL EQUITY		2,025,518	1,982,473

^(a) Due to the initial application of AASB 15, accrued revenue previously classified under receivables is now classified as contract asset and some deposits and advances are now classified as contract liabilities. Refer Note 5.3.

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 2019

Consolidated entity	Note	Asset revaluation surplus:			Retained profits \$'000	Total equity \$'000
		Contributed equity \$'000	Land and buildings \$'000	Infrastructure assets \$'000		
Balance at 1 July 2017		430,508	173,904	625,971	661,933	1,892,316
Total comprehensive result for the year						
Net result after income tax		-	-	-	165,098	165,098
Other comprehensive income		-	35,897	15,100	3,342	54,339
Total comprehensive result		-	35,897	15,100	168,440	219,437
Transactions with owners in their capacity as equity holders						
Dividends paid	7.2.1	-	-	-	(107,100)	(107,100)
Return of capital to owners	7.2.2	(22,180)	-	-	-	(22,180)
Total transactions with owners in their capacity as equity holders		(22,180)	-	-	(107,100)	(129,280)
Balance at 30 June 2018		408,328	209,801	641,071	723,273	1,982,473
Adjustments due to change in accounting policy (net of tax) ^(a)	9.9	-	-	-	(13,534)	(13,534)
Restated balance as at 1 July 2018		408,328	209,801	641,071	709,739	1,968,939
Total comprehensive result for the year						
Net result after income tax		-	-	-	103,615	103,615
Other comprehensive income		-	(15,371)	54,735	(5,519)	33,844
Total comprehensive result		-	(15,371)	54,735	98,095	137,459
Transactions with owners in their capacity as equity holders						
Dividends paid	7.2.1	-	-	-	(58,700)	(58,700)
Return of capital to owners	7.2.2	(22,180)	-	-	-	(22,180)
Total transactions with owners in their capacity as equity holders		(22,180)	-	-	(58,700)	(80,880)
Balance at 30 June 2019		386,148	194,431	695,806	749,134	2,025,518

^(a) The Group has initially applied AASB 15 using the modified retrospective method. Under this method, the comparative information is not restated. See Note 9.9.
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 2019

Consolidated entity	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers		993,673	982,010
Interest received		358	334
GST refunded from the ATO ^(a)		22,520	18,364
Payments to suppliers and employees		(738,447)	(697,989)
Interest and other costs of finance paid		(83,612)	(81,927)
Income tax paid		(64,661)	(69,914)
Net cash inflow from operating activities	6.3.1	129,831	150,878
Cash flows from investing activities			
Proceeds from sale of infrastructure, property, plant and equipment		2,010	2,092
Payments for infrastructure, property, plant and equipment, and intangibles		(192,709)	(149,416)
Net proceeds from joint operations		15,776	-
Net cash (outflow) from investing activities		(174,923)	(147,324)
Cash flows from financing activities			
Proceeds from borrowings ^(b)		266,000	266,100
Repayment of borrowings ^(c)		(140,000)	(140,000)
Capital repatriation		(22,180)	(22,180)
Dividends paid		(58,700)	(107,100)
Net cash inflow/(outflow) from financing activities		45,120	(3,180)
Net increase/(decrease) in cash held		28	374
Cash at the beginning of the financial year		2,209	1,835
Cash at the end of the financial year		2,237	2,209

^(a) GST refunded from the Australian Taxation Office (ATO) is presented on a net basis.

^(b) Proceeds from borrowings includes the amount of borrowings that were paid down 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, directors' and CFO declaration and notes accompanying these statements for the year ending 30 June 2019. 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 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 2019 was authorised for issue in accordance with a resolution of the directors on 19 August 2019.

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. For details regarding the controlled entity, please refer to Note 9.6.

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. Key areas involving a high degree of estimates and assumptions that can materially impact the financial statements include:

	Note(s)
• employee benefits provision	3.2.2
• fair value of infrastructure, property, plant and equipment	4.1, 8.2.2
• estimated useful lives of assets	4.1
• impairment of assets	4.1, 5.1.1
• accrued revenue	5.3
• income tax and deferred tax recognition	7.1
• contingent assets and liabilities	8.3
• actuarial assumptions on defined benefit superannuation	9.3

Accounting policies

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

Application of new accounting standards effective 1 July 2018

This is the first set of the Group's annual financial statements in which AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* have been applied.

- AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has applied AASB 15 as at 1 July 2018 using the modified retrospective method, resulting in an opening balance adjustment against retained earning of \$13.5 million. Comparative information for 2017–18 has not been restated in the 2018–19 financial report.

- AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*, introduces new requirements for:
 - recognition, classification and measurement
 - a new impairment model for financial assets based on expected credit losses
 - simplified hedge accounting.

The Group has applied AASB 9 as at 1 July 2018 and has applied the new rules on a modified retrospective basis. As a result, comparative information for 2017–18 has not been restated in the 2018–19 financial report. Based on management’s assessment, no opening balance adjustment was required.

Further disclosures in relation to AASB 15 and AASB 9 are provided in Note 9.9 of this report.

Joint arrangements - Aquarevo

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

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

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

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

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

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

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

2. Funding delivery of our services

Introduction:

This section provides information on income generated by the Group and relevant accounting policies, key estimates and judgements.

Structure:

- 2.1 Revenue from contracts with customers
 - 2.1.1 Revenue from service and usage charges
 - 2.1.2 Revenue from developer contributions
 - 2.1.3 Other revenue
- 2.2 Other income
- 2.3 Commitments for lease receivables

2.1 Revenue from contracts with customers

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

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

Summary of revenue from contracts with customers

Consolidated entity	Note	2019 \$'000	2018 \$'000
Revenue from service and usage charges	2.1.1	861,479	898,863
Revenue from developer contributions	2.1.2	121,293	135,526
Other revenue	2.1.3	57,532	55,548
Total revenue from contracts with customers		1,040,304	1,089,937

2.1.1 Revenue from service and usage charges

Consolidated entity	Service charges		Usage charges		Government water rebate		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Major services								
Water	86,738	87,866	375,770	405,374	-	(69,185)	462,508	424,055
Sewerage	268,211	271,074	100,805	174,073	-	-	369,016	445,147
Trade waste	5,760	5,546	18,887	18,862	-	-	24,647	24,408
Recycled water ^(a)	797	1,219	4,511	4,034	-	-	5,308	5,253
	361,506	365,705	499,973	602,343	-	(69,185)	861,479	898,863
Timing of revenue recognition								
Services transferred:								
at a point in time	-	-	-	-	-	(69,185)	-	(69,185)
over time	361,506	365,705	499,973	602,343	-	-	861,479	968,048
Total revenue from service and usage charges	361,506	365,705	499,973	602,343	-	(69,185)	861,479	898,863

^(a) Revenue categories have been reclassified between Note 2.1.1 revenue from service and usage charges and Note 2.1.3 other revenue.

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.

AASB 15 usually requires the disclosure of the aggregate amount of revenue expected to be derived from performance obligations which are unsatisfied as at the end of the reporting period. Management consider that such an amount cannot be reliably estimated, primarily because the Group's obligation to supply customers with major services will continue in perpetuity. As a result, the Group has applied the practical approach given in AASB 15, paragraph 121(b), not to disclose this amount in relation to service and usage charges.

Service charges are billed quarterly based on a fixed fee and revenue is recognised over time as the customer simultaneously receives and consumes the services provided by the Group. 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).

Usage charges are billed quarterly in arrears and revenue is recognised over time as the Group has the right to receive an amount of consideration based on the unit of water consumed by and sewage or trade waste disposed of during the financial year and the regulated price. The Group has applied the practical approach given in AASB 15, paragraph B16, where revenue can be recognised in the amount which it has a right to receive, since the amount is considered by management to correspond directly with the value to the customer of the Group's performance to date. This revenue stream includes an estimate of the amount of water consumed by and sewerage disposed for customers that are not yet billed at the end of the period. This estimate is classified as contract assets (refer Note 5.3).

Government Water Rebate represents a rebate back to customers provided by South East Water on behalf of the state government on water bills of residential water customers. The Government Water Rebate was recognised as a rebate against revenue when the associated revenue is billed. The final year of the rebate was 2017–18.

There is no impact on the recognition of revenue from service and usage charges as a result of the adoption of AASB 15.

2.1.2 Revenue from developer contributions

Consolidated entity	2019	2018
	\$'000	\$'000
Developer contributed assets	78,525	90,662
New customer contributions	42,768	44,864
Total developer contributions	121,293	135,526

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 can occur 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	2019	2018
	\$'000	\$'000
Sale of goods and services - iota	8,617	10,754
Other services rendered	33,071	32,856
Net gain on sale of non-current physical assets	299	169
Net gain on sale of assets classified as held for sale	3,598	-
Reversal of land revaluation decrements	-	2,019
Miscellaneous revenue ^(a)	11,947	9,750
Total other revenue	57,532	55,548

^(a) Revenue categories have been reclassified between Note 2.1.1 revenue from service and usage charges, Note 2.1.3 other revenue and Note 2.2 other income.

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

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

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

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

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

There is no other material impact on the recognition of revenue from other revenue as a result of the adoption of AASB 15.

2.2 Other income

Consolidated entity	2019	2018
	\$'000	\$'000
Rent income	2,823	2,664
Interest income	357	334
Total other income ^(a)	3,180	2,998

^(a) Revenue categories have been reclassified between Note 2.2 other income and Note 2.1.3 other revenue.

Rent income is recognised in accordance with AASB 117 *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.

2.3 Commitments for lease receivables

Revenue for 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 represent non-cancellable operating leases, contracted for at balance date but not provided in the financial statements, receivable:

Consolidated entity	2019	2018
	\$'000	\$'000
Not later than 1 year	1,896	2,323
Later than 1 year and not later than 5 years	3,635	3,967
Later than 5 years	3,713	2,885
Total lease receivables (inclusive of GST)	9,244	9,175
Less GST payable to Australian Taxation Office	(840)	(834)
Total lease receivables (exclusive of GST)	8,404	8,341

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 includes relevant accounting policies, key estimates and judgements.

Structure:

- 3.1 Operating expenses
- 3.2 Our people
 - 3.2.1 Employee benefits cost
 - 3.2.2 Employee benefits provision
- 3.3 Commitments for operating expenditure

3.1 Operating expenses

Consolidated entity	2019	2018
	\$'000	\$'000
Bulk water and sewerage charges	513,570	497,253
Operating contracts	75,112	66,539
Taxes, fees and charges	5,509	6,961
Expected credit loss allowance	2,561	1,769
Asset write-offs	1,111	3,917
Impairment write down of assets to recoverable amount	164	-
Other expenses	22,858	22,476
Total operating expenses	620,885	598,915

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

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

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

Other expenses comprise of materials, insurance, IT costs, rental and lease expenses, 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	2019	2018
	\$'000	\$'000
Salaries and wages, annual leave and long service leave	49,297	50,040
Superannuation expense	6,737	6,331
Total employee benefits cost	56,034	56,371

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.

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	2019	2018
	\$'000	\$'000
Current		
Annual leave:		
Unconditional and expected to settle within 12 months	4,254	3,986
Long service leave:		
Unconditional and expected to settle within 12 months	1,588	1,205
Unconditional and expected to settle after 12 months	10,277	8,667
Provisions for on-costs:		
Unconditional and expected to settle within 12 months	1,064	976
Unconditional and expected to settle after 12 months	1,926	1,681
Total current employee benefits provision	19,109	16,515
Non-current		
Long service leave - conditional	2,177	1,707
On-costs	408	331
Total non-current employee benefits provision	2,585	2,038
Total employee benefits provision	21,694	18,553

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.

As the Group expects the liabilities for salaries and annual leave to be wholly settled within 12 months of reporting date, they are measured at an undiscounted amount.

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.

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 operating leases and contracts entered into prior to balance date. Payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. These commitments disclosed below are at their nominal value and inclusive of GST.

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

Lease commitments

The Group leases property, motor vehicles and office equipment, which have an average lease term of six years. The following table represent non-cancellable operating leases, contracted for at balance date but not provided in the financial statements, payable:

Consolidated entity	2019	2018
	\$'000	\$'000
Not later than 1 year	1,139	1,487
Later than 1 year and not later than 5 years	1,747	3,211
Later than 5 years	419	574
Total lease expenditure (inclusive of GST)	3,305	5,272
Less GST recoverable from Australian Taxation Office	(300)	(479)
Total lease expenditure (exclusive of GST)	3,005	4,793

Other expenditure commitments

Total other operating expenditure (excluding leases) contracted for at balance date but not provided in the financial statements, are payable:

Consolidated Entity	2019	2018
	\$'000	\$'000
Not later than one year	5,468	3,601
Later than 1 year and not later than 5 years	6,625	7,583
Later than 5 years	4,262	-
Total expenditure (inclusive of GST)	16,355	11,184
Less GST recoverable from Australian Taxation Office	(1,487)	(1,017)
Total expenditure (exclusive of GST)	14,868	10,167

4. Key assets used 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-current assets held for sale
- 4.5 Capital commitments

4.1 Infrastructure, property, plant and equipment

Consolidated entity	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Infrastructure assets at fair value	3,697,199	3,490,469	-	-	3,697,199	3,490,469
Land at fair value	187,590	218,382	-	-	187,590	218,382
Buildings at fair value	85,882	85,337	(1)	(6,219)	85,881	79,118
Plant and equipment at fair value ^(a)	51,915	43,613	(30,303)	(26,605)	21,612	17,008
Leasehold improvements at fair value	2,143	2,143	(1,764)	(1,609)	379	534
Capital works in progress at cost	123,295	78,845	-	-	123,295	78,845
Total	4,148,024	3,918,789	(32,068)	(34,433)	4,115,956	3,884,356

^(a) Plant and equipment of \$0.023 million in 2017-18 has been reclassified to intangible assets works in progress to better reflect the nature of the balance.

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 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 (Note 8.3). Developer reimbursements are capitalised with the asset recognised as infrastructure, property, plant and equipment in the Consolidated Balance Sheet.

Subsequent measurement

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

Revaluations

Revaluations are performed annually for infrastructure assets and for all other assets on a cyclical basis in accordance with FRD 103H *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 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.

If land and buildings were measured at historical cost, the carrying amount would be \$96.2 million. The carrying amount for infrastructure assets would be \$2,870.0 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). This is written off as an expense in the Consolidated Statement of Comprehensive Income.

Depreciation

All infrastructure, property, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated. The exceptions to this rule include assets held for sale and land. Depreciation commences from the date of acquisition or, in respect of constructed assets, from the time an asset is completed or held ready for use. Depreciation rates are reviewed annually.

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	5% – 70%
Plant and equipment (iota)	Straight line	3 - 20 years

Impairment of assets

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

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

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However this reversal shall not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for 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.

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

2019	Infrastructure assets	Land	Buildings	Plant and equipment	Leasehold improvements	Capital works in progress	Total
Consolidated entity	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	3,490,469	218,382	79,118	17,008	534	78,845	3,884,356
Additions	-	382	1,089	12,732	5	249,295	263,503
Fair value of assets received from developers	76,875	-	-	-	-	(76,875)	-
Transfers	127,970	-	-	-	-	(127,970)	-
Disposals	(1,051)	(3,985)	-	(1,872)	-	-	(6,908)
Revaluations	78,191	(22,294)	8,195	-	-	-	64,092
Depreciation expense	(75,255)	-	(2,521)	(6,256)	(160)	-	(84,192)
Transfer to disposal group held for sale	-	(4,895)	-	-	-	-	(4,895)
Closing balance	3,697,199	187,590	85,881	21,612	379	123,295	4,115,956

2018	Infrastructure assets	Land	Buildings	Plant and equipment ^(a)	Leasehold improvements	Capital works in progress	Total
Consolidated entity	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	3,324,880	181,402	83,292	17,349	576	81,021	3,688,520
Additions	-	653	450	7,101	71	217,063	225,338
Fair value of assets received from developers	90,662	-	-	-	-	(90,662)	-
Transfers	128,577	-	-	-	-	(128,577)	-
Disposals	(1,962)	-	(2,142)	(1,678)	-	-	(5,782)
Revaluations	21,572	38,199	-	-	-	-	59,771
Depreciation expense	(73,260)	-	(2,482)	(5,764)	(113)	-	(81,619)
Transfer to disposal group held for sale	-	(1,872)	-	-	-	-	(1,872)
Closing balance	3,490,469	218,382	79,118	17,008	534	78,845	3,884,356

^(a) Plant and equipment of \$0.023 million in 2017-18 has been reclassified to intangible assets works in progress under note 4.3 to better reflect the nature of the balance.

4.3 Intangible assets

2019	IT software	Works in progress	Water entitlements	Other	Total
Consolidated entity	\$'000	\$'000	\$'000	\$'000	\$'000
Gross carrying amount					
Opening balance as at 1 July 2018	103,238	6,698	96,916	373	207,225
Additions	-	20,403	-	-	20,403
Transfers	18,012	(18,012)	-	-	-
Closing balance as at 30 June 2019	121,250	9,089	96,916	373	227,628
Accumulated amortisation					
Opening balance as at 1 July 2018	(78,528)	-	-	(279)	(78,807)
Amortisation	(11,334)	-	-	(47)	(11,381)
Closing balance as at 30 June 2019	(89,862)	-	-	(326)	(90,188)
Net book value as at 30 June 2019	31,388	9,089	96,916	47	137,440
2018					
Consolidated entity	IT software	Works in progress ^(a)	Water entitlements	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross carrying amount					
Opening balance as at 1 July 2017	88,420	5,781	96,916	373	191,490
Additions	280	15,455	-	-	15,735
Transfers	14,538	(14,538)	-	-	-
Closing balance as at 30 June 2018	103,238	6,698	96,916	373	207,225
Accumulated amortisation					
Opening balance as at 1 July 2017	(68,384)	-	-	(233)	(68,617)
Amortisation	(10,144)	-	-	(47)	(10,191)
Closing balance as at 30 June 2018	(78,528)	-	-	(280)	(78,808)
Net book value as at 30 June 2018	24,710	6,698	96,916	93	128,417

^(a) Plant and equipment of \$0.023 million in 2017-18 has been reclassified to intangible assets works in progress to better reflect the nature of the balance.

Intangible assets comprise of IT software 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).

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. Intangible assets with indefinite useful lives are carried at cost less 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.

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*.

Items recognised as intangible assets (excluding water entitlements) are amortised over their useful lives from date of acquisition on the following basis:

Description	Depreciation method	Useful life
IT software	Diminishing value	2 – 5 years
Other	Straight line	15 years

Amortisation rates are reviewed annually.

Impairment

In addition, an assessment is made at the end of each reporting period to determine whether there are indicators that the intangible asset concerned is impaired. If so, the intangible assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

4.4 Assets classified as held for sale

Consolidated entity	2019	2018
	\$'000	\$'000
Freehold land held for sale	4,895	15,580
Total assets classified as held for sale	4,895	15,580

The land held for sale balance of \$4.9 million is the portion of land at Evans Road, Lyndhurst in relation to the Aquarevo joint arrangement (refer Note 1) that is available for immediate sale as at 30 June 2019 and will remain in land held for sale until settlement. The total book value of the land to be sold under the joint arrangement is currently valued at \$18.5 million and the remaining \$13.6 million balance is accounted for as a non-current asset under land at 30 June 2019 as it's not expected to be sold until the 2020–21 financial year.

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

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

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

Aquarevo joint arrangement

During 2018–19, \$19.6 million of land associated with the Aquarevo joint arrangement were settled, resulting in:

- \$3.6 million in net gain from sale of assets classified as held for sale (Refer Note 2.1.3)
- \$12.2 million net decrease to the Consolidated Balance Sheet
- \$15.8 million in net cash inflow from investing activities in the Consolidated Cash Flow Statement

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	2019	2018
	\$'000	\$'000
Not later than one year	129,320	29,991
Later than 1 year and not later than 5 years	8,810	-
Total capital expenditure (inclusive of GST)	138,130	29,991
Less GST recoverable from the Australian Taxation Office	(12,557)	(2,726)
Total capital expenditure (exclusive of GST)	125,573	27,265

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
 - 5.1.1 Impairment of contractual receivables
- 5.2 Payables
- 5.3 Contract assets and contract liabilities
- 5.4 Deposits and advances

5.1 Receivables

Consolidated entity	2019	2018
	\$'000	\$'000
Contractual		
Trade debtors	74,561	72,909
Allowance for impairment of contractual receivables	(2,954)	(2,576)
Other debtors	15,558	99
	87,165	70,432
Statutory		
GST input tax credits receivable	8,338	11,015
Total receivables ^(a)	95,503	81,447

^(a) Accrued revenue previously classified under Note 5.1 Receivables is now classified under Note 5.3 Contract Assets due to AASB 15.

Contractual receivables, such as trade debtors in relation to goods and services, are classified as financial assets at amortised costs. They are initially recognised at fair value plus any directly attributable transaction costs. The Group holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measure at amortised cost using the effective interest method, less any impairment. Trade debtors are required to be settled within 14 days.

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

5.1.1 Impairment of contractual receivables

AASB 9 *Financial Instruments* replaces the incurred loss model in AASB 139 with an expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under AASB 9, credit losses are recognised earlier than AASB 139. 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.

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 before 1 July 2018 and adjusted to reflected current and forward looking information affecting the ability of customers to pay their receivables, such as existing market conditions and customer growth rates with South East Water's service region.

On this basis, the Group has determined that the application of AASB 9's impairment requirements at 1 July 2018 and 30 June 2019 results in loss allowance. Management recalculated the loss allowance for 1 July 2018, which resulted in minimal changes. Therefore, no opening balance adjustment was required.

The loss allowance increased by a further \$0.4 million for trade debtors during the current reporting period. Further details is provided in Note 9.9 in relation to the opening balance adjustment.

Consolidated entity	Current	More than 30 days past due	More than 90 days past due	Total
30 June 2019	\$'000	\$'000	\$'000	\$'000
Expected loss rate	0.9%	5.9%	21.2%	
Gross carrying amount - trade debtors	74,943	5,848	9,253	90,044
Loss allowance	647	345	1,962	2,954

Consolidated entity	Current	More than 30 days past due	More than 90 days past due	Total
1 July 2018	\$'000	\$'000	\$'000	\$'000
Expected loss rate	0.7%	4.7%	21.1%	
Gross carrying amount - trade debtors	57,288	6,975	8,646	72,909
Loss allowance	422	327	1,827	2,576

Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

In prior years, a provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. Indicators that there is no reasonable expectation of recovery include, but not limited to, the failure of a debtor to engage in a repayment plan with the Group and a failure to make agreed payments for a period of greater than 180 days past due. There are no material financial assets that are individually determined to be impaired.

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

The closing allowance for expected credit losses for trade receivables as at 30 June 2019 reconcile to the opening loss allowances as follows:

Consolidated entity	2019	2018
	\$'000	\$'000
Balance at 30 June	(2,576)	(2,870)
Opening retained earnings adjustment	-	-
Opening loss allowance as at 1 July	(2,576)	(2,870)
(Increase)/decrease in provision recognised in the net result	(2,567)	(1,769)
Reversal of provision of receivables written off during the year as uncollectible	2,236	2,096
Reversal of unused provision recognised in the net result	(47)	(33)
Balance at the end of the year	(2,954)	(2,576)

5.2 Payables

Consolidated entity	2019	2018
	\$'000	\$'000
Contractual		
Trade creditors	13,050	5,601
Accrued expenses	98,899	82,676
	111,949	88,277
Statutory		
Taxes payable	1,835	3,531
Total payables	113,784	91,807

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 have an average credit period of 30 days. All payables are due and payable within 12 months.

5.3 Contract assets and contract liabilities

Consolidated entity	2019	2018
	\$'000	\$'000
Accrued revenue ^(a)	65,636	89,171
Unbilled new customer contributions	2,901	-
Unbilled other income	752	-
Total contract assets	69,289	89,171
Developer contributed assets	3,140	-
New customer contributions	12,326	-
Other income	5,173	-
Total contract liabilities	20,639	-

^(a) Accrued revenue previously classified under Note 5.1 Receivables is now classified under Contract Assets due to AASB 15.

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.

At 30 June 2019, \$2.8 million of the \$3.7 million in contract assets relate to the balance at the beginning of the period.

Accrued revenue is recognised for water and sewage usage as well as other works and services that have been provided to customers at balance date but not yet invoiced. Usage charges are all recognised as revenue when the service has been provided. An accrual is done to account for water and sewage services provided for but not billed at the end of the reporting period. This is calculated using the volume of water purchased from Melbourne Water to the end of the period less the estimated non-revenue water. 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).

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.

At 30 June 2019, \$2.5 million of the \$20.6 million in contract liabilities relate to the balance at the beginning of the period.

5.4 Deposits and advances

Consolidated entity	2019	2018
	\$'000	\$'000
Advances	11,999	8,802
Unearned income	696	1,085
Total deposits and advances ^(a)	12,695	9,887

^(a) Balances relating to developer contributions and other income that fall within the scope of AASB 15 were previously classified in unearned income in 2017-18 are now classified within contract liabilities in 2018-19. Refer Note 5.3.

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.

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 borrowings) and other information related to financing activities of the Group.

Structure:

- 6.1 Borrowings
 - 6.1.1 Maturity analysis of borrowings
- 6.2 Finance costs
- 6.3 Cash flow information
 - 6.3.1 Reconciliation of net result to cash flow from operating activities

6.1 Borrowings

Consolidated entity	2019 \$'000	2018 \$'000
Current		
11am borrowings	42,300	46,300
Non-current		
Fixed rate borrowings	1,670,000	1,540,000
Total borrowings	1,712,300	1,586,300

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.

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

6.1.1 Maturity analysis of borrowings

Consolidated entity	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
30 June 2019				
Borrowings – floating interest rate	42,300	–	–	42,300
Borrowings – fixed interest rate	–	653,875	1,016,125	1,670,000
Total	42,300	653,875	1,016,125	1,712,300
30 June 2018				
Borrowings – floating interest rate	46,300	–	–	46,300
Borrowings – fixed interest rate	–	592,650	947,350	1,540,000
Total	46,300	592,650	947,350	1,586,300

6.2 Finance costs

Consolidated entity	2019 \$'000	2018 \$'000
Interest expense	61,244	61,243
Financial accommodation levy	22,359	21,513
Bank charges	13	17
Total finance costs	83,616	82,773

Finance costs 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. 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	2019 \$'000	2018 \$'000
Net Result after Income Tax	103,615	165,098
Depreciation and amortisation	95,573	91,810
Write-off of non-current assets	1,111	3,917
Net (profit) / loss on sales of assets	(3,897)	(169)
Developer contributed assets	(78,525)	(90,662)
Defined benefit (income) / expenses	1,053	1,275
(Gain) / loss on revaluation of non-current assets	164	(2,019)
Net (gain) / loss on financial instruments	2,567	-
Adjustment due to change in accounting policy	(19,335)	-
Changes in operating assets and liabilities		
(Increase) / decrease in receivables	(1,140)	(19,954)
(Increase) / decrease in contract assets	19,881	-
(Increase) / decrease in income tax asset	(2,537)	-
(Increase) / decrease in inventories	1,014	(978)
(Increase) / decrease in prepayments	(2,042)	(961)
Increase / (decrease) in payables	4,927	1,791
Increase / (decrease) in contract liabilities	20,639	-
Increase / (decrease) in income tax payable	(17,744)	(4,070)
Increase / (decrease) in net deferred tax liabilities	(1,311)	4,265
Increase / (decrease) in provisions	3,006	598
Increase / (decrease) in deposits and advances	2,808	92
Increase / (decrease) in accrued interest payable	4	846
Net cash inflow from operating activities	129,831	150,878

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
 - 7.2.1 Dividends
 - 7.2.2 Capital repatriation
- 7.3 Environmental contributions

7.1 Income tax

Consolidated entity	2019	2018
	\$'000	\$'000
(a) Income tax expense		
The major components of income tax expense are:		
Current tax	44,377	67,976
Income tax under provided in prior year	(20)	(61)
Deferred tax expense/(income) relating to timing differences	(1,289)	2,194
	43,068	70,109
(b) Deferred income tax recognised in other comprehensive income		
Gain/(loss) on revaluation of infrastructure assets	23,457	6,471
Gain/(loss) on revaluation of land and buildings	1,435	2,011
Gain/(loss) on defined benefit superannuation plan actuarial	(2,366)	1,433
	22,526	9,915
(c) Amounts recognised directly in equity		
The Group has recognised a net deferred tax asset of \$5.8 million directly in retained earnings as a result of a change in accounting policy. Refer Note 9.9.1		
(d) Reconciliation of income tax expense to prima facie tax payable		
Accounting profit before tax	146,681	235,206
Income tax calculated @ 30%	44,004	70,562
Add		
Non-deductible depreciation	3	17
Non-assessable (gain) from the sale of pre-CGT land	(1,079)	-
Non-assessable (gain)/non-deductible loss from asset revaluation	8	(546)
Non-deductible expenses	132	76
	43,068	70,109
(e) Income tax position		
Income tax asset	2,537	-
Current tax payable	-	17,744

	2019 \$'000	2018 \$'000
(f) Deferred tax items		
Deferred tax liabilities		
Defined benefit superannuation asset	170	2,852
Contract assets	1,096	-
Prepayments	-	20
Land and buildings	7,387	6,000
Infrastructure assets ^(a)	540,175	516,547
Total deferred tax liabilities	548,828	525,419
Recognised directly in equity	364,053	354,312
Recognised directly in net profit	184,775	171,107
Total deferred tax liabilities	548,828	525,419
^(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.		
Deferred tax assets		
Provisions	(1,032)	(963)
Contract liability	(6,123)	-
Employee benefits	(6,508)	(5,566)
Property, plant and equipment	(1,703)	(741)
Leasehold improvements future deductible amounts	(324)	(324)
Other	(679)	(783)
Total deferred tax assets	(16,370)	(8,377)
Recognised directly in equity	-	-
Recognised directly in net profit	(16,370)	(8,377)
Total deferred tax assets	(16,370)	(8,377)
Net deferred tax liabilities	532,458	517,042

The Group is subject to the National Tax Equivalent Regime (NTER) which is administered by the Australian Taxation Office (ATO). The essential 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, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, 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.

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 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 substantively enacted at balance date. 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	2019	2018
	\$'000	\$'000
Final dividend paid during 2017–18 in respect of 2016–17	-	82,200
Interim dividend paid during 2017–18 in respect of 2017–18	-	24,900
Final dividend paid during 2018–19 in respect of 2017–18	58,700	-
Total dividends	58,700	107,100

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	2019	2018
	\$'000	\$'000
Capital repatriation	22,180	22,180
Total capital repatriation	22,180	22,180

Pursuant to FRD 119A *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 contributions

Consolidated entity	2019	2018
	\$'000	\$'000
Environmental contribution levy	40,693	27,860
Total environmental contribution levy	40,693	27,860

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 2020.

The purpose of the environmental contribution 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 to the Department of Environment, Land, Water and Planning.

Environmental contribution levy commitment

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

Consolidated entity	2019	2018
	\$'000	\$'000
Not later than one year	40,693	40,693
Later than 1 year and not later than 5 years	-	40,693
Total environmental contribution levy commitment	40,693	81,386

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
- 8.2 Fair value determination
 - 8.2.1 Fair value determination of financial assets and liabilities
 - 8.2.2 Fair value determination of non-financial physical assets
- 8.3 Contingent assets and contingent liabilities

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).

From 1 July 2018, the Group applies AASB 9 and classified all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

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
- contract assets
- receivables (excluding statutory receivables).

Categories of financial assets previously under AASB 139 are detailed in Note 9.9.

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: From 1 July 2018, the Group has been recognising an allowance for expected credit losses for the relevant financial instruments. For further details, refer Note 5.1.1.

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

- payables (excluding statutory payables)
- contract liabilities
- deposits and advances
- borrowings.

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 as an 'other economic flow' in the Consolidated Statement of Comprehensive Income.

The Group considers that the carrying amount of financial assets and financial liabilities (excluding borrowings) recorded in the Consolidated Financial Report 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.

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.

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. Refer Note 5.1.1.

There has been no material change to the Group's credit risk profile in 2018–19. At 30 June 2019, the Group had no credit risk arising from investments.

Financial instruments: Liquidity risk

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

The Group is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees. The Group manages liquidity risk by maintaining and conducting efficient banking practices and account structures, sound cash

management practices and regular monitoring of the maturity profile of assets and liabilities, together with anticipated cash flows.

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

The Group has adopted a long term capital structure that targets a gearing ratio of less than 60 per cent and funds from operations (FFO) net interest coverage of 2.0 to 3.0 times. These targets are used to ensure the Group is financially sustainable in the medium to long term. The gearing and interest coverage ratios for the years ended 30 June 2019 and 30 June 2018 are:

	2019	2018
Gearing - Net Debt/(Net Debt + Equity)	45.8%	44.4%
FFO net interest cover (times)	2.6	2.8

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

Financial instruments: Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of adverse movements in interest rates relates primarily to its debt obligations with terms to maturity or next interest rate reset of less than one year.

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

The Group has minimal exposure to interest rate risk by managing its debt portfolio consistent with the following target bands:

Term to maturity:	Target
0 to less than 1 year	0 – 35%
1 to less than 2 years	5 – 15%
2 to less than 3 years	5 – 15%
3 to less than 4 years	5 – 15%
4 to less than 5 years	5 – 15%
5 to less than 6 years	5 – 15%
6 to less than 7 years	5 – 15%
7 to less than 8 years	5 – 15%
8 to less than 9 years	5 – 15%
9 to less than 10 years	0 – 15%
10 to less than 11 years	0 – 15%

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

2019	Weighted average interest rate	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000
Financial assets					
Cash	1.40%	2,237	-	2,237	-
Receivables		87,165	-	-	87,165
Contract assets		69,289	-	-	69,289
Total financial assets		158,691	-	2,237	156,454
Financial Liabilities					
Payables		(111,949)	-	-	(111,949)
Contract Liabilities		(20,639)	-	-	(20,639)
Deposits and advances		(12,695)	-	-	(12,695)
Borrowings - floating interest rate	1.45%	(42,300)	-	(42,300)	-
Borrowings - fixed interest rate	3.63%	(1,670,000)	(1,670,000)	-	-
Total financial liabilities		(1,857,583)	(1,670,000)	(42,300)	(145,283)
2018					
	Weighted average interest rate	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000
Financial assets					
Cash	1.46%	2,209	-	2,209	-
Receivables		70,432	-	-	70,432
Contract assets		89,171	-	-	89,171
Total financial assets		161,812	-	2,209	159,603
Financial Liabilities					
Payables		(88,277)	-	-	(88,277)
Deposits and advances		(9,887)	-	-	(9,887)
Borrowings - floating interest rate	1.67%	(46,300)	-	(46,300)	-
Borrowings - fixed interest rate	3.93%	(1,540,000)	(1,540,000)	-	-
Total financial liabilities		(1,684,464)	(1,540,000)	(46,300)	(98,164)

Interest rate risk sensitivity

As at 30 June 2019, if interest rates changed by + / - 50 basis points from the year end rates with all other variables held constant, post-tax profit would have been \$0.855 million higher / lower (2017-18: \$0.958 million) as a result of higher / lower interest expense from variable interest rate borrowings.

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.

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

	30 June 2019		30 June 2018	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial liabilities				
Borrowings	1,712,300	1,865,418	1,586,300	1,642,376

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.

There have been no transfers between levels during the period.

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

2019	Carrying amount at 30 June 2019	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
Consolidated entity	\$'000	\$'000	\$'000	\$'000
Infrastructure assets	3,697,199	-	-	3,697,199
Specialised land	165,911	-	-	165,911
Non-specialised land	21,679	-	21,679	-
Non-specialised buildings	85,881	-	-	85,881
Plant and equipment	21,612	-	-	21,612
Leasehold improvements	379	-	-	379
Freehold Land held for sale	4,895	-	4,895	-
Total	3,997,556	-	26,574	3,970,982

2018	Carrying amount at 30 June 2018	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
Consolidated entity	\$'000	\$'000	\$'000	\$'000
Infrastructure assets	3,490,469	-	-	3,490,469
Specialised land	185,934	-	-	185,934
Non-specialised land	32,448	-	32,448	-
Non-specialised buildings	79,118	-	79,118	-
Plant and equipment	17,008	-	-	17,008
Leasehold improvements	534	-	-	534
Freehold Land held for sale	15,580	-	15,580	-
Total	3,821,091	-	127,146	3,693,945

Land and buildings were independently valued by the Valuer-General Victoria's Office at 30 June 2016, in accordance with FRD 103H.

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

Non-specialised buildings are measured using the current replacement cost method, adjusting for the associated depreciations. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements. As a result, the Group has transferred buildings previously categorised under Level 2 to Level 3 at 30 June 2019.

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

The valuation model includes:

- calculating the forecast cash flows to debt and equity investors over a 10 year forecast period. Cash flows to debt and equity investors are those cash flows available after all operating expenses (including taxes) have been paid and necessary investments in working and fixed capital have been made.
- calculating a terminal value at the end of the 10 year forecast period. The terminal value is calculated by adopting the Gordon Growth methodology by applying the mid-point of the WACC, terminal growth rate and terminal cash flows. A single terminal value has been adopted due to the sensitive nature of the terminal value in the model.
- discounting the cash flows to the valuation date using the selected high and low WACC to adopt a mid-point (\$3.7 billion).
- deducting non-infrastructure related assets and liabilities to derive the implied water infrastructure assets valuation.
- calculating the tax amortisation benefit (TAB) on the water infrastructure assets, which is an estimate of the present value of future tax amortisation benefits that may be received by a hypothetical market participant.
- adding the TAB to the implied water infrastructure assets valuation to arrive at the total value of the water infrastructure assets.

The valuation resulted in a valuation increment of \$78.2 million (2017–18: \$21.6 million increment). The effective date of the valuation is 30 June 2019.

The Group engaged KPMG to independently perform both the 30 June 2018 and 2019 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.

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

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

There were no other changes in valuation techniques throughout the period to 30 June 2019.

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.

2019 Consolidated entity	Infrastructure assets	Specialised land	Non-specialised buildings	Plant and equipment	Leasehold improvements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	3,490,469	185,934	-	17,008	534	3,693,945
Transfer into class from work in progress	204,845	-	1,089	12,732	5	218,671
Transfer in/(out) of Level 3	-	-	79,118	-	-	79,118
Disposals	(1,051)	-	-	(1,872)	-	(2,923)
Depreciation	(75,255)	-	(2,521)	(6,256)	(160)	(84,192)
Sub total	3,619,008	185,934	77,686	21,612	379	3,904,619
Revaluation gains/(losses)	78,191	(20,023)	8,195	-	-	66,363
Sub total	78,191	(20,023)	8,195	-	-	66,363
Closing balance	3,697,199	165,911	85,881	21,612	379	3,970,983
2018						
Consolidated entity	Infrastructure assets	Specialised land	Non-specialised buildings	Plant and equipment	Leasehold improvements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	3,324,880	153,960	-	17,349	576	3,496,765
Transfer into class from work in progress	219,239	-	-	7,101	71	226,411
Transfer in/(out) of Level 3	-	-	-	-	-	-
Disposals	(1,961)	-	-	(1,678)	-	(3,639)
Depreciation	(73,261)	-	-	(5,764)	(113)	(79,138)
Sub total	3,468,897	153,960	-	17,008	534	3,640,399
Revaluation gains/(losses)	21,572	31,974	-	-	-	53,546
Sub total	21,572	31,974	-	-	-	53,546
Closing balance	3,490,469	185,934	-	17,008	534	3,693,945

Description of significant unobservable inputs to Level 3 valuations for 2019 and 2018

Consolidated entity	Valuation technique	Significant unobservable inputs	2019 Range (weighted average)	2018 Range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Infrastructure assets	Income approach (discounted cash flow)	Discount rates (WACC)	5.0% to 5.6%	5.0% to 5.6%	An increase/ (decrease) of 25 bps in the discount rate would result in a decrease of (\$451.6) million, or (12.2%), or an increase of \$878.5 million, or 23.8% to the fair value.
		Terminal value growth rate	(5.3%)	(5.3%)	
		Terminal value capital expenditure	3.25%	3.25%	An increase/ (decrease) of 25 bps in the terminal growth rate would result in an increase of \$580.6 million, or 15.7% or a decrease of (\$454.3) million, or (12.3%) to the fair value.
		Terminal value capital expenditure	\$177.4 million	\$171.3 million	An increase/ (decrease) in the terminal value capital expenditure of 10% would result in an increase/ (decrease) of \$496.9 million to the fair value.
Specialised land	Market approach	Community service obligation adjustment	20% – 40% (21%)	20% – 40% (21%)	A significant increase/ (decrease) in the community service obligation adjustment would result in a significantly lower (higher) fair value.
Non-specialised buildings	Current replacement cost (deemed fair value)	Cost per unit	\$3,000 – \$41,400,000 (\$4,316,000)	N/A ^(a)	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 (44 years)	N/A ^(a)	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	\$4,900 – \$135,000 (\$31,600)	\$600 – \$193,000 (\$44,500)	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 – 10 years (7 years)	4 – 10 years (7 years)	A significant increase/ (decrease) in the lease term would result in a significantly higher or lower valuation.
Plant and equipment	Current replacement cost (deemed fair value)	Cost per unit	\$1 – \$2,300,000 (\$8,000)	\$1 – \$2,700,000 (\$6,300)	A significant increase/ (decrease) in cost per unit would result in a significantly higher or lower fair value.
		Useful life of plant and equipment	3 – 20 years (6 years)	3 – 20 years (5 years)	A significant increase/ (decrease) in the estimated useful life would result in a significantly higher or lower valuation.

^(a) Non-specialised buildings were categorised as level 2 in 2018, therefore no significant inputs disclosed in 2018.

8.3 Contingent assets and contingent liabilities

Where applicable, contingencies are disclosed inclusive of GST recoverable from, or payable to, the Australian Taxation Office.

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 2019, various developers have agreed to construct water and sewerage infrastructure assets to the value of \$96.8 million (2017–18 \$77.3 million). This value relates to \$71.6 million of assets which are under construction (2017–18 \$56.9 million) and \$25.3 million of assets which have not commenced construction (2017–18 \$20.5 million).

Contingent liabilities

Contingent on the construction of assets, the Group is liable to reimburse developers a total amount of \$22.9 million (2017–18 \$16.2 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 2019–20 year).

Other contingent liabilities

Consolidated entity	2019 \$'000	2018 \$'000
Legal claims arising out of the Group's business dealings	52	-
Total other contingent liabilities	52	-

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
 - 9.1.2 Executive officers
- 9.2 Related parties
 - 9.2.1 Key management personnel
 - 9.2.2 Significant transactions and balances with key management personnel and other related parties
 - 9.2.3 Significant transactions and balances with government-related parties
- 9.3 Defined benefits superannuation
- 9.4 Ex-gratia expenses
- 9.5 Auditor remuneration
- 9.6 Controlled entities
 - 9.6.1 Parent entity information
- 9.7 Subsequent events
- 9.8 Australian Accounting Standards issued not yet effective
- 9.9 Change in accounting standards
 - 9.9.1 AASB 15 *Revenue from Contracts with Customers*
 - 9.9.2 AASB 9 *Financial Instruments*

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 2018–19 reporting period was the Hon Lisa Neville MP, Minister for Water. Remuneration paid to the responsible Minister is shown in the financial statements of the Department of Parliamentary Services.

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

Ms L Cade	1/07/2018 – 30/06/2019	Chair
Mr T Beach	1/07/2018 – 30/06/2019	Director
Ms G Bell	1/07/2018 – 30/06/2019	Director
Mr P Day	1/07/2018 – 30/06/2019	Director
Mr T Lyons	1/07/2018 – 30/06/2019	Director
Ms F Marsden	1/07/2018 – 30/06/2019	Director
Ms K McGrath	1/07/2018 – 30/06/2019	Director
Mr A Wood	1/07/2018 – 30/06/2019	Director
Ms T Benson	1/07/2018 – 30/06/2019	Managing Director and Accountable Officer

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

			2019	2018
			No	No
\$30,000	–	\$39,999	0	1
\$50,000	–	\$59,999	7	6
\$90,000	–	\$99,999	1	1
\$390,000	–	\$399,999	0	1
\$430,000	–	\$439,999	1	0
Total			9	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.

	2019	2018
	\$'000	\$'000
Short-term employee benefits	2,102	2,184
Post-employment benefits	165	193
Other long-term benefits	46	43
Total remuneration	2,313	2,420
Total number of executives	9	13
Total annualised employee equivalents ^(a)	8.0	7.5

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

9.2 Related parties

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

Related parties of the Group include:

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

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

9.2.1 Key management personnel

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

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

	2019	2018
	\$'000	\$'000
Short-term employee benefits	816	762
Post-employment benefits	60	63
Other long-term benefits	9	9
Total remuneration ^(a)	885	834

^(a) There are also two executive officers who are deemed KMPs of Iota Services Pty Ltd, subsidiary of South East Water Corporation. Their remuneration are 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. 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.

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

Consolidated entity	2019	2018
	\$'000	\$'000
Payments		
Parks Charge collected on behalf of Parks Victoria	64,314	62,161
Environmental contribution	40,693	27,860
Receipts		
Administration fees for collection of Parks Victoria charges	2,785	2,333
Payable at 30 June		
Parks Charge collected on behalf of Parks Victoria	29	21
Receivable at 30 June		
Administration fees for collection of Parks Victoria charges	129	20

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	2019	2018
	\$'000	\$'000
Payments		
Dividend payments	58,700	107,100
Capital repatriation	22,180	22,180
Taxes and levies	87,268	92,529
Payable at 30 June		
Taxes and levies	6,301	25,078
Receivable at 30 June		
Taxes and levies	3,653	-

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	2019	2018
	\$'000	\$'000
Payments		
Bulk water and sewage charges	510,705	497,482
Drainage charges collected on behalf of Melbourne Water	90,519	91,109
Receipts		
Administration fees for collection of drainage and other charges	5,236	4,701
Payable at 30 June		
Bulk water and sewage charges and drainage charges	5,718	3,777

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	2019	2018
	\$'000	\$'000
Payments		
Finance and interest costs	43,525	43,348
Receipts		
Interest revenue received	6	11
Proceeds from borrowings	126,000	126,100
Payable at 30 June		
Total borrowings and accrued interest expense	1,730,033	1,604,225

Department of Health and Human Services

The Department of Health and Human Services (DHHS) 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 DHHS which are recognised as revenue and expenses.

Consolidated entity	2019	2018
	\$'000	\$'000
Receipts		
Customer rebate reimbursements	45,373	46,154
Administration expenses	267	262
Receivable at 30 June		
Customer rebate reimbursements	1,818	2,066

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 2019, South East Water Corporation purchased goods and services and provided accounting and administrative assistance to iota Services Pty Ltd.

All loans 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.

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.

Zero Emissions Water – Power Purchase Agreement

South East Water Corporation is one of 13 water corporation Members of Zero Emissions Water Limited (ZEW), a public company limited by guarantee. ZEW's substantial objective is to acquire electricity, contracts for difference and other derivative products in relation to electricity, and/or green products from an energy and emissions reduction facility(ies) 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. South East Water Corporation's Managing Director is a Director of ZEW. The Members' Agreement establishes the operating activities of ZEW and the decision-making responsibilities of the ZEW Directors.

Under the Members' Agreement, South East Water Corporation's liability as a member is limited to \$10 in the event of a wind up.

As required by Australian accounting standards, South East Water Corporation has assessed the nature of its relationship with ZEW, and has concluded that it does not have control, joint control or significant influence over ZEW. South East Water Corporation will account for its investment in ZEW as a financial instrument within the scope of AASB 9 *Financial Instruments*. ZEW is a related party of South East Water Corporation.

On 30 October 2018, ZEW entered into an 11-year Power Purchasing Agreement (PPA) with a solar farm energy generator. In relation to the PPA, ZEW will act as a central intermediary between the energy generator and the water corporations. The PPA contains a contract for difference (CFD) payment mechanism in respect of electricity generated by the facility and the sale and supply of large-scale generation certificates (LGCs) from the facility. The PPA contains certain conditions precedent with the target commercial operation date of 1 October 2019. At 30 June 2019, the conditions precedent in the PPA are not completed, and ZEW does not have a contractual obligation for the CFD derivative. Therefore, there are no transactions to recognise as at 30 June 2019.

Upon satisfaction of the conditions precedent, the CFD derivative will be recognised as a financial liability and will be measured at its fair value. Subsequent changes in the fair value of the derivative will be recognised in profit and loss.

The Members' Agreement specifies that South East Water Corporation must make a loan available to the SPV amounting to \$233,060.12. The loan provided to ZEW meets the definition of a financial asset as it gives rise to a contractual right for South East Water Corporation to receive cash from ZEW at the end of the loan term. At 30 June 2019, the loan has not been provided to ZEW.

Once the facility is operational, the financial impact of the members' agreement with ZEW is expected to be an increase in revenue, expenses, and recognition of LGCs as intangible assets or asset held for sale (asset).

Other transactions

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

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

Guarantees given/received

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

9.3 Defined benefit superannuation

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. Some defined benefit members are also eligible for pension benefits in some cases. The defined benefit section of the 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 Equisuper 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

2019	Fair value of plan assets \$'000	Defined benefit obligation \$'000	Net defined benefit asset/ (liability) \$'000
Opening balance at 1 July 2018	68,709	59,202	9,507
Current service cost	-	1,276	(1,276)
Interest income	1,736	-	1,736
Interest expense	-	1,513	(1,513)
Actual return on plan assets less interest income	1,131	-	1,131
Contributions by plan participants	515	515	-
Actuarial gains/(losses) arising from changes in demographic assumptions	-	-	-
Actuarial gains/(losses) arising from changes in financial assumptions	-	7,021	(7,021)
Actuarial gains/(losses) arising from liability experience	-	1,996	(1,996)
Benefits paid	(3,796)	(3,796)	-
Taxes, premiums and expenses paid	(239)	(239)	-
Closing balance at 30 June 2019	68,056	67,488	568
2018	Fair value of plan assets \$'000	Defined benefit obligation \$'000	Net defined benefit asset/ (liability) \$'000
Opening balance at 1 July 2017	66,505	60,498	6,007
Current service cost	-	1,401	(1,401)
Interest income	1,488	-	1,488
Interest expense	-	1,362	(1,362)
Actual return on plan assets less interest income	3,599	-	3,599
Contributions by plan participants	518	518	-
Actuarial gains/(losses) arising from changes in demographic assumptions	-	-	-
Actuarial gains/(losses) arising from changes in financial assumptions	-	59	(59)
Actuarial gains/(losses) arising from liability experience	-	(1,235)	1,235
Benefits paid	(3,167)	(3,167)	-
Taxes, premiums and expenses paid	(234)	(234)	-
Closing balance at 30 June 2018	68,709	59,202	9,507

The asset ceiling has no impact on the net defined benefit liability/(asset).

Fair value of plan assets	Total	Quoted prices in	Significant	Unobservable
		active markets for identical assets - Level 1	observable inputs - Level 2	inputs - Level 3
30 June 2019	\$'000	\$'000	\$'000	\$'000
Asset category				
Investment funds	68,056	-	68,056	-
Total	68,056	-	68,056	-

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

As at	30 June 2019	30 June 2018
Australian equity	9%	10%
International equity	14%	11%
Fixed income	14%	13%
Property	5%	5%
Growth alternatives	10%	10%
Defensive alternatives	8%	5%
Cash	40%	46%

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 2019	30 June 2018	30 June 2019	30 June 2018
Discount rate	2.70%	2.40%	1.30%	2.70%
Expected salary increase rate	3.50%	3.00%	3.00%	3.50%
Expected pension increase rate	2.50%	2.50%	2.50%	2.50%

Sensitivity analysis

The defined benefit obligation as at 30 June 2019 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	Scenario B	Scenario C	Scenario D	Scenario E	Scenario F
		-0.5% p.a. discount rate	+0.5% p.a. discount rate	-0.5% p.a. salary increase rate	+0.5% p.a. salary increase rate	-0.5% p.a. pension increase rate	+0.5% p.a. pension increase rate
Discount rate	1.3%	0.8%	1.8%	1.3%	1.3%	1.3%	1.3%
Salary increase rate	3.0%	3.0%	3.0%	2.5%	3.5%	3.0%	3.0%
Pension increase rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.0%	3.0%
Defined benefit obligation ^(a) (\$'000)	67,488	71,108	64,140	65,557	69,509	66,167	68,941

^(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 Equisuper Contribution and Funding Policy provides for a review of the financial position of the Plan each six months, as at 30 June and 31 December, with the Group's contribution rate comprising a long-term contribution rate and an adjustment to meet the financing objective of a target funding ratio of 104 per cent.

The target funding ratio reflects the proportion of salary related benefits and the allocation to "growth" assets for each EBA. The funding ratio is the ratio of assets to accrued liabilities, being the greater of vested benefits and the present value of past membership benefits.

Where the funding ratio is greater than 100 per cent the financing objective is to achieve the target funding ratio over five years. Where the funding ratio is less than 100 per cent the primary financing objective is to achieve 100 per cent over three years and the target funding ratio over five years.

A review of the financial position of the plan occurs twice a year at 30 June and 31 December, every year. The Group continues to contribute salary sacrifice contributions and at the required rates for accumulation members.

The expected employer contributions for the financial year ending 30 June 2020 is nil.

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation as at 30 June 2019 is eight years (2017–18: eight years).

Expected benefit payments for the financial year ending on:	\$'000
30 June 2019	4,388
30 June 2020	4,167
30 June 2021	4,810
30 June 2022	4,813
30 June 2023	5,077
Following 5 years	24,551

9.4 Ex-gratia expenses

Consolidated entity	2019	2018
	\$'000	\$'000
Forgiveness or waiver of debt ^(a)	124	119
Termination payments ^(a)	26	23
Closing balance	150	142

^(a) Forgiveness or waiver of customer debt due to financial hardship or not economical to pursue. These ex-gratia expenses are recognised as part of bad and doubtful debts in the consolidated statement of comprehensive income.

^(b) Termination payments relate to additional amounts provided in excess of the employees' entitlements. These ex-gratia expenses are recognised as part of employee benefit costs in Note 3.2.1.

Ex-gratia expenses greater than or equal to \$5,000 or those considered material in nature are disclosed above.

9.5 Auditor remuneration

Consolidated entity	2019	2018
	\$'000	\$'000
Victorian Auditor-General's Office - audit of the Group's financial statements	156	152

9.6 Controlled entities

The consolidated financial statements at 30 June 2019 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	
		2019	2018	2019	2018	2019	2018
iota Services Pty Ltd	Australia	\$1	\$1	100	100	(57)	791

Prior to 1 January 2015 iota operated as an unregulated business division of South East Water Corporation. The relevant activities of iota Services Pty Ltd include plumbing services, low pressure sewer solutions and the sale of OneBox® products.

There are no restrictions (statutory, contractual or regulatory) that can affect South East Water Corporation's ability to access or use the assets and settle the liabilities of the group.

South East Water is not contractually required to provide any other financial support to iota Services Pty Ltd. iota Services Pty Ltd has a financial accommodation facility to borrow up to a maximum of \$5.0 million from South East Water. At 30 June 2019, 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	2019 \$'000	2018 \$'000
Current assets	179,150	198,016
Non-Current assets	4,260,269	4,025,663
Total assets	4,439,419	4,223,679
Current liabilities	211,010	184,392
Non-current liabilities	2,205,043	2,059,080
Total liabilities	2,416,053	2,243,472
Contributed equity	386,148	408,328
Reserves	890,236	850,872
Retained earnings	746,982	721,006
Total equity	2,203,366	1,980,207
Net result after tax of parent entity	103,730	162,289
Total comprehensive result	137,515	218,648

9.7 Subsequent events

There were no events after the reporting date that may significantly impact the Group's operations in future reporting periods.

9.8 Australian Accounting Standards issued that are not yet effective

The following applicable Australian Accounting Standards and interpretations have been issued but are not yet effective and therefore have not been adopted for the annual reporting period ending 30 June 2019:

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on consolidated financial report
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019	<p>Based on the assessment by South East Water, there will be an estimated increase of \$11.9 million to both assets and liabilities on the balance sheet (net impact of \$nil).</p> <p>This represents operating leases that are currently in place for buildings, infrastructure assets and equipment under the lease commitments note.</p> <p>Depreciation of leased assets and interest on lease liabilities will be recognised in the income statement with minor impact on the operating results estimated at \$1.3 million in 2019-20.</p> <p>The net impact on the cash flow statement is \$nil, where the cash payment associated with the principal portion of the lease liability will be presented under financing activities and the cash payment associated with the interest portion will be presented under operating activities.</p> <p>No change for lease receivables where the Group is the lessor.</p>

9.9 Change in accounting policy

This note explains the impact of the adoption of AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* from 1 July 2018 and adjustments to the amounts recognised in the financial statements.

9.9.1 AASB 15 Revenue from contracts with customers

In accordance with the transition provisions in AASB 15, the Group has adopted the modified retrospective approach and an adjustment has been applied to the opening balance of retained earnings as at 1 July 2018 for all contracts that were not completed at 1 July 2018 (i.e. in which the Group had not satisfied its performance obligations).

The following table summarises the impact, net of tax, of transactions to AASB 15 on retained earnings at 1 July 2018.

	\$'000
Contract assets	4,017
Contract liabilities	(23,351)
Related tax	5,800
Impact at 1 July 2018	(13,534)

The following tables summarises the impacts of adopting AASB 15 on the Group's consolidated balance sheet as at 30 June 2019 and statement of comprehensive income statement for the year ended 30 June 2019 for each of the **affected line items only**. There was no material impact on the Group's cash flow statement for the year ended 30 June 2019.

Impact on the consolidated statement of comprehensive income:

Consolidated entity	Note	Amounts prepared under:		Increase / (decrease) \$'000
		current AASB 15 \$'000	previous AASB 118 \$'000	
Revenue from contracts with customers				
Revenue from developer contributions	(1)	121,293	118,137	3,156
Other income	(2)	57,532	58,110	(578)
Net result before income tax		146,683	144,105	2,578
Income tax expense		(43,068)	(42,295)	773
Net result after income tax		103,615	101,810	1,865

Impact on the consolidated balance sheet

Consolidated entity	Amounts prepared under:		Increase / (decrease) \$'000
	current AASB 15 \$'000	previous AASB 118 \$'000	
ASSETS			
Income tax asset	2,538	3,311	(773)
Contract assets	3,653	-	3,653
Total assets	4,439,585	4,436,705	2,880
LIABILITIES			
Contract liabilities	20,639	-	20,639
Deferred tax liabilities	532,458	537,485	(5,027)
Total liabilities	2,414,067	2,398,455	15,612
EQUITY			
Retained profits	749,134	761,866	(12,732)
Total equity	2,025,518	2,038,250	(12,732)

Note 1 Accounting for revenue from developer contributions

Developer contributed assets

The Group previously recognised revenue when the risks and rewards of ownership of these assets had been transferred to the Group. Under AASB 15, revenue associated with developer contributed assets are recognised at a point in time when the Group has satisfied its performance obligation. Depending on the type of application submitted, 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.

A contract liability of \$4.8 million was recognised at 1 July 2018.

New customer contributions

The Group previously recognised revenue when the cash was received. Under AASB 15, revenue associated with 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 performance obligation can occur 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, or
- the customer receives consent from the Group to proceed with their application.

As new customer contributions are non-refundable upfront charges applicable when a customer requests to subdivide the land for future development, revenue is recognised later under AASB 15 than under AASB 118. The impacts of these changes on items other than revenue are an increase in contract liabilities.

A contract liability of \$14.2 million and a contract asset of \$3.3 million was recognised at 1 July 2018.

Note 2 Accounting for other revenue

Other revenue include fees paid by customers when a customer requests South East Water's services, which include application fees, meter installation fees and recycled water inspection fees. Under AASB 118, revenue is recognised upon receipt of payment of these fees.

Under AASB 15, revenue associated with other income is recognised at a point in time when the Group satisfies its performance obligation for the specified service requested by the customer. A contract liability of \$4.4 million and contract asset of \$0.8 million was recognised at 1 July 2018.

AASB 15 did not have a significant impact on the Group's accounting policies with respect to other revenue streams not list above.

Presentation of assets and liabilities related to contracts with customers

The Group has voluntarily updated the presentation of certain balances in the balance sheet to reflect the terminology of AASB 15. Contract liabilities in relation to certain developer contributions were previously included under unearned revenue. Refer Note 5.3.

9.9.2 AASB 9 Financial instruments

In accordance with the transition provisions in AASB 9, comparative figures have not been restated. As a result:

- any adjustments to carrying amounts of financial assets or liabilities are recognised at beginning of the current reporting period with difference recognised in the opening retained earnings,
- financial assets and provision for impairment have not been reclassified and/or restated in the comparative period.

On 1 July 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the following AASB 9 categories.

	Measurement category		Allowance for impairment		ECL 1 July 2018 \$'000
	Original (AASB 139)	New (AASB 9)	Original 30 June 2018 \$'000	Remeasurement 30 June 2018 \$'000	
Current financial assets					
Contractual receivables	Loans and receivables	Amortised cost	2,576	2,576	–

Management recalculated the loss allowance for 1 July 2018, which resulted in minimal changes. Therefore, no opening balance adjustment was required. Refer Note 5.1.1 for the application of the Expected Credit Loss (ECL) model.

Financial management compliance attestation statement

I, Lucia Cade, on behalf of South East Water board, certify that South East Water Corporation has complied with the applicable Standing Directions made under the *Financial Management Act 1994* and Instructions.



Lucia Cade

Chair, South East Water Corporation

19 August 2019



Appendicies

Appendix 1 – performance reporting

Financial performance indicators

KPI number	Key performance indicator	2018–19 result	2017–18 result	2018–19 target	Variance to prior year	Notes	Variance to target	Notes
F1	Cash Interest Cover Net operating cash flows before net interest and tax / net interest payments	3.3	3.7	2.8	-10.8%	1a	17.9%	1b
F2	Gearing Ratio Total debt (including finance leases) / total assets * 100	38.6%	37.6%	41.2%	2.7%		-6.3%	
F3	Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure * 100	40.7%	29.7%	18.5%	37.0%	2a	120.0%	2b
F4	Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	1.1	1.2	1.1	-8.3%		0.0%	
F5	Return on Assets Earnings before net interest and tax / average assets * 100	5.3%	7.7%	4.8%	-31.2%	3a	10.4%	3b
F6	Return on Equity Net profit after tax/average total equity * 100	5.2%	8.5%	4.5%	-38.8%	4a	15.6%	4b
F7	EBITDA Margin Earnings before interest, tax, depreciation and amortisation/total revenue * 100	31.2%	37.4%	29.9%	-16.6%	5a	4.3%	

Notes:

1a. The unfavourable cash interest cover variance to prior year is largely due to higher payments to suppliers with an increase in bulk water and sewer charges to Melbourne Water and environmental contribution levy to Department of Environment, Land, Water and Planning.

1b. The favourable cash interest cover variance to target is largely due to interest payments being less than budget as a result of lower interest rates and lower than expected level of new borrowings.

2a and 2b. The favourable variance to prior year and target is largely due to lower dividend payments in 2018–19 of \$58.7 million compared with \$107.1 million in 2017–18 and \$86.9 million against budget as no interim dividend for 2018–19 was determined by the Treasurer of Victoria. The variance to target is further extended due to lower than expected capital expenditure forecast caused by minor delays in the land acquisition within the Fishermans Bend development precinct. This has now been transferred into 2019–20.

3a. The unfavourable return on assets variance to prior year is largely due to a decrease in the EBIT result of \$87.5 million because of lower revenue from service and usage charges and developer contributions compared to 2017–18, while expenses relating to bulk water and sewage charges and environmental contribution levy increased by 3 per cent and 46 per cent respectively compared to prior year. The decrease in revenue is driven by lower prices charges for water and sewerage disposals and easing of developer activity during the second half of 2018–19. Furthermore, the average asset base also increased due to the continual growth in South East Water's infrastructure asset value.

3b. The favourable return on assets against target is largely due to higher EBIT result of \$230.4 million compared to budgeted EBIT of \$202.3 million. Developer contributions were higher than expected due to the increase in asset values of donated assets and the forecast reduction in projects not being as significant as planned. Furthermore, the average asset base was higher than budget due to the infrastructure revaluation increment of \$78.2 million at 30 June 2019.

4a. The unfavourable return of equity variance to prior year is driven by a decrease in net profit after tax of \$61.0 million due to lower revenue from service and usage charges and developer contributions noted above in note 3a. In addition, total equity increased as a result of the net valuation increment of \$39.4 million to land, building and infrastructure assets during 2018–19.

4b. The favourable return on equity against target is largely due higher developer contributions than expected and the total equity balance was also higher than budget as a result of the net valuation increment of \$39.4 million to land, building and infrastructure assets and higher than anticipated net profit after tax result for 2018–19.

5a. The unfavourable EBITDA margin against prior year is mainly due to a lower revenue from service and usage charges, increase in bulk water and sewer charges set by Melbourne Water and environmental contribution levy set by the Department of Environment, Land, Water and Planning.

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Water and sewerage service performance indicators

KPI number	Key performance indicator	2018–19 result	2017–18 result	2018–19 target	Variance to prior year	Notes	Variance to target	Notes
WS1	Unplanned water supply interruptions Number of customers receiving 5 unplanned interruptions in the year / total number of water (domestic and non-domestic) customers x 100	0.120%	0.125%	0.065%	-4.0%		84.6%	6a
WS2	Interruption time Average duration of unplanned water supply interruptions (minutes)	82.2	87.4	88.0	5.9%	7a	-6.6%	7b
WS3	Restoration of unplanned water supply Unplanned water supply interruptions restored within 5 hours / total unplanned water supply interruptions x 100	97.7%	98.0%	98.5%	-0.3%		-0.8%	
SS1	Containment of sewer spills (*) Sewer spills from reticulation and branch sewers contained within 5 hours/total sewer spills from reticulation and branch sewers x 100	99.9%	100.0%	100.0%	-0.1%		-0.1%	
SS2	Sewer spills customer interruptions Number of residential sewerage customers affected by sewerage interruptions restored within 4 hours / total residential sewerage interruptions x 100	98.5%	99.3%	98.6%	-0.8%		-0.1%	

Notes:

6a. The unfavourable performance against target result was due to a misalignment in target setting. In previous years, the metric greater than 5 was mistakenly represented as equal to or greater than 5 when targets were being set. This has resulted in unrealistically low target when comparing the actual

results for greater than 5 against the target. Under this comparison, 2018–19 actual result of 0.029% would be favourable against target of 0.065% and 2017–18 actual result of 0.035% would also be favourable against target of 0.065%. This has no material impact on the outcomes for the customer and the minor oversight will be addressed in the next corporate plan, with a realistic target to be implemented.

7a and 7b. A favourable variance to target due to the organisation’s continued efforts in improving the quality of the customers experience when faced with an unexpected water supply interruption, works during unplanned incidents are prioritised against planned works by adjustments to resourcing based on seasonal trends and logistically through efficient work distribution. We will continue to monitor the processes on restoring water supply to ensure the best possible outcome for the customer and ensuring targets are maintained across the organisation.

Customer responsiveness performance indicators

KPI number	Key performance indicator	2018–19 result	2017–18 result	2018–19 target	Variance to prior year	Notes	Variance to target	Notes
CR1	Water quality complaints No. of water quality complaints per 1000 customers	1.06	1.03	1.80	2.9%		-41.1%	8a
CR4	Billing and account complaints No. of complaints per 1000 customers	0.61	0.53	0.50	15.1%	9a	22.0%	8b

Notes:

8a. The 2018–19 result was favourable to target due to continued efforts to improve awareness and adherence to water main shutdown procedures and management. Furthermore, upgrades completed on secondary chlorine dosing units throughout the year have allowed greater control of quality of water in the network.

9a and 9b. Unfavourable performance compared to last year and against target is due to an increase in customer usage of the organisation’s Portal and Website, 75 per cent of complaints have come from this medium with a significantly easier process to lodge a complaint than traditional methods. Internal processes have also been adapted to better manage and receive complaints through the organisations call centres. This increase will provide the organisation more information to better service customers in the future.

Environmental performance indicators

KPI number	Key performance indicator	2018–19 result	2017–18 result	2018–19 target	Variance to prior year	Notes	Variance to target	Notes
E1	Effluent re-use volume (end use) Volume of treated sewage effluent reused	34.7%	29.4%	22.0%	18.0%	10a	57.7%	10b
E2	Total net CO₂ emissions * Net tonnes CO ₂ equivalent	38,265	48,235	38,266	-20.7%	11a	0.0%	

* The 2017–18 figure was estimated at 46,418 tonnes as the actual results are not finalised until October every year. The actual result for 2017–18 was 48,235 tonnes and thus amended accordingly in this performance report.

Notes:

10a and 10b. A favourable variance to the prior year and the 2018-19 target is due to the success of significant improvement works undertaken at Boneo treatment plant. A higher quality of effluent processing has been achieved resulting in a greater uptake by customers of recycled water. The organisation aims to continually improve processing quality and further expand its trade customer base of recycled water.

11a. The favourable performance compared to last year is driven by lower emissions associated with last year's treatment and management of sewage sludge which resulted in a decrease in Scope 1 Emissions. This year we also reduced emissions by voluntarily surrendering large-scale generation certificates created from our mini hydro renewable electricity generator which meant that the renewable energy generated was officially counted towards this year's net result.

Certification of performance report 2018–19

We certify that the accompanying Performance Report for South East Water Corporation and its controlled entity (the Group) in respect of the 2018–19 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 2018–19 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 19th day of August 2019.



Lucia Cade
Chair



Terri Benson
Managing Director



Kimberley Lamden
Chief Financial Officer

Independent Auditor's Report

To the Board of the South East Water Corporation

Opinion	<p>I have audited the accompanying performance report of the South East Water Corporation (the corporation) for the year ended 30 June 2019 which comprises the:</p> <ul style="list-style-type: none">• financial performance indicators• water and sewerage service performance indicators• customer responsiveness performance indicators• environmental performance indicators• the certification of performance report. <p>In my opinion, the performance report of the South East Water Corporation in respect of the year ended 30 June 2019 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the <i>Financial Management Act 1994</i>.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the performance report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. I and my staff are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance report in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the performance report	<p>The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the statement of performance that is free from material misstatement, whether due to fraud or error.</p>
Auditor's responsibilities for the audit of the performance report	<p>As required by the <i>Audit Act 1994</i>, 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.</p>

Independent auditor's report on performance

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 reportperformance 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 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 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
23 August 2019



Paul Martin
as delegate for the Auditor-General of Victoria

Victorian Water Industry Performance Reporting Framework

All Victorian water organisations are required to report against the following measures set out in the Victorian Water Industry Performance Reporting Framework:

Priority Area	KPI	Measure	Reference
Climate change Provide services that minimise environmental impacts, mitigate climate change and put in place adaptation strategies	E2	Total net CO ₂ emissions equivalent tonnes.	43–45
	E3	Adaption to climate change	36–37
Customer and community outcomes All aspects of service delivery will be customer and community centered.	CR1	Number of water quality complaints per 1,000 customers.	144
	CR4	Number of billing / payment issue complaints per 1,000 customers.	144
	C2	Development and delivery of an engagement strategy/plan/policy and publication of the engagement strategy/plan/policy or equivalent explanation.	26–28, 49–50
Water for Aboriginal cultural, spiritual and economic values Recognise and support Aboriginal cultural values and economic inclusion in the water sector.	AC1.1	A strategy that demonstrates how the water corporation will build capability and understanding of procurement processes to address barriers for Aboriginal enterprises to supply Goods/services to water corporations.	159
	AC1.2	Number of sponsorships of Aboriginal people in relevant study and training courses, including scholarships, vocational education and traineeships.	57
	AC1.3	Staff have undertaken a cross-cultural training course (by relevant Traditional Owner) in the last 5 years.	39–40
	AC2.1	Number of engagements with Traditional Owners in water planning and management and report on outcomes.	39–40
	AC2.2	Number of pilot programs to test different ways to achieve shared benefits.	39–40
	AC3	Development of a Reconciliation Action Plan	1, 57–58
Resilient and liveable cities and towns Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments.	L1	Participation in Integrated Water Management forums in our region.	34–35
	L2	Collaboration on the Victorian Water Efficiency strategy.	38
	L3	Total residential bill based on a) average consumption	29

		b) 200kl consumption	
	L4	a) number of instalment plans at the end of the reporting period b) number of customers awarded hardship grants.	13 and 25
Recognising recreational values Support the wellbeing of rural and regional communities by considering the recreational values in water management.	R1	Inclusion of recreational values in planning and reporting activities	32–36
Leadership and culture Water corporations reflect the needs of our diverse communities.	G1.1	Delivery of the South East Water Diversity and Inclusion Framework	63
	G1.2	Number of females occupying senior leadership positions over projected five-year period	73–74
	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.	57
	G1.4	Improve participation by Traditional Owners in board committees and other organisational committees	26–28, 659 and 68
	G3	Safety and wellbeing performance measures	61–62
Financial sustainability Delivering safe and cost effective water and wastewater services in a financially sustainable way.	F1	Interest cover	1
	F2	Gearing ratio	141
	F3	Internal financing ratio	141
	F4	Current ratio	141
	F5	Return on assets	141
	F6	Return on equity	141
	F7	EBITA margin	141

Appendix 2 – other disclosures

Consultancy expenditure

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

We engaged consultants for three 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 \$112,470 (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 consultants for three projects where the total fees payable was \$10,000 or greater (GST exclusive).

Total Expenditure incurred for these consultancies was \$112,470 (GST exclusive).

Details of individual consultancies are outlined at southeastwater.com.au

Government advertising expenditure

Our expenditure in 2018–19 on government campaign expenditure didn't exceed \$100,000.

Information Communications 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 \$15,007 million, with details shown below:

(\$'000s)			
BAU ICT expenditure (Total)	Non-BAU ICT expenditure (Total = Operational expenditure and Capital expenditure)	Non-BAU ICT expenditure	
15,007	13,589	Operational expenditure	Capital expenditure
		0	13,589

Disclosure of major contracts

We awarded two major contracts (valued at \$10 million or more) during 2018–19:

- Boneo Water Recycling Plant Stage 4 Upgrade (Design, Construct, Operate and Maintain) – John Holland SUEZ BECA Consortium (\$179 million)
- Reliability Program Panel – Comdain and Interflow (\$170 million made up of smaller works packages)

Application and operation of *Freedom of Information Act 1992*

The *Freedom of Information Act 1982* allows the public a right of access to documents that we hold. In 2018–19, we received 15 requests to access documents. Access was granted to 9 requests. The average time taken to finalise these requests was 46 days. All requests were received from the general public.

We made nine Freedom of Information (Fol) decisions during 2018–19:

- three were made within the statutory 30-day time period
- five were made within 30 to 45 days
- one decision made within 46 to 90 days
- no decisions in greater than 90 days.

In addition:

- no reviews or complaints were received by the Freedom of Information Commissioner.
- no appeals were submitted to VCAT by Freedom of Information applicants.
- most requests related to details about water and sewer faults.

If an applicant is not satisfied by a decision made by South East Water, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter. Further information regarding the operation and scope of FoI can be obtained from the Act; regulations made under the Act; and foi.vic.gov.au

Requests for access to our documents under the *Freedom of Information Act 1982* may be made in writing to:

Freedom of Information Officer
South East Water
PO Box 2268, Seaford, 3198

Each application must be accompanied by a \$29.60 application fee and clearly identify the documents sought.

Compliance with Protected Disclosure Act 2012

The *Protected Disclosure Act 2012* (PD Act) enables people to make disclosures about improper conduct by public officers and public bodies. It aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body. We're a 'public body' for the purposes of the Act.

Improper or corrupt conduct involves substantial:

- mismanagement of public resources, or
- risk to public health or safety or the environment, or
- corruption.

The conduct must be criminal in nature or a matter for which an officer could be dismissed.

Making a 'protected disclosure'

Anyone can make a protected disclosure about us or our board members, officers or employees by contacting the Independent Broad-Based Anti-Corruption Commission on the contact details provided below.

Please note that we're not able to receive protected disclosures.

Accessing our procedures for the protection of persons from detrimental action

We've established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about us or our employees.

You can access our procedures on our website southeastwater.com.au.

Contact

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

Level 1, North Tower, 459 Collins Street, Melbourne, Victoria

IBAC

GPO Box 24234, Melbourne Victoria 3001

ibac.vic.gov.au

1300 735 135

Compliance with the *Building Act 1993*

We own our headquarters in Frankston (WatersEdge). We operate warehousing facilities in Heatherton and Lynbrook and buildings associated with water recycling plants at Blind Blight, Boneo, Koo Wee Rup, Lang Lang, Longwarry, Mount Martha, Somers and Pakenham.

We comply with the *Building Act 1993*, the Building Regulations 2006 and associated statutory requirements and amendments. We maintain internal control systems to ensure compliance with our Certificate of Occupancy and engage the expertise of qualified service providers to conduct regular and annual building inspection routines to make sure the building's assets are efficiently maintained and to ensure the workplace is safe for our people. Service provider's compliance is closely monitored for compliance, inspections and maintenance reports and regular service provider meetings.

We completed six major projects in 2018–19 at our headquarters and treatment plants at a sum greater than \$50,000:

- Installation of additional toilet and kitchenette facilities
- Installation of electric blinds
- Replaced exterior glass window panel
- Security camera and gate upgrades at Blind Bight Treatment Plant
- Security camera and gate upgrades at Pakenham Treatment Plant
- Security camera and gate upgrades at Somers Treatment Plant
- Part construction of new stores shed at Mount Martha Treatment Plant

There was one building permit and two temporary occupancy permits processed for WatersEdge.

Competitive Neutrality Policy

Competitive neutrality seeks to enable fair competition between government and private sector businesses.

Any advantages or disadvantages that government businesses may experience, simply as a result of government ownership, should be neutralised. We continue to implement and apply this principle in our business undertakings.

Local Jobs First Policy (LJFP)

The *Local Jobs First Act 2003* requires public sector bodies to report on the implementation of the Local Jobs First Policy.

The Local Jobs First Policy aims to foster industry development by encouraging Victorian government departments and public bodies to genuinely consider Victorian, Australian and New Zealand supply.

During 2018–19, for metropolitan Melbourne, we:

- registered two Local Jobs First Standard Projects (Asset Planning Program – \$7.5 million and Road Reinstatement Services – \$16 million) totalling \$23.5 million
- started one Local Jobs First Strategic Project (Boneo Upgrade) totalling \$179 million.

The outcomes expected from the implementation of the LJF Strategic Project include:

- an estimated overall 82 per cent local content committed to the project, with 85 per cent local steel, and 88 per cent local content for the operations and maintenance work.
- a total of 190 jobs (Annualised Employee Equivalent (AEE)) committed, encompassing the creation of 160 new jobs and 30 retained, in addition to the creation of 10 new apprentices/trainees, and the retention of five existing ones.

The commitments to the Victorian economy in terms of skills and technology transfer include:

- training and knowledge transfer related to the design, construction, operations and maintenance of a water recycling plant
- utilising local manufacturing capabilities (where possible) under overseas licensing and technology transfer arrangements with international suppliers.

Additional information available on request

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by our organisation and are available (in full) on request, subject to the provisions of the *Freedom of Information Act 1982*:

- a. A statement of completion of declarations of pecuniary interests by relevant officers.
- b. Details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary.
- c. Details of publications produced by South East Water about itself, and how these can be obtained.
- d. Details of changes in prices, fees, charges, rates and levies charged by South East Water.
- e. Details of any major external reviews carried out on South East Water.
- f. Details of major research and development activities undertaken by South East Water.
- g. Details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit.
- h. Details of major promotional, public relations and marketing activities undertaken by South East Water to develop community awareness of the entity and its services.
- i. Details of assessments and measures undertaken to improve the occupational health and safety of employees.
- j. A general statement on industrial relations and time lost through industrial accidents within South East Water.
- k. A list of South East Water's major committees; the purposes of each committee; and the extent to which the purposes have been achieved.
- i. Details of all consultancies and contractors including:
 - i. consultants/contractors engaged
 - ii. services provided
 - iii. expenditure committed for each engagement.

This information is available on request from us and requests can be made in writing to the Governance and Legal Group, PO Box 2268, Seaford 3198.

Office based environmental reporting

The data below represents energy consumed for running and operating WatersEdge.

We collected data through the building management system and retailer billing information.

Energy use

Indicator	2018–19			2017–18		
	Electricity kWh	Natural gas (GJ)	Green power	Electricity kWh	Natural gas (GJ)	Green power
Total energy usage segmented by primary source (MJ)	4,746,382	1,726,818	0	4,629,514	1,827,000	0
Greenhouse gas emissions associated with energy use, segmented by primary source and offsets (t CO ₂ e)	1,411	89	0	1,376	101	0
Percentage of electricity purchased as Green Power (%)	0	0	0	0	0	0
Units of energy used per FTE (MJ/FTE)	7,653	2,784	0	8,108	3,200	0
Units of energy used per unit of office area (MJ/m ²)	405	147	0	395	156	0

Actions undertaken

In 2018–19 electricity and gas consumption reduced per FTE on the previous year. We achieved energy savings predominately through continued reviewing and adjusting of air volumes and fan speeds, chiller and boiler loads; and continual review of site operational temperatures.

Targets

WatersEdge is designed and constructed to deliver a NABERS Rating (National Australian Built Environment Rating System) of 4.5 stars. WatersEdge was assessed by an accredited assessor and has met and surpassed the building design rating of 4.5 stars. In the Energy rating Audit conducted October 2018, WatersEdge was officially rated at 5 star, through a proactive approach of monitoring and tuning throughout the prior 12 months.

Despite the good results, we are always looking for further savings such as increasing chiller minimum loads, cooling tower optimisation and we will do Invisy Energy smart monitoring to look for further savings. In 2018/19, staff numbers increased by approximately 70 people and the five star ratings was maintained despite an increased load.

Waste

Indicator	2018–19					2017–18				
	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)	9,000	2,865	1,188	3,134	1,595	10,835	4,875	987.5	3,134	1655
Units of waste disposed of per FTE by destinations (kg/FTE)	14.5	4.6	1.9	5.1	2.6	19	8.5	1.7	5.5	2.9
Recycling rate (percentage of total waste)	59.4	N/A				49.6	N/A			
Greenhouse gas emissions associated with wasted disposal (kg CO ₂ –e)	13,750	N/A				16,483	N/A			

Actions undertaken

General office culture around sustainability and recycling has improved throughout the WatersEdge building. A new working group called ECO Office was established in 2019 to help champion and improve the management of office waste.

Paper

Our paper use has reduced compared with 2016–17.

Indicator	2018–19	2017–18
Total units of copy paper used (reams)	3,717	3,982
Units of copy paper used per FTE (reams/FTE)	6.0	7.0
Percentage of 75–100 per cent recycled content copy paper purchased	100	100
Percentage of 50–70 per cent recycled content copy paper purchased	0	0
Percentage of 0–50 per cent recycled content copy paper purchased	0	0

Actions undertaken

We delivered employee communications through inductions and renewed signage to improve the management of office waste. This is reflected in an increased recycling rate recorded for 2018–19. We also launched our ECO Office, an employee-led program to deliver sustainability in our daily operations.

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. This is highlighted in the data below with a reduction in greenhouse gas emissions per 1,000 kilometres.

	2018–19 diesel	2018–19 petrol	2017–18 diesel	2017–18 petrol
Total energy consumption by vehicles (MJ)	9,579,420	8,005,640	7,102,400	9,815,400
Total vehicle travel associated with entity operations (km)	2,311,123	2,979,134	2,652,131	3,662,467
Total greenhouse gas emissions from vehicle fleet (t CO ₂ –e)	565	668	684	501
Greenhouse gas emissions from vehicle fleet per 1,000 km travelled (t CO ₂ –e)	565	668	0.229	0.211

- T5 – Total distance travelled by air – 720,718 kilometres
- T6 – Employees regularly using public transport, cycling, walking or carpooling to and from work – eight per cent (from Staff Culture Survey May 2018)

Greenhouse gas emissions

Indicator	2018–19	2017–18
Total greenhouse gas emissions associated with energy use (tonnes CO2-e)	1,500	1,669
Total greenhouse gas emissions associated with vehicle fleet (tonnes CO2-e)	1,233	1,185
Total greenhouse gas emissions associated with air travel (tonnes CO2-e)	254	64
Greenhouse gas total greenhouse gas emissions associated with waste disposal (tonnes CO2-e)	13.75	16.48
Greenhouse gas emissions offsets purchased (tonnes CO2-e)	0	0

Procurement

We have also continued to require tenderers to disclose environmental practices and achievements; allocating weighting on environmental considerations, where relevant; and considering environmental impacts in the selection of goods / services procured.

For 2018–19, we have implemented the following:

- Cleaning services – changed to a toilet paper made from 100 per cent recycled content from ‘Who Gives A Crap’ for all our sites. Our cleaning provider has also moved to using GECA certified cleaning products;
- Printed materials – we now print only when required, thereby reducing the amount of waste from having to dispose of obsolete stock;
- Maintenance spoil material (MSM) disposal services – tighter requirements and controls are in place to ensure proper disposal of MSM, in particular contaminated MSM;
- Storage Area Networks (SAN) and Blade Servers – upgraded our SAN’s and Servers, reducing the energy consumption required to run the storage/servers; and
- Transport and application of Biosolids – the new contract has improved requirements to ensure the proper removal, transport and application of our Biosolids is maintained.

Targets

The following targets have been set for 2019–20:

- Always purchase printing paper containing at least 100 per cent recycled properties and/or FSC certified paper.
- Continue to roll out more solar panels at our water recycling plants.
- Apply the carbon-based decision making tools to help determine the environmental impacts of our procurement, and to ensure environmental considerations are taken into account when developing specifications and requirements.
- Start purchasing green electricity from our Power Purchase Agreement.

Procurement strategy

We've completed the first year of implementing our three-year procurement strategy. Some of the actions we've undertaken include raising awareness and educating the organisation on social procurement, updating our policy, procedures, and documents including our tender templates to reflect social considerations, and increasing our spend with Aboriginal businesses and social enterprises.

We're proud to purchase our stationary workplace supplies from Muru Office Supplies, a 51 per cent Aboriginal owned and Supply Nation certified business, where 15 per cent of their profits are utilised for Aboriginal community purposes. We've also engaged local Aboriginal artist, Adam Magennis from Kaptify, to produce our RAP artwork. We also purchase office/event catering from Cooee Café and host off-site meetings and training with Nairn Marr Djambana, Frankston Aboriginal Gathering Place. Our total spend with Aboriginal businesses for the last financial year totalled \$129,544.

One of our achievements is our new contract with Enviro Management Services (EMS), a wholly-owned subsidiary of Marriott Support Services (a social enterprise working with people with intellectual disabilities) to provide grounds maintenance and gardening services at our offices, treatment plants, water and sewer sites and other facilities.

The new contract provides people with disabilities a significant and meaningful opportunity to work, to learn and to participate as part of a high functioning team and to eventually transition into the open employment market. EMS crews deliver quality work in the horticulture industry, integrating people with disability into real operational situations. EMS rotate up to five people with disability through the crews that work with us, and at times that makes up about 60 per cent of their total crew number as part of the provision of the services.

In addition, we became a 'Roll Model' by switching to environmentally sustainable toilet rolls from Who Gives A Crap (WGAC) as part of our cleaning services arrangements. Not only is WGAC toilet rolls made from 100 per cent recyclable paper, 50 per cent of its profits contributes to providing toilets and improving sanitary conditions around the world for those in need, to tackle the problem that sees one in three people worldwide still without access to proper sanitation. To date, WGAC have donated over \$1.8 million dollars to charity and saved a lot of trees, water and energy.

We have also undertaken a Supply Chain Risk Assessment project, in conjunction with the other Victorian water organisations. This entails a detailed risk assessment of the water industry's products and services to determine where efforts should be focused in relation to environmental and social risks and opportunities, in preparation for the Australia's Modern Slavery Bill 2018 (Cth), and to deliver towards the objectives of the United Nations Sustainable Development Goals, and our own Emissions Reduction Pledge. The project has resulted in three areas of focus for 2019–20.

We are now working on developing our Social Procurement Strategy in alignment with the Victorian Government's Social Procurement Framework.

See case study 'Creating new work opportunities' on page 60.

Appendix 3 – Bulk entitlements

We hold bulk entitlements to the water resources of the Greater Yarra System – Thomson River pool, the Victorian Desalination Project and bulk entitlements 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 16, 17, 20
The annual volume of water taken	Clause 16.1 (a) 162,046.0 ML	Clause 13.1 (a) 0 ML	N/A	N/A
The water allocation volume made available	Clause 16.1 (b) 104,907.5 ³ ML	Clause 13.1 (a) 7,687.9 ⁸	Clause 14.1(c) 8,041.9 ML ¹³	Clause 11.1(a) 5,898.4 ML ¹⁸
The volume of carry over	Clause 16.1 (b) 90,081.6 ML	Clause 13.1 (a) 7,687.9	5,068.4 ML ¹⁴	5,345.8 ML ¹⁹
Compliance with the entitlement volume	Clause 16.1 (c) Yes ⁴	Clause 13.1(e) Yes ⁹	N/A	N/A
Any temporary assignment or permanent transfer of all or part of entitlement	Clause 16.1(d) Yes ¹⁰	Clause 13.1(b) Yes ¹⁰	Clause 14.1(d) -10,667.0 ML Clause 14.1(e) 0 ML	Clause 11.1(b) -5,560.0 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) No	Clause 13.1(c) No	Clause 14.1(f) Nil	Clause 11.1(d) Nil
Any new entitlement of water granted	Clause 16.1(g) Nil	Clause 13.1(d) Nil	N/A	N/A
Any failure to comply with any provision of this entitlement and any remedial action taken or proposed	Clause 16.1(h) None	Clause 13.1(f) None	Clause 14.1(g) None	Clause 11.1(e) None
Any difficulties experienced or anticipated in complying with this entitlement and any remedial	Clause 16.1(i) None	Clause 13.1(g) None	Clause 14.1(h) None	Clause 11.1(f) None

action taken or proposed				
Daily amount of water taken from the waterway	N/A	N/A	N/A	N/A
Annual amount of water taken from the waterway	N/A	N/A	Clause 14.1(b) 0 ML ¹⁵	N/A

Notes for compliance with bulk entitlements

Greater Yarra System - Thomson River Pool

1. South East Water holds Bulk Entitlement (Greater Yarra System-Thomson River Pool - South East Water) Order 2014 – WSE000077.
2. South East Water is a primary entitlement holder with a delivery bulk entitlement to 206,281.0 ML.
3. The Resource Manager – Melbourne Water makes seasonal allocations monthly.
4. Compliance with the Entitlement volume is measured by compliance with the overall Cap within the source entitlements for the Thomson and Yarra systems (held by Melbourne Water). The caps were complied with. Further, South East Water understands that Melbourne Water has meet all minimum environmental flow obligations contained in its source entitlements.
5. Metering programs for this bulk entitlement are continually maintained and reviewed via the Bulk Water Supply Agreement between South East Water and Melbourne Water and System Management Rules established by Melbourne Water.

Victorian Desalination Project

6. South East Water holds Bulk Entitlement (Desalinated Water – South East Water) Order 2014 – WSE000053.
7. South East Water may take an average annual volume of up to 53,454 ML of desalinated water over any period of five 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 15 GL desalinated water order for the 2018-19 year, of which South East Water's share is 5,345 ML. The Minister for Water has also announced a further water order of 125 GL to be delivered during 2019-20. We received 7,687 ML of these orders in 2018-19 as part of the 2019-20 order was delivered in June 2019. 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 2018-19, South East Water and South Gippsland Water undertook reciprocal trades of 84.2 ML of water allocation. This is part of an ongoing administrative process to enable South Gippsland Water to continue to access, by substitution, its entitlement in the Greater Yarra System – Thomson River Pool via its offtake on the 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 and South Gippsland 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 does 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 2018 was 7,960.3 ML. At 30 June 2019, South East Water held 5,068.4 ML.
15. Diversion limits are specified in Clause 9 of the Bulk Entitlement.

Murray River

16. South East Water holds Bulk Entitlement (Murray River – South East Water) Conversion Order 2012 – WSE000133.
17. South East Water is entitled to a water entitlement volume in the following parts of the River Murray System equal to one-ninth of the total Phase 4 water savings achieved in these parts of the GMID from Goulburn Murray Water Connections Project Stage 1 as verified in the latest audit.
18. South East Water's annual water allocation in a given year from the River Murray is equal to one-ninth of the total Phase 3 water savings achieved in the previous year of the Goulburn component of the GMID from the Goulburn Murray Water Connections Project Stage 1 as verified in the latest audit.
19. South East Water's commencement volume on 1 July 2018 was 5,288.7 ML (2,771.4 ML in Zone 6 and 2,517.3 ML in Zone 7). At 30 June 2019, South East Water held 5,345.8 ML (2,648.7 ML in Zone 6 and 2,697.1 ML in Zone 7).

General

20. South East Water has in place water management strategies to manage water allocations holdings in the Murray River and Goulburn System to maximise the value of the resources held to our customers and minimise risk of spilling water allocation. These strategies include the transfer of allocations between bulk entitlement allocation accounts and trading water allocations.
21. The metropolitan retailers make water available in Tarago Reservoir to Gippsland Water under a Bulk Water Supply Agreement. This is used by Gippsland Water to supplement their Tarago Bulk Entitlement during periods of high demand. South East Water provided 168.3 ML under the BWSA in 2018-19.

Appendix 4 – 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	Page reference
Charter and purpose		
FRD 22H	Manner of establishment and the relevant Ministers	4
FRD 22H	Purpose, functions, powers and duties	4
FRD 22H	Key initiatives and projects	12–15 and 19–220
FRD 22H	Nature and range of services provided	4
FRD 22H	Message from the Chair and Managing Director	10–11
Management and Structure		
FRD 22H	Organisational chart	64
Financial and other information		
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FRD22H	Summary of the financial results for the year	17–18
FRD22H	Current financial year review	17–180
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FRD22H	Major changes or factors affecting performance	18
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Other disclosures as required by FRDs in notes to the financial statements		
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FRD 07B	Early adoption of authoritative accounting pronouncements	-
FRD 10A	Disclosure index	163–164
FRD 11A	Disclosure of ex-gratia expenses	133
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	125–126
FRD 100	Financial reporting directions - framework	Entire report
FRD 103H	Non-financial physical assets	100–101
FRD 105B	Borrowing costs	109
FRD 106A	Impairment of assets	101
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FRD 112D	Defined benefit superannuation obligations	130–131
FRD 114C	Financial instruments	115–117
FRD 120M	Accounting and reporting pronouncements applicable for 2018–19	136

Legislation

Water Act 1989, Water Industry Act 1994, Freedom of Information Act 1982, Building Act 1993, s.70(1) Protected Disclosure Act 2012, Victorian Industry Participation Policy 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, 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.

As a member of the Compact, we've committed to supporting the principles that align to responsible business practice and to also support the broader 17 United Nations Sustainable Development Goals.

We've identified five Sustainable Development Goals that align most closely to our organisation, however our work also supports **Sustainable Development Goal 1: No Poverty – economic growth must be inclusive to provide sustainable jobs and promote equality**, and **Sustainable Development Goal 7, Affordable and Clean Energy – energy is central to nearly every major challenge and opportunity**.

The United Nations Sustainable Development Goals most relevant to our organisation are:

- SDG 6:** Ensure availability and sustainable management of water and sanitation for all.
- SDG 9:** Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.
- SDG 11:** Make cities and human settlements inclusive, safe, resilient and sustainable.
- SDG 13:** Take urgent action to combat climate change.
- SDG 17:** Revitalize the global partnership for sustainable development.

Sustainable Development Goal	Section of this report	Page reference
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	Outcome 1: Get the basics right, always	47–48
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	Outcome 3: Warn me, inform me	51– 52
	Outcome 4: Fair and affordable for all	53–54
SDG 9	Outcome 5: Support my community, protect our environment	55–56
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	Case study Future-ready living at Aquarevo	32
	Case study 'Boneo Water Recycling Plant upgrade – big benefit to the peninsula.	34–35
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How to get in touch

Email support@southeastwater.com.au

General account enquiries 13 18 51

South East Water Assist 9552 3540

Hearing and speech impaired services

TTY 133 677 (ask for 13 18 51)

Interpreter service 9209 0130 (all languages)

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