



Annual report 2019/2020





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Images appearing throughout this publication may have been taken prior to coronavirus (COVID-19) restrictions being in place. Any images taken during the restriction period have been noted as such.

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Cover image: Red Cliffs irrigation district pump station

Acknowledgement of Country

Lower Murray Water acknowledges the Traditional Owners of the land on which we work and reside. We recognise their continuing connection to land, waterways and community. We pay our respects to Elders past, present and future.

The Traditional Owner groups within Lower Murray Water's service region lie within the traditional lands of First Nations Peoples, from upstream at Koondrook moving downstream along the Murray River (Mil) through to the western edge of our region at the South Australian border.

They are the Barapa Barapa Peoples, Wamba Wemba Peoples, Wadi Wadi Peoples, Tatti Tatti Peoples, Latji Latji Peoples, Nyeri Nyeri Peoples, Ngintait Peoples and the Wergaia Peoples.

The First Nation Peoples' connection to land and water is the living cultural knowledge that is passed down from generation to generation. The stories that connected the ancestors to their culture still live through the First Nations Peoples of today.

- Acknowledgement of Country written by Stephanie Sloane.

Stephanie works at Lower Murray Water as a People and Safety Trainee. She is a proud Ngilyampaa woman and has a strong connection to her culture, history and the land. Stephanie has brought not only her experience and passion for people to this role but also a commitment to inspire and mentor others wishing to pursue a career at Lower Murray Water.



This artwork has been provided by local girl Bella Sloane from the Ngilyampaa tribe. Her painting represents family titled, 'The Connection to Family'.

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Responsible Body Declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present Lower Murray Urban and Rural Water Corporation's Annual Report for the year ending 30 June 2020.

A handwritten signature in black ink, reading 'Cheryl Rix'.

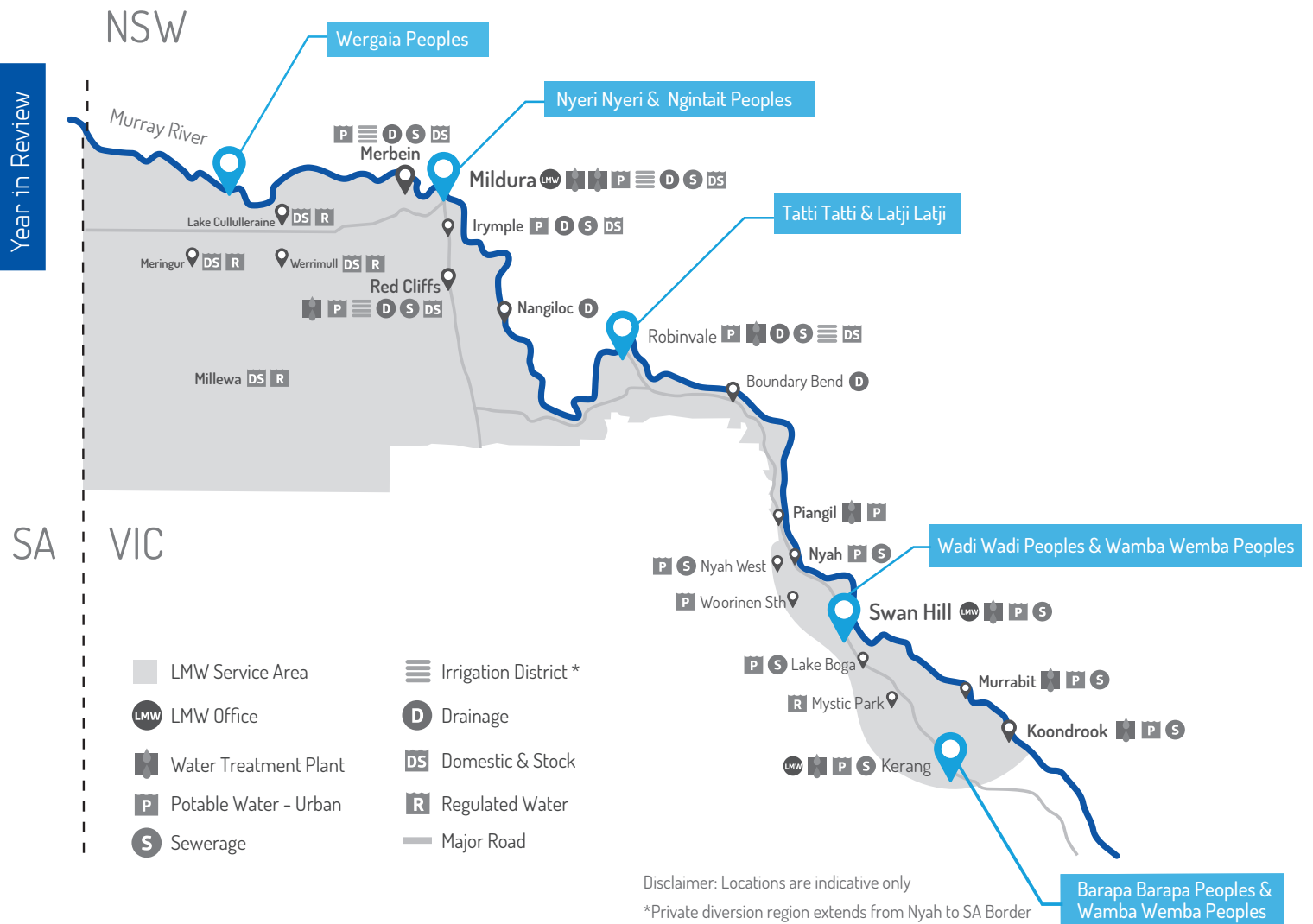
Cheryl Rix
Chair
Lower Murray Urban and Rural Water Corporation

Dated this 29th day of September 2020

Year in Review

Our Service Region

Year in Review



Our area of operation extends from Kerang to the South Australian border taking in the municipalities of Mildura, Swan Hill and Gannawarra.

We recognise that our communities' overall wellbeing and livelihood is directly linked to the agricultural, tourism and support industries which form our economic backbone. How we manage our water resources recognises the intrinsic interrelationship between this resource and the social, environmental and economic fabric of our region.



Lower Murray Water acknowledges the Traditional Owners of the land on which we work and reside. We recognise their continuing connection to land, waterways and community. We pay our respects to Elders past, present and future.



Our Vision

Strive to become the leading regional water corporation in Victoria.

Our mission:

- provide water services in a sustainable, reliable and timely manner
- maintain positive and transparent relationships with our customers and other stakeholders
- contribute to the economic, social and cultural development of our region

Our objectives:

- customer focused – right service, right time
- maintaining compliant performance while improving cost effectiveness of operations and assets
- increasing use of modernised infrastructure across the Corporation
- increasing the resilience of services to changing and extreme weather
- managing the Corporation in accordance with expected standards of corporate behaviour
- managing the Corporation's assets and finances responsibly and sustainably
- providing an engaged, skilled and diverse workforce to deliver our vision and mission
- providing our services equitably and with respect to a diverse community



Close engagement with our community and customers



Being resilient in times of adversity and change



Being a regional leader



Catering for sustained growth in our urban business



Promoting growth in our rural business



Being sustainable, measured by finance, a productive culture and a lighter environmental footprint

Chair and Managing Director's Report



The year in review threw an array of challenges at us and we are delighted to report each was confronted positively and ultimately overcome with little to no service delivery disruption experienced by our customers.

The largest of these challenges has no doubt been the onset of the coronavirus pandemic that reached our region in March 2020. From that time and to now, we have successfully implemented a range of responses to slow the spread of coronavirus within our workforce and communities. Our service delivery hasn't faltered through this time, which is a credit to the resilience and commitment of our staff, who are all practising a variety of changed daily work routines and practices.

There is no doubt the negative economic and social impacts of the pandemic will continue to be felt for years, though at this stage our region appears to be better off than most. Our horticultural industries continue to experience strong demand for their world class products. We are also likely to learn many lessons from the pandemic, which will benefit the business for years to come.

Our service delivery performance was to a high standard through the year, with the presence of large volumes of blue-green algae in the Murray River causing issues for urban water supplies in December 2019. This presence of algae in such quantities was unprecedented and resulted in us issuing a precautionary boil water notice for the Red Cliffs system and an emergency outdoor water use restriction for town drinking water in both the Red Cliffs and Mildura systems (covering various locations).

The affected communities responded positively to these restrictions, acknowledging the issue with potable water production arose from circumstances beyond our control and limited use as requested, assisting us to restore normal service delivery in a very short period of time. This circumstance provides another good example of how we must continue to engage with our customers for better outcomes.

Water was in short supply for 2019/20, with the final seasonal determination for Victorian Murray high-reliability water shares reaching 66 per cent. This resulted in the imposition of Stage 1 urban water

restrictions, while many of our rural customers had to source increased volumes of allocation as a result of a less than 100 per cent final seasonal determination.

The urban water restrictions were largely positively embraced by our customers, leading to a reduction in water use and the subsequent lifting of these restrictions late in the season as the outlook for water availability in 2020/21 improved.

Reduced water availability and increasing competition for the available water remained significant issues for the business, our customers and communities throughout the year. Whether it be urban, agricultural, horticultural (within our region or elsewhere), environmental or other uses, overall demand for the available waters of the Murray-Darling Basin system is increasing rapidly. This increased demand is placing this iconic river system under increased pressure to perform for a myriad of stakeholders, often with competing expectations.

The reduced availability and increased competition led to substantial movements (mostly upwards) in the annual allocation market. This required a substantial response from us to ensure the water market's integrity was preserved and all participants always had a level playing field – having a positive allocation account balance at all times. This required significant focus and effort by the organisation at all levels, with substantial improvements in our rural customers' performance documented in this report.

This focus and effort will continue into 2020/21 as we seek to cement changed customer behaviour, in support of the Victorian Government's leadership in water compliance and management – strengthening the state's zero-tolerance approach to water theft. Our priorities and actions will be informed by the outcomes of a comprehensive independent review ensuring Victorian irrigators and water users have a robust compliance and enforcement system, with checks and balances in place that continue to build confidence in water markets.

Our contribution to resolving the complexities of increased competition for water is the delivery of the Victorian Murray Floodplain Restoration Project.

*Our people remain a focus for us,
in enhancing their ability to complete
their day-to-day tasks efficiently,
effectively and safely, with
significant positive progress made in
this regard in 2019/20.*



The Project consists of nine discrete environmental works projects that aim to return a more natural inundation regime across approximately 14,000 ha of high ecological-value Murray River floodplain. The Project is in its planning phase, with all this year's commitments delivered on time and on budget. This positive achievement is a credit to the Project's staff, partners and Project Control Group alike.

Other capital projects that made significant positive progress in 2019/20 were the Mildura irrigation district's central rising main replacement, which was commissioned in September 2019 and commenced giving service to these customers soon thereafter and the ultraviolet (UV) installation program, upgrading our water treatment facilities at the Koondrook, Murrabit, Piangil and Red Cliffs water treatment plants. This program will extend to our other larger sites in 2020/21.

The second phase of Sunraysia Modernisation Project (SMP2) works was also successfully completed in 2019/20, bringing substantial additional irrigable lands into the Merbein and Red Cliffs irrigation districts. These additional areas will bring benefits of scale to these districts, benefiting both the LMW business and our customers from improved economies of scale in water deliveries and better utilisation of existing infrastructure.

Our significant customer engagement efforts continued throughout 2019/20, particularly with our rural customers. This was highlighted by a successful 2019 Growers' Conference and meetings of our advisory committees – the strategic and various customer service committees respectively. They are a great source of insight to both management and the Board as to our operational performance and strategic direction and thanks go to their members for their respective contributions.

Our people remain a focus for us, in enhancing their ability to complete their day-to-day tasks efficiently, effectively and safely, with significant positive progress made in this regard in 2019/20. Despite this progress, we have much to do to better engage and empower our employees and contractors alike in delivering our services safely and consistently.

Our Reconciliation Action Plan 'Reflect' was approved by Reconciliation Australia in July 2019. Arising from the approval of our Plan, we created and successfully filled an Aboriginal traineeship position. This action contributes to closing the workforce participation gap between Aboriginal and non-Aboriginal people by providing not just a job, but an opportunity to gain work experience and formal qualifications that will support the establishment of a long-term career.

Our financial performance was strong for 2019/20, with a net loss after tax of \$7.1m, \$0.3m better than the budgeted loss of \$7.4m. This result was driven by SMP2 capital contributions received and other revenues received largely according to budget. Increased expenses associated with operations and maintenance activities offset this improved revenue to deliver the overall result. Cash flow from operations remained strong, with a \$18.85m net result recorded. We remain in a strong financial position to continue to meet the current and future needs of our growing customer base.

This performance has been achieved as we have successfully delivered the second year of our five-year Water Plan 4, in accordance with the approved price path for both our urban and rural customers, as approved by the Essential Services Commission.

Our thanks go to our people for their contribution to our strong performance across a range of areas in the 2019/20 reporting period. This covers the spectrum of our people - Directors, staff, contractors and consultants, all of whom have contributed in some way. We look forward to continuing to work with you in 2020/21 to both embrace the opportunities and overcome the challenges positively and collaboratively that confront us, our customers and communities.

Cheryl Rix
Chair

Anthony Couroupis
Managing Director

Manner of Establishment and Relevant Minister

Lower Murray Water Urban and Rural Water Authority is a statutory water authority created under the provisions of the *Water Act 1989* via order in Council effective 1 July 2004. It assumed the whole of the property, rights, liabilities, obligations, powers and functions of the Lower Murray Region Water Authority and Sunraysia Rural Water Authority.

The *Water (Governance) Act 2006* varied the form and title of Lower Murray Water and established new governance arrangements effective from 1 July 2007. By statute under the *Water Act 1989* Lower Murray Urban and Rural Water Authority became Lower Murray Urban and Rural Water Corporation.

On 19 August 2008 the then Minister for Water, The Hon. Tim Holding MP, issued a determination for Lower Murray Water to take over the whole of the functions, powers and duties of the First Mildura Irrigation Trust (FMIT).

During the period 1 July 2019 to 30 June 2020 our relevant Minister was the Hon. Lisa Neville MP, Minister for Water.

Objectives, Functions, Powers and Duties

The *Water Act 1989* grants Lower Murray Water the power to delegate its various functions, powers and duties subject to particular requirements. These requirements are set out in our Instrument of Delegation.

Issued by the Minister for Water under the *Water Industry Act 1994* on 20 December 2015, our Statement of Obligations details obligations regarding performance of our functions. A Statement of Obligations (Emissions Reduction) effective 14 March 2018 is also in place.

Effective 22 February 2019, the Letter of Expectations issued under the *Water Act 1989* sets out the Minister's performance expectations for 2019/20.

The Department of Health and Human Services regulates our drinking water quality under the *Safe Drinking Water Act 2003* and the Environment Protection Authority regulates our recycled water under the *Environment Protection Act 1970*.

We currently have one By-Law: By-Law No 2 Urban Water Restrictions, which was created using a Model Water Restriction By-Law issued by the Hon. Peter Walsh MLA, Minister for Water on 27 November 2011. It contains the restrictions and prohibitions on the use of water that may be imposed in our urban water supply districts. We also have a Permanent Water Savings Plan which sets out permanent water restrictions and prohibitions within our service districts.

Our economic regulator, the Essential Services Commission (ESC) approves customer prices and standards of service. Our Pricing Submission was endorsed for the five-year period June 2018 – June 2023. The Pricing Submission outlines pricing, revenue requirements, service standards and capital works for the five-year period for our urban and rural business sectors.

Our Urban and Rural Customer Charters outline customers' rights and responsibilities as well as our obligations to provide safe drinking water, sewerage and trade waste services, rural water supply and drainage services.

The Australian Competition and Consumer Commission rules governing the charging of termination fees were approved by the Federal Minister for Water in 2009. We administer the termination fee process in accordance with these rules.

We are the lead agency in a partnership model for the Victorian Murray Floodplain Restoration Project, one of the Victorian Government's Sustainable Diversion Limits Adjustment Mechanism projects under the Murray-Darling Basin Plan.

Statement of Obligations

Issued by the Minister for Water under the *Water Industry Act 1994* on 20 December 2015.



Price Submission

Develop a Price Submission that complies with the requirements of the Statement of Obligations

Deliver the Price Submission by the set date

Ensure contents are in accordance with any guidelines



Governance

Organisation-wide strategic planning and oversight of achievement of Strategic Plan

Management of the affairs of the Corporation

Exercise the powers of the Corporation



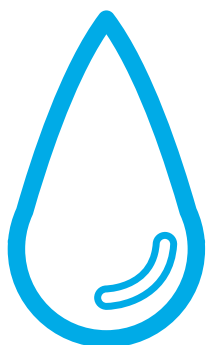
Risk Management

Develop and implement plans, systems and processes to manage risks.

Manage incidents and emergencies

Develop and implement a dam safety monitoring and surveillance program

Report blue-green algae (BGA) blooms impacting on water supply or delivery, and undertake regional BGA coordination.



Water Services

Develop and implement plans, systems and processes to manage assets

Assess the efficiency of bulk water supply systems

Exercise licensing powers and functions in accordance with the Instrument of Delegation

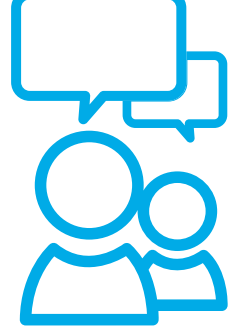
Manage and prioritise risks associated with non-compliance in enforcement of the *Water Act 1989*

Prepare and implement Metering Action Plans

Provide Information Statements

Sewerage services

Manage trade waste



Customer and Community Engagement

Publish an annual Water Outlook

Engage openly and transparently with customers and the community

Make available education material about sustainable water resource management.



Planning

Model for climate change and supply forecasting

Develop an Urban Water Strategy

Develop a Drought Response Plan for urban systems

Provide information on current and forecast rural water allocations

Compliance

Monitor compliance with obligations

Ensure compliance audits are conducted as required



Nature and range of services provided

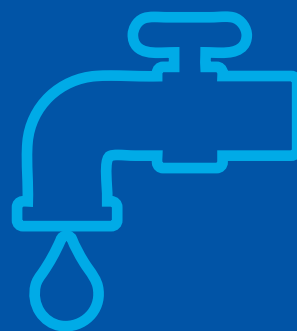
Nature of services provided

Our core business is the supply of water (including raw, treated and recycled), sewerage and trade waste services to both urban and rural customers.

In 2019/20 we provided:

- urban water services to 14 towns via nine treatment plants to 34,311 households and businesses (approx. 74,000 customers) along the Murray River in Victoria from Koondrook to Merbein
- wastewater collection, treatment and effluent reuse and disposal services to 11 towns via 10 treatment plants
- raw (river quality) water services to 2,666 irrigation and 2,240 domestic and stock customers in the four pumped irrigation districts of Merbein, Mildura, Red Cliffs, and Robinvale, to 297 Millewa waterworks district customers and 12 Yelta waterworks district customers
- management of the region's urban and rural bulk water entitlements
- collection and disposal of subsurface drainage water from the four pumped irrigation districts and private diverters in and around Boundary Bend, Nangiloc and Robinvale
- oversight of irrigation and drainage design in new horticultural developments ensuring conformity with Irrigation Development Guidelines
- management of water use licences of 1,313 private diversion water users along the Murray River in Victoria between Nyah and the South Australian border
- assessment and approval of licensing, water share and allocation trade applications
- reclaimed water for third party use
- water delivery services to environmental and recreational sites

In addition to our delivery, public health, water quality and environmental responsibilities, we recognise the crucial economic role of water in a regional and state context.



PROVIDE WATER SERVICES TO 14 TOWNS VIA 9 TREATMENT PLANTS TO APPROX 74,000 CUSTOMERS

WASTEWATER COLLECTION, TREATMENT AND REUSE TO 11 TOWNS VIA 10 TREATMENT PLANTS



34,311 URBAN HOMES & BUSINESSES SERVED

MANAGEMENT OF THE REGION'S URBAN & RURAL BULK WATER ENTITLEMENTS



OVERSIGHT OF IRRIGATION & DRAINAGE DESIGN IN NEW AGRICULTURAL DEVELOPMENTS

Performance Reporting - Non-Financial

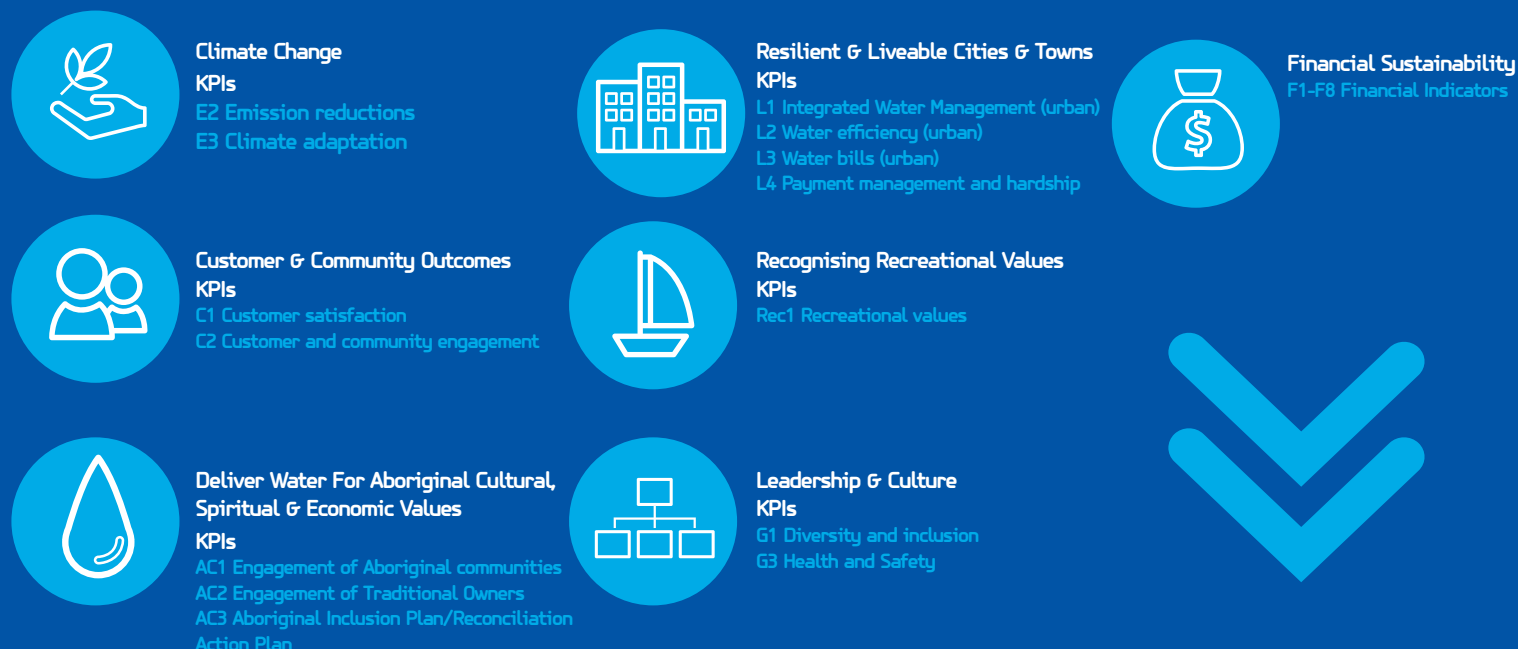
Achievements, Key Initiatives and Projects

Our Corporate Plan 2019/20 provided a range of initiatives, priorities and deliverables across whole of business strategies. The status of each initiative is listed below and how we are delivering on our commitments is described throughout this report.

Whole of Business Strategy	Key Initiative	Status
Customer at the Centre	Expand opportunities for community involvement through our Engagement Strategy	Seven rural customer advisory committees active. Recruitment undertaken for urban Customer Consultative Committee. Drought Reference Committee not formed as staged water restrictions removed. Domestic & Stock (D&S) committee under review. Customer committee Terms of Reference review commenced.
	Development of the Customer Portal (design concept)	Development continues on Stage 1 of the Customer Portal (Land Development) with roll-out expected to customers early 2020/21.
	Resilience, domestic violence and customer service training for customer-facing employees	Training continues to be delivered to all new staff by internal resources. Hardship staff continue to participate in industry training and upskilling.
Business Transformation	Uplift Cyber Security	Multifactor Authentication deployed and testing underway. Security Operations Centre complete. Collecting system logs to establish baselines. Cyber-security Strategy complete and being implemented.
	Implement business analytics	Management dashboard progressing. Agreed Human Resources reporting complete.
	Development of the Customer Portal (functionality)	We are progressing the development of a customer portal which will become available to customers for the first time during its pilot stage.
Culture Change	Develop and commence implementation of a Knowledge Management Framework	Project expanded to include succession planning and identification of critical positions and skill sets across the business. Project delayed due to coronavirus (COVID-19) with implementation scheduled for late 2020/21.
	Improve on-boarding of new employees	Ability to on-board new recruits via a face-to-face and virtual program.
	Completion of the 'Leadership by Design' program	Complete.
Asset Optimisation	Development and implementation of Asset Class Plans	Asset Class Plans for seven critical asset groups completed.
	Development and implementation of key asset management improved projects	Optimisation being implemented under the Asset Management Accountability Framework objectives.
Electricity, Emissions Reduction and Reliability	Refine the wholesale electricity progressive procurement approach for larger sites	Knowledge and understanding of the electricity market has developed through exposure.
	Select a demonstration site to progress integrated energy and emissions optimisation initiatives	Trial in progress at Robinvale high-pressure irrigation pump station.
	Explore a model for joint electricity purchasing with customers and progress as required by our customers	Initial discussions with Procurement Australia.

Performance Against the Minister's Letter of Expectations

The following information provides our performance against the key performance indicators (KPIs) relevant to the priority areas as set out in *Water For Victoria* and the Minister's *Letter of Expectations (LoE)*. More detailed information on LoE measures and definitions can be found in Appendix 2.



Climate Change

Actions undertaken:

- draft 1 of the Energy Management Strategy completed
- energy audits completed of all major usage sites
- solar installation completed at all 10 identified sites
- GreenSense tool implemented and used for energy dashboard generation to inform decision-making on power usage/reduction
- optimised power correction factor included in external contract for power savings/emissions reduction targets
- preliminary investigations undertaken to implement demand management strategy to optimise power usage
- on-budget with progressive procurement of electricity from wholesale market

Actions progressing:

Installation of aeration at wastewater treatment sites has not progressed and options are being investigated for delivery. Other infrastructure initiatives including renewal of the rising main pipeline to Koorlong Wastewater Treatment Plant and improved re-use water to produce Class B or A water are being progressed.

A business case analysis for energy upgrades and potential micro grid opportunities is yet to be determined.

Emissions Pledge

Our total carbon footprint in 2019/20 increased to 46,772 tCO₂ against the 2025 target of 24,708 tCO₂. This rise was due largely to our Scope 2 emissions from increased pumping demand in the irrigation districts comprising 67 per cent of our total energy use. We are committed to a 39 per cent reduction in our Scope 1 and 2 CO₂ emissions by 2025 and are delivering a range of energy reduction projects toward meeting the Statement of Obligation's Emissions Pledge to the Victorian State Government.

Central to this is an Energy Demand Management Plan focussed on the most carbon-intensive areas of our operations.

In 2019/20 we successfully implemented 1,200kW of solar power installations across 16 sites, now delivering 1,603 tCO₂ towards the Pledge. Energy savings are being planned and realised at our irrigation pump stations through more efficient pumping control philosophies and reduced network pressure, without impacting customer service.

As a high energy user, we recognise the need for step change events that will reduce emissions in short duration, which may include larger renewable schemes or power purchase agreements (PPAs), that will provide the balance of the outstanding emissions reduction.

Climate Adaptation

We have recently updated our Drought Preparedness Plan in line with requirements from the Department of Environment, Land, Water and Planning (DELWP), aligning with Stage 1 urban water restrictions in place during summer 2019/20.

The Plan has revisited triggers for staged implementation of restrictions and associated communication paths to our customers.

We are conscious of significant water loss (up to 9GL annually of non-revenue water) through our irrigation network and are working towards accurately quantifying these. This forms part of a broader proposal for federal government support that would enable infrastructure upgrades and significant water savings.

We continuously monitor climate change and adapt a proactive approach to address its impact on operations and service delivery. Climate change can impact the quality of water in the river system, i.e. laminar flow regime, reduced volume, higher concentration of nutrients and stratification of water bodies, creating suitable conditions for blue-green algae (BGA) blooms. This has a significant impact on water treatment in terms of cost and compliance with the regulatory requirements and Australian Drinking Water Guidelines.

Climate change impacts the environment by increasing the salinity of groundwater, salinisation of land and reduced oxygen levels in the water, which can affect aquatic life. It also can impact service delivery to customers due to water shortage which may result in water restrictions.

Organic growth can be promoted in irrigation infrastructure by changing climatic conditions, which may impact on water delivery due to blocking of filters and discharge outlets, requiring chemical treatment and increasing our delivery cost.

We monitor raw water for nutrient content, BGA, and other contaminants assisting us to undertake proactive measures to address relevant risks to water quality and safety for our customers.

Customer and Community Outcomes

Actions undertaken:

- Customer Engagement Strategy 2019/21 adopted
- engagement with our customer committees increased during 2019/20 with eight Strategic Advisory Committee (SAC) and 12 Customer Service Advisory Committee (CSAC) meetings including approximately 70 hours of consultation
- supported our community through education programs and engagement art projects
- formal IAP2 training delivered to 20 staff with ongoing training a component of the Customer Engagement Strategy
- ongoing development of new Customer Relationship Management software and Customer Portal
- customer satisfaction surveys (urban and rural) completed
- increased awareness of water market development using social and print media, departmental presentations to customer committees and promotion of water market transparency projects
- 2019 Growers' Conference delivered, with increased attendance

Water for Aboriginal Cultural, Spiritual and Economic Values

Actions undertaken:

- implementation of our *Reflect Reconciliation Action Plan*
- Aboriginal trainee position created and filled
- consultation and engagement with Traditional Owners in projects
- cultural awareness training undertaken by Executives
- in-kind project partner for 'Aboriginal Waterway Assessment' project under the Mallee Integrated Water Management (IWM) forum

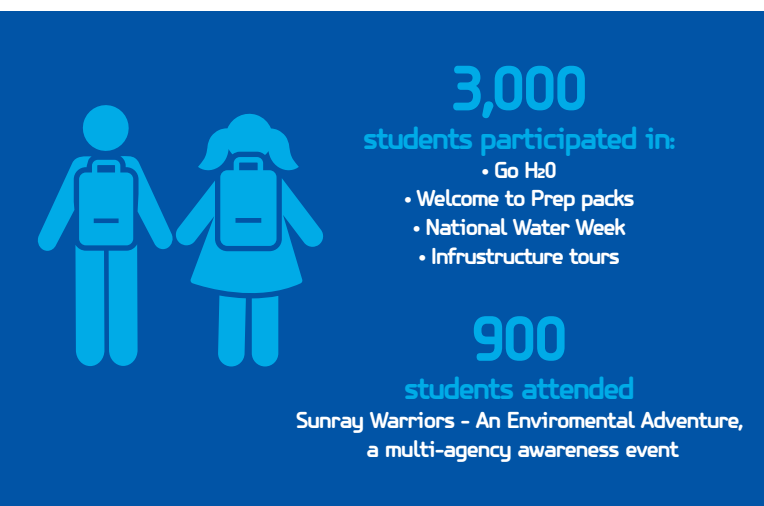
Resilient and Liveable Cities and Towns

Actions undertaken:

- drought preparedness planning
- Sunraysia Regional Water Balance Model (IWM project) commenced
- education delivered through school programs
- investigated opportunities for shared service arrangements with other agencies and community engagement through art projects
- developed 'Target Your Water Use' campaign self-audit tool for households, designed to help customers understand water use and where water can be saved
- completed 60 Community Rebate Program audits
- completed 76 audits and provided 26 rebates for four not-for-profit organisations in our region under the Community Housing Retrofit Program
- continued to collaborate with Water Services Association Australia and other water corporations on the Victorian Water Efficiency Strategy

Actions progressing:

IWM projects continued to be delivered in collaboration with regional IWM partners. Mallee Integrated Water Management (IWM) forum stalled and alternatives being considered.



Recognising Recreational Values

Actions undertaken:

- regular water quality monitoring for BGA levels. Informed community in consultation with Victorian and NSW State BGA Coordinators
- provision of water delivery services for Mallee Catchment Management Authority's (Mallee CMA) environmental watering programs at Lake Hawthorn and Koorlong
- key land manager partnerships:
 - Membership of RiverWatch
 - Membership of Mallee CMA committees
 - Lake Hawthorn Management Plan
 - Kings Billabong canoe launches and fishing platforms

Actions progressing:

Investigating opportunities for expansion of key environmental monitoring partnerships.

Leadership and Culture

Actions undertaken:

- approval of revised Occupational Health and Safety (OHS) Policy and Public Statement document
- completion of 'Leadership by Design' program by 66 staff
- commenced development of a knowledge management framework including succession planning and identification of critical positions and skill sets across the business

Financial Sustainability

Actions undertaken:

- new Procurement Framework and Policy independently reviewed by internal auditors with final implementation to occur in 2020/21

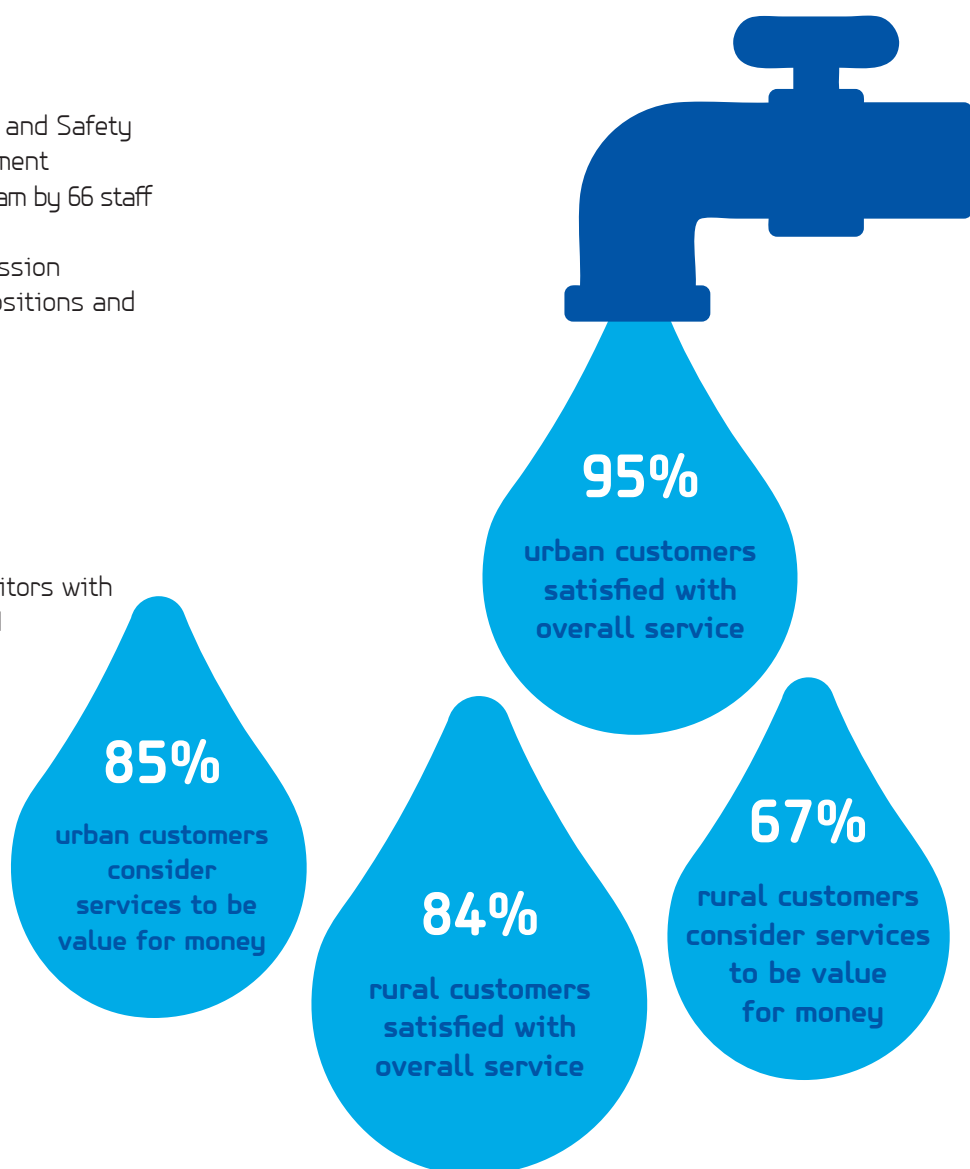
Customer Satisfaction Surveys

In September 2019, we conducted our annual Customer Satisfaction Surveys via phone calls to a sample of 353 urban and commercial customers. Surveys were mailed to all rural customers in January 2020, receiving 389 returned responses.

Customers were asked a range of questions regarding the efficiency and quality of our service, in addition to how they believe we can improve our services in the future.

While the 2019 results are generally positive, the annual surveys again provided valuable insights for us to improve our services to customers. In particular, the 2019 results noted key areas for improvement to include more effective communication to better demonstrate how we are providing value for money to our customers and to improve our information sharing to increase awareness of our services.

Feedback received in the Customer Satisfaction Surveys will be used to inform refinement of the LMW Customer Experience Improvement Strategy.



Impacts of coronavirus (COVID-19) in delivering against the Letter of Expectations

Service delivery was largely unaffected as a result of coronavirus (COVID-19), however minor delays were experienced within the capital expenditure program due to access and mobility issues with some suppliers.

Ongoing provision of our water, sewage and associated services to our customers through a 'customer at the centre' engagement approach remained a priority, despite potential operational impacts of coronavirus.

A variety of actions were implemented to ensure service delivery remained uncompromised, Letter of Expectations deliverables were met, customer and communities were supported and we assisted in slowing the spread of coronavirus.

- working from home arrangements for all staff, where suitable and appropriate to both the employees' personal circumstance and employment duties
- tailored arrangements for vulnerable staff, to ensure their and their families' health is uncompromised
- the segregation of operations staff both within and between teams
- the closure of our offices, other than by appointment, and the implementation of a variety of alternative arrangements to ensure service delivery is uninterrupted
- the maintenance of physical distancing and personal hygiene practices along with an increased cleaning regime of our offices and public areas
- the preparation of business continuity plans for critical organisational functions, to ensure uninterrupted service delivery in the case of widespread staff infections and thus workplace absences
- increased internal and stakeholder communications to ensure our responses to coronavirus are understood by everyone, with a focus on emphasising the importance of uninterrupted service delivery
- improved ICT infrastructure to improve remote access capacity, arising from increased pressures and costs associated with staff working from home.
- changes to staff recruitment processes that are taking longer than usual but are still progressing with 'virtual' recruitment and a new induction and onboarding program implemented.
- the uptake by the vast majority of eligible staff of working from home arrangements (almost 60 per cent of our total workforce)
- the offering of webinars to staff by our Employee Assistance Program provider, with a variety of topics covered

- coronavirus testing for staff considered at risk of coronavirus infection and their self-isolation in the period whilst awaiting their test results (zero staff with coronavirus to date)
- making available 20 days of special leave to all staff to ensure they are able to manage the concurrent demands of working from home and caring for and educating children no longer able to attend school and/or day-care facilities
- the provision of:
 - a one-off \$100 payment for staff working remotely to cover home office expenses
 - the remote work allowance of \$20 per week for home office consumables and utilities
- the conduct of our extensive customer consultation activities via virtual platforms to ensure on-going feedback into our strategic and operational priorities and performance
- the offering of expanded customer payment options, arising from the closure of our offices to the public
- increased support for vulnerable customers using existing hardship programs, including the availability and training of additional staff and supporting media campaigns to outline the available support
- the implementation of the National Cabinet Hardship Principles, including:
 - not disconnecting or restricting supply to households or small businesses in financial stress
 - deferring referrals of households and small businesses in financial stress for debt recovery/collection proceedings and credit default listings
 - waiving late fees, interest charges and charges for collection of overdue amounts for households and small businesses in financial stress
 - providing clear, up-to-date and readily available information about arrangements available to those in financial stress via multiple physical and digital communication channels.

The responses to and impacts of coronavirus have been well documented, analysed and responded to, with the Board and Risk Committee active in this regard developing a 'Coronavirus (COVID-19) Risk Register', supported by the Executive team who met regularly since before the Victorian Government declared a 'State of Emergency' on 16 March 2020.

Across a variety of time horizons, numerous strategic and operational opportunities arising from the pandemic, will be assessed and taken advantage of through 2020/21 and beyond. What we have learnt about ourselves, our customers, the way we work and how we can use this to make us better, stronger, more efficient and effective in delivering our business objectives must be utilised. As an organisation we expect to emerge from coronavirus thriving with energy, innovation and ideas to create new ways of working.

Impacts of Coronavirus (COVID-19) on Letter of Expectations Commitments

Priority Areas	LMW Commitment	Delivery Impact/s
1. Climate change	<ul style="list-style-type: none"> Net-zero carbon emissions by 2050 via pledge process Urban water security 	<ul style="list-style-type: none"> No impact on delivery of outcomes.
2. Customer and community outcomes	<ul style="list-style-type: none"> Communicate and engage effectively and efficiently with customers and our communities 	<ul style="list-style-type: none"> Reduced face-to-face interaction, requiring alternative engagement methods taking longer to complete with possibly less effect.
3. Water for Aboriginal cultural, spiritual and economic values	<ul style="list-style-type: none"> Include Aboriginal values in water planning Generate economic opportunities through supporting access to water Increase Aboriginal participation in water management and decision-making 	<ul style="list-style-type: none"> No impact on delivery of outcomes.
4. Recognise recreational values	<ul style="list-style-type: none"> Consider shared benefits, including recreational benefits of water in planning and management decisions 	<ul style="list-style-type: none"> No impact on delivery of outcomes.
5. Resilient and liveable cities and towns	<ul style="list-style-type: none"> Collaborate and implement relevant Integrated Water Management (IWM) commitments Consider collective community needs within regional context Support vulnerable customers Manage water supplies and assets to safeguard drinking water quality and meet relevant regulatory and quality standards 	<ul style="list-style-type: none"> Increased partner agency work impacted on ability to engage. Significant increase in vulnerable customers requiring additional resources to service. External freight suppliers' staff segregation caused minor delays in laboratory analyses.
6. Leadership and culture	<ul style="list-style-type: none"> Develop strategies and goals to improve gender and cultural diversity in the workforce and support diversity and inclusion in executive leadership 	<ul style="list-style-type: none"> No impact on delivery of outcomes. Has increased opportunities for flexible and remote working providing new opportunities to improve culture and attract a high-performing workforce.
7. Financial sustainability	<ul style="list-style-type: none"> Deliver safe and cost-effective water and wastewater services Financial sustainability 	<ul style="list-style-type: none"> Little known impact currently. Customers' ability to pay to be assessed, which may result in further loan drawdowns and requesting increased borrowing limits. Increased number of customers in hardship may result in delayed or lost revenue.

Other project achievements

Victorian Murray Floodplain Restoration Project

This project is being implemented as part of Victoria's obligations under the Murray-Darling Basin Plan and is funded by the Australian Government's Department of Agriculture, Water and Environment.

The project consists of nine discrete environmental works projects that aim to return a more natural inundation regime across approximately 14,000 ha of high ecological value Murray River floodplain in Victoria through the construction of new and modification of existing infrastructure.

We are the lead agency for this project, in a partnership model with Goulburn Murray Water, Mallee Catchment Management Authority (CMA), North Central CMA, Parks Victoria and the Victorian Government's Department of Environment, Land, Water and Planning (DELWP).

In 2019/20 we oversaw and provided governance functions for Stage 1 of the project comprising – designs, approvals and community and stakeholder engagement activities across all sites to further define the individual business cases for each project to secure funding for Stage 2 project construction.

The project is currently directly employing 24 regionally-based staff across the partner organisations. To date the project has completed preliminary designs on 26 large regulators, five fishways, four permanent pump stations and pipelines and 38 km of levee banks. In parallel with the design approximately 30 weeks of cultural heritage fieldwork has been completed and a similar ecological field survey program undertaken. Community engagement included 100 face to face meetings, 24 project briefings and over 100 phone conversations.

In 2020/21 the project will move into the formal regulatory approvals phase which will run for 18 to 24 months. During this time detailed designs, further field studies and extensive community consultation will be undertaken, before the project's final business cases are submitted for Stage 2 funding approval.

Sunraysia Modernisation Project (SMP2)

The \$7.8 million SMP2 builds on the original \$120 million Sunraysia Modernisation Project (SMP) project undertaken in 2016. SMP replaced existing pumps and large sections of channels with high pressure pipes inside irrigation districts creating excess system capacity.

Construction of SMP2 began in March 2019 and was completed in October 2019, with funding from the Commonwealth Government and private investors. Prior funding for a feasibility study was provided by the Victorian Government. SMP2 utilised spare pump station capacity at Red Cliffs and Merbein to deliver water to our rural customers adjacent to these existing irrigation districts. Works augmented infrastructure to achieve higher flow rates and deliver water to new irrigation enterprises in low-impact salinity zones.

The key benefits of SMP2 are:

- an additional 33 jobs (FTE) in Victoria with 30 of these created in the Sunraysia regional economy
- net economic benefit of around \$40 million
- \$10 million increase in annual income to the Sunraysia regional economy
- a 30 per cent to 50 per cent increase in LMW's annual net revenue from delivery share fees and usage charges from SMP2 private investors
- no change to existing customer supply reliability
- investor and existing customer support
- improved resilience and diversification of the LMW rural business
- all developments in low salinity impact zones
- supported additional 60 jobs during SMP2 construction, and an additional 30 jobs by 2030

Capacity Sharing Tool

In 2019/20 a 'Capacity Sharing Tool Stakeholder Working Group' was formed with representatives from our rural customer committees. Two workshops were held to assist in the design of appropriate management tools for sharing the capacity of the irrigation infrastructure within irrigation districts.

These tools are being designed to ensure all holders of Delivery Share are able to access an equitable share of district infrastructure and enable us to optimise utilisation of this infrastructure.

Plumatella management

Incorporating data captured in the pilot program in 2018/19, we adapted and continued with our first year of a water quality treatment program targeting Plumatella, a naturally occurring freshwater organism often referred to as 'tobacco weed'.

Three irrigation systems were treated with low levels of hydrogen peroxide to address the colonisation of Plumatella early in the 2019/20 irrigation season, without disrupting the water supply or affecting the water's intended purpose.

The program continued for approximately three months and was applied to irrigation and domestic & stock customers. Feedback from our rural customers was analysed to inform the 2020/21 treatment program.

Central Rising Main Replacement Project – Mildura district

This \$3.5 million project undertaken in 2019/20 replaced the existing main pipeline built in the early 1950's which supplies over 2,000 irrigation customers in the Mildura district.

Approximately 555 metres of new, 2.2m diameter pipe was installed, replacing aging infrastructure to ensure ongoing reliability of supply to our customers.

Replacement of the existing manifold structure, drainage pipes and channel outlet was also completed. It is expected that this project will generate water savings and efficiencies for our customers into the future.

Drought Response Report

Actions implemented under the Drought Preparedness Plan

As drought conditions developed across the last quarter of 2019, and less than full seasonal allocations were announced, Stage 1 urban water restrictions were implemented. Restrictions commenced in November 2019, together with a staged plan of action.

A Drought Response Committee was convened and met weekly to assess the drought situation in terms of climate data, river flows, seasonal allocations, cumulative, year to date water consumption, bulk entitlements, temporary entitlements and appropriateness of the current or proposed restriction levels. The Committee also assessed resourcing and community impacts.

This information was used to evaluate the effectiveness of our drought response so that necessary adjustments could be made.

Stages of restrictions of the Water Restrictions By-law invoked, the measures involved and communities affected

Based on allocation and forward projection, the LMW Board approved the commencement of preparations for Stage 1 urban water restrictions in October 2019. From this date, we commenced communications to raise awareness ahead of the formal implementation of Stage 1 urban water restrictions on 21 November, 2019.

Specific actions undertaken during Stage 1 urban water restrictions included:

- enhanced surveillance and compliance notifications issued
- staggered (odds and evens) restricted watering times for households
- advertising campaign using all appropriate forms of media
- monitoring of raw water extraction and regular checks of cumulative demand versus seasonal allocation
- Drought Response Committee to guide decision-making within the Corporation
- public awareness campaign
- considered options for purchasing water allocation

Outline of any measures to be taken to improve future drought response

Information collected and decisions made were documented for evaluation in the post-drought phase for use in future drought planning. A review will cover the following:

Water savings

The timing and effectiveness of the restriction regime will be assessed and documented. Comparisons between historical deliveries and drought deliveries were made as part of the monitoring process during the drought.

Impact of restrictions on the community

Community response to the imposition of restrictions will be evaluated through contact with representatives of the major water user groups, the customer representation committees and interested individuals.

Impact on Lower Murray Water

An examination of the financial and staffing impact of the drought will be carried out to improve preparation for the next drought event.

Gap analysis

An analysis of a wide range of monitoring and data collection to identify areas which could provide value for future drought planning will be undertaken in 2020/21. This may provide the community real-time data about consumption and water restriction impacts.



Water Consumption Report

District Name	Residential Customers				Non-residential Customers									Non-revenue Water				
District Name	Number	1 Potable water volume	2 Recycled wastewater volume	3 Recycled stormwater volume	Number	4 Potable water volume	5 Recycled wastewater volume	6 Recycled stormwater volume	Total number of customers	7 Total potable water volume (1+4)	8 Total recycled water volume (2+3+5+6)	9 Total consumption (7+8)	Average annual consumption 1*	10 Leakage	11 Firefighting	12 Other **	13 Total non-revenue water (10+11+12)	Total water all sources (9+13)
Kerang	1,832	715			319	189			2,151	905	0	905	1,125	68		24	92	997
Koondrook	464	171			56	17			520	188	0	188	260	39		6	45	233
Lake Boga ¹	438	211			50	32			488	243	0	243	0				0	243
Mildura ^{2,3}	19,461	10,217			2,132	2,620	3,043		21,593	12,838	3,043	15,881	13,450	590		344	934	16,815
Murrabit	44	19			12	9			56	28	0	28	39	2		1	3	31
Mystic Park ⁴	12	6			3	2			15	8	0	8	14				0	8
Nyah ¹	307	154			40	60			347	214	0	214	0				0	214
Nyah West ¹	258	115			32	27			290	142	0	142	0				0	142
Piangil	105	47			16	73			121	120	0	120	133	10		3	13	133
Red Cliffs	1,567	707			165	555			1,732	1,262	0	1,262	1,341	129		35	164	1,426
Robinvale	807	400			188	178	185		995	578	185	762	638	54		16	70	832
Swan Hill	4,980	2,038			850	792			5,830	2,830	0	2,830	4,081	265		93	358	3,188
Woorinen South ¹	156	80			17	17			173	98	0	98	0				0	98
	30,431	14,880			3,880	4,572	3,228		34,311	19,452	3,228	22,679	21,081	1,157	0	522	1,679	24,358

Notes

All figures have been rounded to the nearest whole numeral

¹ Supplied from Swan Hill

² Includes Merbein and Irymple for water

³ Includes Mildura, Koorlong and Merbein recycled wastewater

⁴ Water supplied is raw, non-potable

* Average annual consumption calculated between 2015/16 and 2019/20

** Unavoidable losses

Major Non-residential Water Users

Under section 1 22ZJ (1) of the *Water Act 1989*, we have three customers who are not a 'natural person' and who have potable water supplied by us for purposes that are not farming, irrigation or domestic uses.

Volumetric Range - ML per year	Name of Customers	Participation in water conservation programs
Equal to or greater than 100ML and less than 200ML	Murrayland Fruit Juices Pty Ltd Qualia Wine Company Pty Ltd	No known participation
Equal to or greater than 200ML and less than 300ML	Beringer Blass Wines Estates Limited	No known participation
Equal to or greater than 300ML and less than 400ML	-	
Equal to or greater than 400ML and less than 500ML	-	
Equal to or greater than 500ML and less than 750ML	-	
Equal to or greater than 750ML and less than 1000ML	-	
Greater than 1000ML	-	
Total Number of Customers	3	

Bulk Entitlement - Urban

Water Supply System	Off-take Point	Clause 20.1(b)	Clause 20.1(d)
		Annual Amount of Water Taken (ML)	Amount of Water Returned (ML)
Koondrook	Koondrook Pump Station	265	0
Murrabit	Metered Outlet No 4266A	34	0
Kerang	Kerang Pump Station Pump outlet 2542	639	0
Kerang	Koondrook-Kerang pipeline	505	0
Swan Hill	Swan Hill Pump Station	3,907	0
Woorinen	Linked to Swan Hill	*	0
Nyah West	Linked to Swan Hill	*	0
Nyah	Linked to Swan Hill	*	0
Piangil	Piangil Pump Station	141	0
Robinvale	Robinvale Pump Station	645	0
Redcliffs	Red Cliffs Pump Station	1,389	0
Mildura	Mildura Pump Station	11,539	0
Mildura West	Mildura West Pump Station	2,174	0
Mystic Park	Kangaroo Lake	15	0

* diverted through Swan Hill pumps

- urban Bulk Entitlement of 30,970.9ML Murray system high-reliability water shares
- Stage 1 water restrictions applied to all urban service regions between the period 21 November 2019 to 6 June 2020
- clause 20.1 (a) The daily amount of water taken at each off-take point was recorded and included in the total annual amount of water reported in clause 22.1 (b)
- clause 20.1 (b) Volumes reported for Kerang do not include volumes reported under Goulburn-Murray Water's (GMW) bulk entitlement
- water taken at the Koondrook-Kerang pipeline and Piangil off-takes exceeded the nominal volumes listed in the bulk entitlement. Variances in the volume taken are permitted providing the total water allowed under the bulk entitlement is not exceeded
- clause 20.1 (c) No new urban off-take points were agreed to or used
- clause 20.1 (d) No water was returned at specified or agreed return points
- clause 20.1 (e) Our approved Entitlement Metering Program (2011) is being implemented in accordance with clause 21.3. A record of all work undertaken is maintained via a central register
- we are considering the timing of a review of our Bulk Entitlement Metering Program
- clause 20.1 (f) There was no permanent transfer of any part of our bulk entitlement
- there was 1,660 ML of allocation traded out of our bulk entitlement
- clause 20.1 (g) There was no water traded into our bulk entitlement
- clause 20.1 (h) There was no amendment to our bulk entitlement
- clause 20.1 (i) No new bulk entitlement was granted to us
- clause 20.1 (j) We have complied with all provisions of our bulk entitlement
- clause 20.1 (k) We did not experience difficulties in complying with our bulk entitlement

Bulk Entitlement - Rural

Area supplied	Off-take point	Clause 22.1 (b)	Clause 22.1 (d)	Clause 22.1 (e)	Clause 22.1 (f)
		Annual Amount of Water Taken	Amount of Water Returned	Amount of Water Supplied to VEWH	Amount of Water Supplied to Primary Entitlement Holders
		(ML)	(ML)	(ML)	(ML)
Robinvale irrigation district	Robinvale pumping station	20,181	0	0	19,996
Red Cliffs irrigation district and remaining Carwarp area of Carwarp-Yelta waterworks district	Red Cliffs pumping station	30,957	0	0	27,065
Merbein irrigation district, and Yelta part of Carwarp-Yelta waterworks district	Merbein pumping station	19,121	0	421	16,927
Millewa waterworks district and diversion licences	Millewa river pump	23,157	0	0	19,255
Mildura irrigation district	Central Main Pump Station, at Kings Billabong	38,492	0	1,187	34,268
Along the River Murray between Nyah pumps and South Australian border and around Kings Billabong	Private diversion points	416,805	0	0	0

Year in Review

- irrigation customers transacted water shares and allocation trades reported by the Victorian Water Register annually
- customers received a final seasonal determination of 66 per cent high-reliability water shares for the Murray system on 1 April 2020
- clause 22.1 (a) & (b) the daily amount of water taken at each off-take point was recorded and included in the total annual amount of water reported in clause 22.1 (b)
- clause 22.1 (c) no new irrigation district off-take points were agreed to or used
- clause 22.1 (d) no water was returned at specified or agreed return points
- clause 22.1 (e) the annual amount supplied via our distribution system to the bulk entitlement held by the Victorian Environmental Water Holder (VEWH) to Lake Hawthorn and Koorlong Basin
- clause 22.1 (f) the annual amount supplied to primary entitlement holders other than those referred to in clause 22.1 (e)
- clause 22.1 (g) our approved Bulk Entitlement Metering Program (2011) is being implemented in accordance with clause 21.3. A record of all work undertaken is maintained via a central register
- we are considering the timing of a review of our Bulk Entitlement Metering Program
- clause 22.1 (h) no transfers occurred of any temporary or permanent water of our bulk entitlement or primary entitlements
- clause 22.1 (i) we did not transfer any entitlement or assignment of water allocation under the Act
- clause 22.1 (j) no amendments were made to this bulk entitlement
- clause 22.1 (k) no new bulk entitlement was granted to LMW with respect to the River Murray
- clause 22.1 (l) we fully complied with our bulk entitlement provisions
- clause 22.1 (m) we did not experience difficulties in complying with our bulk entitlement

Compliance Reporting

In the 2019/20 financial year, we have undertaken a commitment to approach compliance with a zero-tolerance focus. This has been directed by the Minister for Water and the Department of Environment, Land, Water and Planning (DELWP). We have formalised a Compliance and Enforcement Strategy outlining the organisation's direction and planning for accomplishing the compliance culture we require. We have created the Rural Unauthorised Take Implementation Plan (RUTIP) which is governed by the RUTIP Project Control Group. A clear plan and direction for compliance exists in the organisation.

We issued 807 advisory letters, 301 formal warnings, 348 notices of contravention, 348 notices of entry, locked down 12 outlets and initiated prosecution of two cases, all related to unauthorised take of water. A lesser amount of action was taken for wrongful take.

All progress on unauthorised take has been reported to DELWP through fortnightly reporting. In addition, conversations through phone calls and on-site visits with customers have occurred during this time to assist them in remaining compliant with the *Water Act, 1989*.

As part of the RUTIP project, we have made available small volumes of our Urban Bulk Entitlement through a panel of water brokers at market rates to our domestic & stock customers, as an option for these customers to purchase allocation to maintain a positive allocation account (ABA). These customers often require amounts less than 1 ML and have difficulty sourcing such small volumes from the water market. Only trades of less than 10 ML are allowed with the customers responsible for all transaction costs. Seventeen trades totalling 33.4 ML at an average of 1.96 ML were effected utilising this service.

In 2019/20 the primary focus was on unauthorised take however, during this time we enforced Stage 1 urban water restrictions. The compliance team issued 392 advisory letters to urban customers and three formal warnings before the Stage 1 water restrictions were lifted on 6 June 2020.

Compliance Actions – Rural					
s.33E Unauthorised Take	Q1	Q2	Q3	Q4	Total
Advisory Letters	148	104	525	30	807
Formal Warnings	0	0	149	152	301
s.151 Notice of Contravention	208	74	41	25	348
s.133 Notice of Entry	208	74	41	25	348
s.141 Lockdown	0	2	3	7	12
Prosecution	0	1	1	0	2
s.289 Wrongful Take	Q1	Q2	Q3	Q4	Total
Advisory Letters	0	0	37	0	37
Formal Warnings	0	0	1	0	1
s.151 Notice of Contravention	0	0	1	0	1
s.133 Notice of Entry	0	0	1	0	1
s.141 Lockdown	0	0	1	0	1
Compliance Actions – Urban					
s.160 Breach of a water corporation's by-laws re: water use	Q1	Q2	Q3	Q4	Total
Advisory Letters	40	30	221	137	392
Formal Warnings	0	1	2	0	3

Licence Applications – Rural	
Take and Use	No licences issued in LMW service region Four applications received in 2019/20. Outcome(s) yet to be determined
Works	325 Licences renewed, 36 requiring rectifications works before renewal 121 licences requiring renewal and will be completed in 2020/21

Environmental Sustainability

Sustainable Water Use

We plan and manage our operations in an environmentally responsible and sustainable manner while contributing to the economic, social and cultural development of the region.

During 2019/20 we have:

- continued to implement projects to support our pledged zero net emissions by 2050 and 39 per cent reduction in tonnes of CO₂ emissions by 2024/25
- engaged an energy management solutions provider to assist in the reduction of energy consumption, identify priority areas for emissions reduction and pathways to achieving the targets and reducing costs, develop an Energy Management Plan focussed on the most carbon-intensive areas within our operations, suitable metrics to express baselines and targets, and a reporting mechanism to inform the Board and Executive Team on progress towards achieving reduction targets
- continued our support of our environment through environmental and culturally-based partnerships and support of local school education projects
- partnered with local Catchment Management Authorities and Councils to address environmental threats such as pest, plant and animal control (Cardross Weed and Rabbit Program)
- partnered with local Catchment Management Authorities to service, maintain, upgrade drainage water monitoring instruments, and increase the irrigation drainage monitoring locations and quality of data captured
- supported local Catchment Management Authorities to deliver environmental water in line with the Lower Murray Wetlands Seasonal Watering Proposal
- continued to monitor threatened species such as the Hooded Scaly-foot Lizard at our sites
- continued our program of waste reduction and recycling
- continued to encourage and provide for reclaimed water projects
- developed initial relationships with local cultural bodies to ensure that our community and cultural obligations are being met to the highest standard
- continued our support of Ozfish Sunraysia's re-snagging the Murray River Program by donating logs and root balls from the decommissioned Koorlong Wastewater Treatment Plant tree plantation

Sustainable and Resilient Water Service Systems

We continue to engage strategies that promote the sustainable reuse of treated and recycled water. Such schemes have a positive environmental impact by lowering the demand impact on the Murray River. Under the various schemes, water is initially treated according to the relevant EPA Guidelines and then supplied for a variety of beneficial uses.

These include:

- **Koorlong Wastewater Treatment Plant** - wastewater from Red Cliffs, Irymple and parts of Mildura is treated to Class C standards then supplied via a commercial arrangement for use in horticulture
- **Mildura Wastewater Treatment Plant** - wastewater from the remaining parts of Mildura is treated to Class C standards. It is then used onsite for the production of pastures, fodder and for irrigating tree plantations
- **Robinvale Wastewater Treatment Plant** - wastewater from the Robinvale area is treated to Class C standards and then used for the production of fodder via a commercial arrangement
- **Mildura Water Treatment Plant** - water used in the backwashing and treatment operations is diverted to a separate storage lagoon and then supplied to third parties including Mildura Rural City Council for irrigation of the Aerodrome Ovals sporting complex
- **Mildura West Water Treatment Plant** - reclaimed water from the backwashing and treatment operations is supplied to Mildura Golf Club via a commercial arrangement for the irrigation of its fairways and greens
- **Irrigation drainage** - water collected by our irrigation drainage system is utilised by a number of parties for various purposes, ranging from pasture and crop production through to amenity supply including Red Cliffs Golf Club via a commercial arrangement for the irrigation of its fairways and greens

Other Statutory Obligations

Environmental Flows

We work with the Mallee CMA to provide environmental water delivery under the Victorian Environmental Water Holder's (VEWH)

Lower Murray Wetlands Seasonal Watering Proposal. Under the direction of Mallee CMA, we use our irrigation and drainage assets to provide water to regional wetlands and floodplains including Lake Hawthorn and the Koorlong Basins.

Environmental water is used to achieve environmental outcomes, including the protection of the endangered fish species Murray Hardyhead, as well as assisting with the restoration of salt-affected wetlands. While we aim to ensure that the environmental water targets are met, the needs of our irrigators are prioritised, ensuring their access to water is not compromised.

Victorian Biodiversity Strategy

Within our managed land parcels portfolio, there are a number of sites that are located in areas with high conservation values. These sites are subject to ongoing works aimed at controlling the abundance of pests, plants and animals to ensure that native species populations remain viable and resilient.

Sites currently being managed include:

- **Benetook Offset Site** - Located near Lake Koorlong, a 25 ha site has been subject to intensive conservation over the last decade. In 2005 all major pest animal and weed species were removed to allow native species to re-establish. The site remains under ongoing management to ensure its conservation values are retained and is currently showing signs of significant native species re-establishment which will be reassessed in 2020/21
- **Koorlong Wastewater Treatment Plant** - a 21 ha section of old-growth Mallee located within the grounds of the Koorlong Wastewater Treatment Plant and secured as an offset pool under the Bushbroker scheme, this site is managed by us to ensure it remains free of weeds and animal pest species – this site also has an additional 14 ha area that has been assessed and can be added to the offset pool
- **Mildura West Water Treatment Plant** - a 15 ha area to the south of the plant facilities is home to a population of legless lizards (*Pygopus schraderi*), one of only six locations in Victoria where they are known to exist. In addition to ongoing weed control at the site, we conduct feral animal control to reduce predatory pressure on the lizards

- **Fosters Swamp, Kerang** – we periodically release treated water into Fosters Swamp, RAMSAR-listed wetland. A study conducted in 2008 demonstrated that the water released from our operations has a positive effect on the wildlife in the area

Victorian Waterway Management Strategy (VWMS)

We strive to achieve healthy rivers, streams and floodplains through our works and by supporting our partner agencies. The VWMS provides an integrated framework for management and policy direction for waterway health across the state. The VWMS has informed the development of the Mallee Regional Waterway Strategy 2014-22, of which we are a partner in the delivery of the works program.

State Environmental Protection Policy (Waters)

The finalised version of the revised policy was released on 19 October 2018. We continue to work to understand and reduce the impact of our activities on receiving water environments.

This includes:

- continuous monitoring of irrigation drainage water as it flows to the Murray River and other floodplain sites. Monitoring includes volume data and electrical conductivity measurement. We partner with both Mallee CMA and DELWP in this program
- during 2019/20, a number of upgrade projects to water quality monitoring instrumentation have been carried out. This included identifying of new monitoring locations and increasing the quality of data captured, an outcome of partnered investigations with Mallee CMA into the environmental risks associated with irrigation drainage water

Regional Catchment Strategy

The Mallee Regional Catchment Strategy (RCS) 2013-2019 is prepared under the provisions of the *Catchment and Land Protection Act 1994*. It is developed in partnership with regional stakeholders as a framework for strategic action to support and coordinate the ongoing efforts of the region's land managers, government agencies and community groups. The RCS is the key regional planning instrument that provides guidance on works and developments impacting land and water values across the Mallee.

We continued to assist in the implementation of the Mallee RCS, working with MCMA in the following:

- salinity management and environmental projects
- ongoing participation in the Victorian Regional Water Monitoring Partnership (VRWMP) and associated upgrades
- participation in committees that provide technical support and monitor the projects emanating from the RCS

Environmental Protection Agency (EPA)

Water Industry Reference Group

As a member of this reference group we can raise water industry-related issues and concerns to both the EPA and the wider water industry. This group is also where the EPA seeks early input from the water industry on new or amended EPA programs, policies and guidance.

Six-monthly catch-up meetings

We participate in six-monthly meetings with the EPA to keep abreast of potential regulatory changes associated with water, wastewater and waste management, discuss current issues, concerns and future projects, and develop a better understanding of EPA's expectations in relation to our operations and compliance with the EPA Corporate Licence conditions.

Lake Hawthorn Management Plan

Lake Hawthorn, a few kilometres northwest of the Mildura CBD is an important local water body. Lake Hawthorn is also part of our managed land parcels portfolio. The Lake receives its water principally from Mildura Rural City Council's (MRCC) stormwater system and our irrigation drainage system. The Lake also plays a role in the salinity interception scheme managed by Goulburn-Murray Water (GMW). In addition to these important functions, the Lake has ecological and social amenity values. We continue to work with our fellow agencies — MRCC, Mallee CMA and GMW to ensure the values of Lake Hawthorn are managed effectively. An update of the Lake Hawthorn Management Plan is scheduled for 2019/20.

OzFish Sunraysia

We are proud to support OzFish Sunraysia who promote safe and ecologically sustainable fishing practices in the community.

We donated logs and root balls from the decommissioned Koorlong Wastewater Treatment Plant tree plantation for the Red Cliffs section of the re-snagging the Murray River Program with plans to continue the support for other stages of the program.

Reintroducing snags into the Murray River within the Sunraysia area will provide essential habitat for many native fish species including Murray Cod, Golden Perch and Silver Perch. This program aims to benefit both the environment and the community in many ways.

Community Service Obligations

**included in Utility Relief Grant Scheme figures.*

Community Service Obligations	2019/20	2018/19
Concession to Pensioners	\$2,255,257	\$2,205,016
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	\$206,788	\$209,316
Utility Relief Grants Scheme	\$41,726	\$16,880
Haemodialysis Life Support Machine Water Concessions	\$177	\$239
Hardship Relief Grant Scheme for Sewerage Connections*	\$0	\$0
Total	\$2,503,948	\$2,431,451

Our Hardship Program identifies and assists vulnerable customers to manage their water costs and usage.

Provision of concessions

Customers who hold a valid pension concession card issued from Centrelink or a Veteran Affairs Gold / Health Care card are entitled to concession on water and sewerage charges up to an annual maximum. The annual maximum for 2019/20 was \$328.90. If a customer is receiving only one service, they are entitled to a concession of up to half the annual maximum.

Rebates for non-profit organisations

Non-profit organisations as defined by the State Revenue Office may be entitled for a concession on the service tariff portion of their bills.

Utility Relief Grant Scheme

Residential customers unable to pay their bills as a result of a temporary financial crisis may be eligible for utility relief. Assistance is provided to low-income households who are unable to pay an account and are at risk of restriction of supply or debt collection action.

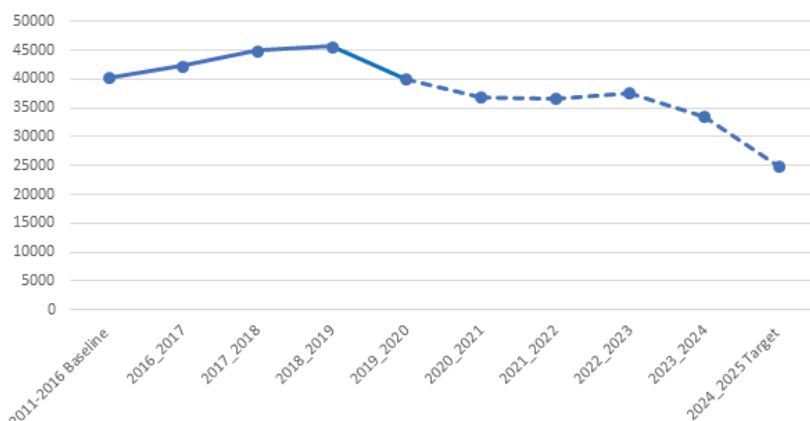
Haemodialysis Life Support Concession

Customers using a life support machine at home may be eligible for a concession on their water usage up to 168 kilolitres per year. An application form needs to be completed and signed by a doctor, nurse or hospital social worker confirming use of a life support machine.

Greenhouse Gas and Energy Reporting

We continue with our commitment to reduce our carbon emissions to meet our pledge of a 39 per cent reduction in CO₂-e by 2024/25.

Net Greenhouse Gas Emissions (tonnes CO₂-e)



Scope 1 and 2 emissions

Scope 1 emissions	8,940.4
Scope 2 emissions	31,116.2
Total emissions	40,057

The total CO₂ emissions for 2019/20 was 40,057t, 11 per cent higher than the projected 36,156t for 2019/20. Our total greenhouse emissions for 2019/20 was 12 per cent less than 2018/19 due to reduced demands on pumping of water for irrigation, and the implemented and fully-commissioned solar energy projects.

Performance Indicator	FY 2019/20 Greenhouse Gas Emissions (Tonnes CO ₂ -e)		Variance (%)	Comments
	Projected	Result		
Irrigation supply and drainage	NA	20,574.0	NA	Projected individual values for business streams have not been finalised.
Water treatment and supply (Urban)		6,380.1		
Sewerage/Wastewater collection and treatment		12,665.3		
Transport and stationary fuel		7,44.0		
Corporate offices		4,73.4		
Offsets (Tree Plantation)		-780.0		Offsets are Climate Active Carbon Neutral Standard as we own and maintain the offset sites.
Total Emissions	36,148	40,057	11%	The 2019/20 CO₂ emissions are 11% higher than projected. However, there is a 15% reduction in the CO₂ emissions compared to 2018/19 attributed to the roll-out and commissioning of the solar power generation projects, and a reduction in other elements such as staff travel, transportation and water consumption as a result of the impact of coronavirus (COVID-19).

Energy Consumption and Generation Reporting

We are committed to reducing our carbon emissions. Toward this, 2019/20 saw the completion of the roll-out of the solar power generation project across different operational sites, with 1.2MW of solar panels operational in 2019/20.

Performance Indicator	Total Energy Use (MWh)		Comments
	2018/19	2019/20	
Irrigation supply and drainage	23,206.05	20,170.55	Figures show 15% reduction from 2018/19, which may be attributed to reduced irrigators' demand for water (122,213 ML in 2018/19 compared to 108,751 ML in 2019/20), and the commissioning of the irrigation solar power generation projects.
Water treatment and supply (Urban)	6,891.80	6,254.98	Figures show a 10.2% reduction from 2018/19, which may be attributed to urban solar power generation projects being fully operational in 2019/20.
Sewerage/Wastewater collection and treatment	3,414.68	3,616.52	Figures show a 15.6% decrease from 2018/19. This was partly due to treating 1% less influent to all Wastewater Treatment Plants (WWTP) and solar generation at the major WWTP.
Corporate offices	486.54	464.08	Figures show a 4.8% decrease from 2018/19. This was partly due to the solar generation system at Mildura 14th Street office being fully operational.
Net total	33,999.07	30,506.12	Figures show a 11.4% decrease from 2018/19. The reduction in the CO ₂ emissions is largely attributed to the solar systems being fully operational, and the impact of coronavirus (COVID-19).

Year in Review

Our renewable streams are focused on solar due to our geographic location and other accessibility issues. In 2019/20 the operation of the solar project in 2019/20 resulted in an overall 8.2 per cent usage of renewable energy in 12 months, as opposed to two per cent usage for the last six months of 2018/19.

Performance Indicator	Total Renewable Energy Used (MWh)		Comments
	2018/19	2019/20	
Solar	645.53	2,499.48	A significant increase in solar energy usage due to solar power generation rolled out in 2018/19 being fully operational in 2019/20.
Hydroelectric	0	0	NA
Wind	0	0	NA
Biogas	0	0	NA
Greenpower	0	0	NA
Total	645.53	2,499.48	As above
Percentage Renewable Electricity (%)	1.90	8.19	As above

Performance Reporting – Financial

Five-year financial summary

Year in Review

Financial Results	2019/20 \$'000	2018/19 \$'000	2017/18 \$'000	2016/17 \$'000	2015/16 \$'000
Core business revenue	65,208	66,545	64,335	60,386	60,233
Capital contributions	7,249	3,594	3,538	3,683	2,081
Government contributions	5	910	-	1,125	1,500
VMFRP funding	14,039	1,402	-	-	-
Other revenue	1,557	2,424	1,432	1,081	4,824
Total Revenue	88,057	74,874	69,305	66,275	68,638
Depreciation expenses	28,324	27,490	27,433	26,250	28,425
Borrowing cost expenses	2,958	3,047	3,265	3,474	3,664
VMFRP expenses	16,062	1,203	-	-	-
Other expenses	47,807	48,171	46,447	48,484	49,302
Total Expenditure	95,151	79,911	77,145	78,208	81,391
Net Result before tax	-7,094	-5,037	-7,840	-11,933	-12,753
Current assets	19,883	22,139	21,506	26,798	38,675
Non-current assets	882,140	885,324	884,131	887,683	896,733
Total Assets	902,023	907,463	905,637	914,481	935,408
Current liabilities	19,740	20,509	15,657	15,957	19,087
Non-current liabilities	153,195	156,274	156,566	161,091	169,670
Total Liabilities	172,935	176,783	172,223	177,048	188,757
Net cash from operations	18,853	26,544	21,270	11,650	21,798
Payments for infrastructure property, plant and equipment	24,411	28,622	23,031	20,985	67,338

Note: Comprehensive financial statements can be found at page 62

Performance Indicators	2019/20	2018/19	2017/18	2016/17	2015/16
Internal Financing Ratio	76.70%	92.74%	92.35%	55.50%	32.18%
Gearing Ratio	5.17%	5.23%	5.11%	5.58%	5.74%
Interest Cover (EBIT) times	-1.45	-0.71	-1.46	-2.55	-2.72
Interest Cover (Cash) times	7.70	10.23	7.92	4.82	8.79
Return on Assets	-0.47%	-0.24%	-0.52%	-0.92%	-1.10%
Return on Equity	-0.76%	-0.48%	-0.76%	1.13%	-1.18%

Current year financial review

The Corporation recorded a net result before tax loss of \$7.1m, which includes revenue and expenditure associated with the Victorian Murray Floodplain Restoration Project (VMFRP) that recorded a deficit of \$2m. Excluding VMFRP from the financial results, net results before tax would be a loss of \$5.1m.

Although the net result shows a deficit, the result excluding VMFRP is consistent with the 2018/19 result and better than the corporate plan budgeted loss of \$7.4m. The cash position is strong and our financial viability is sound, as shown by net cash in operating surplus in the cash flow statement.

We continue to see strong urban and rural growth, especially from residential development contributions of \$2.8m and the Sunraysia Modernisation Project 2 (SMP2) where a capital contribution of \$4.4m was received as well as a \$3.025m government equity contribution.

Core business revenue has reduced from the previous year, principally associated with reduced source water for our rural irrigation customers. The Northern Victoria Resource Manager's 2019/20 final seasonal determination only provided 66 per cent of water allocation for holders of high-reliability water shares in the Murray system. Due to the limited water available, we declared Stage 1 water restrictions for urban customers in November 2019. Many irrigation customers entered the water market to secure additional water, carefully monitoring water use to optimise crop production. This resulted in a reduction of water usage charges of \$1.7m compared to 2018/19.

Operating expenditure for 2019/20, excluding VMFRP, exceeded the Corporate Plan target of \$76.6m by \$2.5m, although still comparable to the 2018/19 operating expenditure, being \$381k greater.

Significant changes or factors affecting performance

We experienced challenging operating conditions throughout 2019/20 which influenced the unfavourable result.

The major challenge was continual poor raw river water quality combined with a significant blue-green algae (BGA) outbreak in December 2019, requiring high chemical dosing rates to provide the community with continual safe drinking water. The BGA outbreak event triggered the assembly of the LMW Emergency Management Team as the density of the BGA in the incoming raw river water

to be treated clogged water treatment plant clarifiers. Extensive cleaning works were required impacting our ability to produce drinking water at a rate equivalent to demand and emergency water restrictions were put in place.

A precautionary Boil Water Notice was issued to Red Cliffs urban customers which required an extensive customer care response. Other challenges included implementation of Stage 1 urban water restrictions which required additional compliance officers, increased sewer blockages due to low flows (water restrictions), a prolonged power outage in Robinvale and surrounding areas in January 2020 due to a high voltage spike in the external power provider's infrastructure and implementing safe working practices due to coronavirus (COVID-19).

Operating deficits largely were driven by a high depreciation expense as a result of increases in infrastructure, land and building valuations from cyclical revaluations of those assets and the addition of gifted SMP assets.

Cash generated from operating activities was \$18.8m and combined with a capital investment in infrastructure property, plant and equipment of \$24.4m still allowed for a reduction in borrowings.

Capital projects

The total estimated investment of none of the capital projects managed by us that were completed during 2019/20, exceeded the \$10m disclosure threshold.



Summary of Performance against Corporate Plan Budget (Net of VMFRP)

Financial Results	Actual Result \$'000	Corporate Plan \$'000	Variance \$'000	Variance %
Service and usage charges	61,091	60,556	535	1%
Government grants and contributions	2,260	2,255	5	-
Developer contributions	7,249	2,362	4,887	67%
Other revenue	3,419	3,959	-540	-16%
Total Revenue	74,018	69,132	4,886	7%
Depreciation expenses	28,324	27,510	814	3%
Borrowing cost expenses	2,958	3,195	-237	-8%
Environmental contribution	2,278	2,278	-	-
Operating, maintenance and administration expenses	45,529	43,602	1,927	4%
Total Expenditure	79,089	76,586	2,503	3%
Net Result before tax	-5,071	-7,454	-2,382	-47%

Operating results and financial position

We recorded a net result before tax loss of \$7.1m, which includes revenue and expenditure associated with the VMFRP. Timing differences for VMFRP milestone payments at 30 June resulted in the project reporting a deficit of \$2m. When VMFRP is excluded from the financial results, the net result before tax is a loss of \$5.1m.

The net result before tax excluding VMFRP is consistent with the 2018/19 result and is a positive variance compared to the Corporate Plan budget loss of \$7.4m. Our cash position is strong and its financial viability is sound, as illustrated by the net cash in operating surplus in the cash flow statement. Operating deficits largely are driven by a high depreciation expense as a result of increases in infrastructure, land and building valuations from cyclical revaluations of those assets and the addition of gifted SMP assets.

With cash generated from operating activities (\$18.8m) combined with a capital investment in infrastructure property, plant and equipment of \$24.4m, we still achieved a reduction in borrowings of \$831k.

We continue to see strong urban and rural growth, especially from residential development contributions of \$2.8m and SMP2 capital contributions of \$4.4m. Developer contributions from the SMP2 project of \$4.4m were reported within the 2019/20 financial year however were excluded in the Corporate Plan because the project was budgeted for completion in the 2018/19 financial year.

Revenue

Core business revenue has reduced from the previous year, principally associated with reduced source water for us and a reduction in use from rural irrigation customers. The Northern Victoria Resource Manager's (NVRM) 2019/20 final determination provided 66 per cent of water allocation for holders of high-reliability water shares in the Murray system.

Due to the limited water available, we declared Stage 1 water restrictions for urban customers in November 2019. Many rural irrigation customers entered the water market to secure additional water, carefully monitoring water use to optimise crop production. These factors contributed to a reduction of water usage charges of \$1.7m compared to the 2018/19 financial year.

The largest developer contributions received are associated with the completion of SMP2, being commissioned in November 2019. Developer contributions from the SMP2 project of \$4.4m were reported within the 2019/20 financial year however were excluded in the Corporate Plan because the project was budgeted for completion in the 2018/19 financial year. A government equity contribution of \$3.025m was also received for SMP2.

Predominately, revenue raised throughout 2019/20 was as budgeted, excluding developer contributions. Our core business service charges have a small favourable result which is primarily due to the increase in SMP2 delivery share charges and additional usage charges of \$98k.

Expenditure

Operating expenditure for 2019/20, excluding VMFRP, exceeded the Corporate Plan target of \$76.6m by \$2.5m or 3 per cent. Compared to the 2018/19 operating expenditure 2019/20 operating expenditure was only \$381k greater. We experienced challenging operating conditions throughout 2019/20 which influenced the unfavourable result.

The major challenge was the continual poor raw river water quality combined with a significant blue-green algae (BGA) outbreak in December 2019. BGA required high chemical dosing rates to provide the community with continual safe drinking water. The BGA outbreak event triggered the assembly of the LMW Emergency Management Team as the density of the BGA in the incoming raw river water clogged water treatment plant clarifiers. Extensive cleaning works were required impacting our ability to produce drinking water at a rate equivalent to demand and emergency water restrictions were put in place. Red Cliffs customers were issued with precautionary Boil Water Notices which required an extensive customer care response.

Other challenges impacting expenditure in 2019/20 included:

- implementation of Stage 1 urban water restrictions requiring additional compliance officers
- increased sewer blockages due to low flows from water restrictions imposed during a power outage in the Robinvale area in January 2020 (due to a high voltage spike in the external power provider's infrastructure)
- implementing safe working practices due to coronavirus (COVID-19)

In summary, we experienced a number of difficult unforeseen operating conditions throughout 2019/20 which placed upward pressure on budgets.

Significant changes in financial position

As lead agency for the VMFRP, we are currently facilitating designs and approvals required for nine business cases. This is Stage 1 of the project, that will be submitted to the Commonwealth Government for approval of Stage 2 funding for construction phase.

Throughout 2019/20, we have received Stage 1 funding of \$14m towards work for the nine business cases which has a total project budget of \$29m. The expenses incurred and accrued for the project work for 2019/20 are \$16m though remains on budget with the projected cashflow.

We have implemented controls to ring fence all aspects of the VMFRP to ensure it is managed separately to our core business and has no negative impact on customers. There will be no cost burden imposed on our urban or rural customers arising from LMW's lead agency role with the VMFRP.

Subsequent events

No events occurred after balance date which significantly affect the Corporation's operation in subsequent reporting periods.

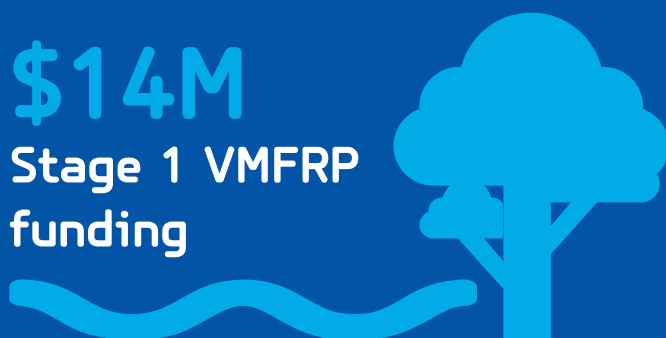


\$24.4M
in capital and
infrastructure
works



\$7.4M
investor
contribution
for SMP2

\$14M
Stage 1 VMFRP
funding



Infrastructure, Land and Buildings, Property, Plant and Equipment

Our operations have a significant impact on the region's economy and liveability. The Corporation has \$876m of assets and spent \$24.4m in capital and related infrastructure works and over \$69m in operating payments to suppliers and employees during 2019/20.

Summary of Carrying Value by Asset Class

Asset Class	2019/20	2018/19	2017/18	2016/17	2015/16
Land	14,654	14,589	13,861	12,282	13,361
Buildings	10,420	9,355	9,025	9,101	830,181
Infrastructure	826,501	830,792	839,600	846,379	9,262
Plant and Equipment	6,576	6,265	6,415	5,635	5,692
Works in Progress	17,999	18,099	9,259	9,511	32,686
Total Assets Carrying Value	876,160	879,100	878,160	882,908	891,182

A revaluation of all assets is required to be conducted every five years for financial reporting purposes in accordance with Financial Reporting Direction (FRD) 103H. The last revaluation was conducted in the 2015/16 financial year.

An annual assessment of fair value is also undertaken to determine if it is materially different to the carrying value. If the difference to carrying value is greater than 10 per cent, a managerial revaluation is undertaken. The assessment for 2019/20 has found the Buildings asset class to have an accumulated increase of 12.6 per

cent since the last revaluation conducted in 2015/16. As a result, a \$1.1m managerial revaluation was reported for the Buildings asset class on 30 June 2020.

No projects completed during the reporting period exceeded the disclosure threshold of \$10m. We set agreed outcomes with customers for the 2018-23 pricing submission period and has seen the following key projects progress or be completed in 2019/20.

Works	Outcome	2019/20 Investment \$'000
Water Treatment Plant Upgrades	Safe drinking water	1,464
UV Secondary Treatment	Safe drinking water	1,914
Water Main Replacements	Reliable drinking water supply	1,054
Construction of Developer Subdivisions	Keep my costs to a minimum	1,413
Sewer Main Replacements	Reliable sewerage services	1,710
Sewer Pump Station Upgrades	Reliable sewerage services	468
Wet Weather Storage	Be mindful of the environment	1,985
Irrigation Main Replacements	Supply water when I need it	3,812
Scada Monitoring and Metering	Supply water when I need it	663
Sunraysia Modernisation Project 2	Keep my costs to a minimum	4,295

For information on our capital projects and 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 website. (<https://www.dtf.vic.gov.au/2019-20-state-budget/2019-20-state-capital-program>).

Performance Report Tables

Financial Performance Indicators

KPI Number	Key Performance Indicator	2018/19 Result	2019/20 Result	2019/20 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 (times)	10.23	7.70	7.70	-24.7%	1	0.0%	
F2	Gearing Ratio Total debt (including finance leases) / total assets x 100	5.23%	5.17%	6.20%	-1.1%	-	-16.6%	2
F3	Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure x 100	92.74%	76.70%	63.00%	-17.3%	3a	21.7%	3b
F4	Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	1.62	1.37	1.60	-15.4%	4a	-14.4%	4b
F5	Return on Assets Earnings before net interest and tax / average assets x 100	-0.24%	-0.47%	-0.50%	95.8%	5	-6.0%	
F6	Return on Equity Net profit after tax / average total equity x 100	-0.48%	-0.76%	-0.70%	58.3%	6	8.6%	
F7	EBITDA Margin Earnings before interest, tax, depreciation and amortisation / total revenue x 100	33.83%	27.30%	34.1%	-19.3%	7a	-19.9%	7b

Notes: Variances greater than 10% described below

1. Unfavourable variance in cash interest cover compared to 2018/19 due to a \$7.7m decrease in net operating cash flows which was primarily caused by movements in payables to employees and suppliers and a decrease in revenue receipts. 2018/19 revenue had an additional \$1.7m in water delivery due to the dry and hot season with Lower Murray Water also trading \$1.0m of water allocations. Lower Murray Water introduced Stage 1 water restrictions in 2019/20 and due to a low water allocation determination (66 per cent) did not trade any water allocation. No action is needed to improve cash interest cover as current cash generated from operations remain sound and accommodates for debt levels held by Lower Murray Water.

2. Favourable gearing ratio compared to target with debt held being \$12.0m less than target due to outgoing cash flow from capital expenditure being \$7.9m lower than target and starting actual cash balance \$5.3m greater than Corporate Plan.

3a. Unfavourable variance in internal financing ratio compared to 2018/19 due to a \$7.7m decrease in net operating cash flows which was primarily caused by movements in payables to employees and suppliers. No action is needed to improve internal financing ratio as current cash generated from operations remain sound and accommodate for debt levels held by Lower Murray Water, with the ability to borrow against those prospects to meet future capital expenditure needs in the future.

3b. Favourable internal financing ratio compared to target with debt held being \$12.0m less than target due to outgoing cash flow from capital expenditure being \$7.9m lower than target and starting actual cash balance \$5.3m greater than Corporate Plan.

4a. The unfavourable current ratio variation compared to 2018/19 is due to the cash balance in 2018/19 being \$2.7m higher than current year. The cash balance, whilst being lower than the previous year does not cause concern as Lower Murray Water has not been required to draw on its borrowing facility throughout 2019/20 as planned. No action is needed to improve on the current ratio variation as Lower Murray Water has good long-term cash generating prospects, a healthy cashflow from operating operations and will be able to borrow against those prospects to meet current obligations if required.

4b. The unfavourable current ratio variation compared to target is mainly due to the 2019/20 target debtor balance being \$5.3m higher, resulting in

total target current assets being \$23.5m compared to actual of \$19.9m. Lower Murray Water allowed for a difficult crop growing season forecasting a low water allocation determination of 60 per cent where irrigation customers would need to purchase water allocation at high prices to meet crop watering requirements. Although the low water allocation determination occurred (66 per cent), it has not had the forecast impact on the outstanding debtor balance. Current debtor balance at 30 June is typically around \$10m with 2019/20 being \$9.1m. No action is needed to improve on the current ratio variation as Lower Murray Water has good long-term cash generating prospects, a healthy cashflow from operating operations and will be able to borrow against those prospects to meet current obligations if required.

5. The unfavourable movement in return on assets compared to prior year is due to EBIT being \$2.1m lower in the current year. Lower Murray Water is the lead agency for the Victorian Murray Floodplain Restoration Project which, on an accrual basis, exceeded the funding revenue by \$2.0m in 2019/20. A negative return on asset is a consistent trend for Lower Murray Water with statutory net result losses due to large depreciation expenses. This negative return on assets is expected to be a continuing trend into the future.

6. The unfavourable movement in return on equity compared to the prior year is due to net profit after tax being \$1.4m lower in the current year. Lower Murray Water is the lead agency for the Victorian Murray Floodplain Restoration Project which, on an accrual basis, exceeded the funding revenue by \$2.0m in 2019/20, compared to 2018/19 which resulted in a profit of \$0.2m.

7a. The unfavourable movement in EBITDA margin includes the Victorian Murray Floodplain Restoration Project exceeding funding by \$2.0m compared to 2018/19 which resulted in a profit of \$0.2m. No action is needed as the project position as at 2019/20 is due to accrual treatment of expenditure. The business case phase of the project is to be completed in 2021 and is expected to be delivered within budget.

7b. The unfavourable movement in EBITDA margin compared to target is due to 2019/20 EBITDA being \$1.1m lower than target. Lower Murray Water is the lead agency for the Victorian Murray Floodplain Restoration Project which, on an accrual basis, exceeded the funding revenue by \$2.0m in 2019/20. When preparing the target EBITDA margin, Victorian Murray Floodplain Restoration Project information was forecast to be on budget, which is the case on a cash basis.

Urban Water And Sewerage Service Performance Indicators

KPI Number	Key Performance Indicator	2018/19 Result	2019/20 Result	2019/20 Target	Variance to Prior Year	Notes	Variance to Target	Notes
WS1	Unplanned Water Supply Interruptions No. of customers receiving 5 unplanned interruptions in the year / total number of water (domestic and non-domestic) customers x 100	22.00%	0%	0%	-100.0%	8	0%	
WS2	Interruption Time Average duration of unplanned water supply interruptions (minutes)	62.04	66.65	60.0	7.4%	9a	11.1%	9b
WS3	Restoration of Unplanned Water Supply Unplanned water supply interruptions restored within 5 hours / total unplanned water supply interruptions x 100	100%	95.92%	99.4%	-4.1%		-3.5%	
SS1	Containment of Sewer Spills Sewer spills from reticulation and branch sewers contained within 5 hours / total sewer spills from reticulation and branch sewers	100%	100%	97.0%	0.0%		3.1%	
SS2	Sewer Spills Interruptions No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	100%	100%	97.0%	0.0%		3.1%	

Notes: Variances greater than 5% described below

8. Favourable variance to prior year is a result of LMW's water main replacement program which prioritises high risk pipelines for replacement reducing the risk of interruptions to customers. The exception last year was a result of a pipeline failing before its replacement schedule and this water main was replaced within the 2019/20 Capital Works program.

9a. Unfavourable variance to prior year is a result of a slight increase to repair times however LMW experienced a significant decrease in the number of interruptions compared to last year.

9b. Unfavourable variance to target can be attributed to the increase in improving safety in line with OHS requirements. LMW has introduced the use of specialised excavation equipment (Vac trucks), sourced from contractors to increase safety when excavating around pipelines, enabling crews to excavate without using traditional excavating equipment. On occasions, sourcing equipment from contractors has resulted in short delays commencing works however LMW is working with contractors to improve response times.

Rural Water Service Performance Indicators

KPI Number	Key Performance Indicator	2018/19 Result	2019/20 Result	2019/20 Target	Variance to Prior Year	Notes	Variance to Target	Notes
C1.4	Rural Water Supply Deliveries Number of orders delivered / total number of orders x 100	99.85%	99.71%	98.0%	-0.1%		1.7%	
C1.5	Applications completed within agreed timeframes Number of applications completed/total number of applications	97.2%	97.0%	85.0%	-0.2%	10a	14.1%	10b
WSR2	Unavailability of Domestic and Stock Supply Duration that domestic and stock service is unavailable in excess of on-property storage	0.0%	0.0%	0.0%	0.0%		0.0%	
WSR3	Groundwater Supply Number of transfers processed within target period / total number of transfers processed x 100	N/A	N/A	N/A	N/A	11a	N/A	11b

Notes: Variances greater than 5% described below

10a. The result was reported as 'NA' in 2018/19 due to unavailability of data from the Victorian Water Register. LMW are able to gain results data from the Victorian Water Register for this indicator for 2019/20 and have restated the 2018/19 results.

10b. Favourable variance to target is a result of our Customer Experience team ensuring timely processing timeframes of applications which has exceeded the processing of applications indicator target.

11a/b. LMW do not process transfers from groundwater supplies.

Urban Customer Responsiveness Performance Indicators

KPI Number	Key Performance Indicator	2018/19 Result	2019/20 Result	2019/20 Target	Variance to Prior Year	Notes	Variance to Target	Notes
CR1	Water Quality Complaints No. of complaints per 1000 customers	1.674	1.020	1.380	-39.1%	12a	-26.1%	12b
CR4	Billing Complaints No. of complaints per 1000 customers	0.440	0.437	0.630	-0.7%		-30.6%	13

Notes: Variances greater than 5% described below

12a. Favourable variance to prior year is a result of receiving 12 colour complaints compared to 36 last year. Mains flushing resolved the complaints that occurred as a result of the ongoing water main replacement program and maintenance works. LMW received 15 taste and odour complaints, attended nine residences and performed water sampling and analysis which resulted in no further action. Six other complaints were resolved by mains flushing, one was caused by blue-green algae and the other was due to water treatment plant changes. Seven other complaints were received and five were related to alleged illness whereby water sampling and analysis was undertaken along with mains flushing and this resulted in no further action. The remaining two complaints were of a miscellaneous nature. LMW notifies customers of pending works and services in their area and strives to minimise disruptions and changes to water quality after completion of works.

12b. Favourable variance to target is a result of the number of complaints received being less than the five year average.

13. Favourable variance to target is a result of receiving 15 billing complaints which was less than the five year average. A variety of complaints included four relating to special meter read costs for tenant movements, two relating to water usage on vacant land, two pertaining to body corporate billing, one for high consumption, four relating to restrictions and two for account information. LMW's Customer Experience team is committed to ensuring that we engage and inform our customers with the information they require to satisfy and resolve their complaints.

Year in Review

Rural Customer Responsiveness Performance Indicators

KPI Number	Key Performance Indicator	2018/19 Result	2019/20 Result	2019/20 Target	Variance to Prior Year	Notes	Variance to Target	Notes
CRR4	Billing Complaints No. of complaints per 1000 customers	0.000	0.162	0.530	100.0%	14a	-69.4%	14b

Notes: Variances greater than 5% described below

14a. Unfavourable variance to prior year is a result of receiving one complaint which pertained to the affordability of the advertised 2020/21 tariff increase.

14b. Favourable variance to target is a result of the one complaint received being less than the target of four per year.

Urban Residential Customer Water Bill Indicators

KPI Number	Key Performance Indicator	2019/20 Result	2019/20 Target
L3.A	Total urban residential billed based on average consumption (519kl)	\$1,009.93	N/A*
L3.B	Total residential urban bill based on 200kl consumption	\$785.74	N/A*

* No target required to be set in Corporate Plan.

Rural Customer Water Bill Indicators

KPI Number	Key Performance Indicator	2019/20 Result	2019/20 Target
C.1.6.1	Total rural bill gravity irrigation Total bill for a 100 ML customer with high reliability and one service point. (include other associated fees (e.g. drainage, usage) and report by district)	N/A*	N/A**
C.1.6.2	Total rural bill pumped irrigation Total bill for a 100 ML customer with high reliability and one service point. (include other associated fees (eg drainage, usage) and report by district)		
	Mildura	\$14,384.77	N/A**
	Mildura High Pressure	\$20,809.57	N/A**
	Merbein	\$11,617.69	N/A**
	Red Cliffs	\$12,467.69	N/A**
	Robinvale High Pressure	\$21,767.25	N/A**
	Private Diverters	\$ 1,282.21	N/A**
C.1.6.3	Total rural bill domestic and stock Total bill for a 1 or 2 ML customer (as applicable)		
	Mildura	\$360.62	N/A**
	Mildura High Pressure	\$480.98	N/A**
	Merbein	\$304.81	N/A**
	Red Cliffs	\$319.26	N/A**
	Robinvale High Pressure	\$487.14	N/A**
	Private Diverters	\$146.05	N/A**
	Total bill for water work districts Total bill for a 1 or 2 ML customer (as applicable)		
	Millewa - Township 1 ML	\$1,296.46	N/A**
	Millewa - Rural 2 ML	\$7,860.18	N/A**
	Wargan 2 ML	\$1,242.57	N/A**

* Lower Murray Water do not have rural gravity irrigation districts.

** No target required to be set in Corporate Plan.

Urban Environmental Performance Indicators

KPI Number	Key Performance Indicator	2018/19 Result	2019/20 Result	2019/20 Target	Variance to Prior Year	Notes	Variance to Target	Notes
E1	Effluent Re-Use Volume (End Use) % recycled	67.93%	68.60%	60.0%	1.0%		14.3%	15
E2	Total Net CO₂ Emissions Net tonnes CO ₂ equivalent	20,128	18,838	16,933	-6.4%	16a	11.3%	16b

Notes: Variances greater than 5 per cent described below.

15. Favourable variance to target is a result of the recycling schemes sourcing water within a low rainfall and low water allocation determination irrigation season. In years of low rainfall, the trend of 60 per cent TO 70 per cent of reuse of effluent is expected relative to the total treated wastewater at all wastewater treatment plants.

16a. Favourable variance to target is a result of a 13 per cent and 3 per cent reduction in the emissions generated from the water and wastewater treatment plants operations respectively, 7 per cent reduction from the transport and stationary fuel emissions, and 9 per cent reduction from the corporate offices electricity consumption. A small reduction in emissions can be attributed to coronavirus (COVID-19) where reduced levels of business-related travel and office use with additional reductions driven from onsite solar power generation being fully operational throughout 2019/20.

16b. Unfavourable variance to target due to implementation of projects to reduce emissions delays. LMW has initiated a review on our strategy ensuring we deliver projects that promote power savings and reduction in CO₂ emissions.

LMW is in the process of developing a dashboard reporting system to closely monitor carbon emissions, and keep the business informed of changes and progress towards meeting LMW's carbon reduction pledge. There are also a set of projects being considered that are aimed at reducing scope 2 emissions and targeting higher operational efficiencies for processes, water pumping, water quality and safety, transport, generation, life energy costs and environmental best practices for any new equipment.

Rural Environmental Performance Indicators

KPI Number	Key Performance Indicator	2018/19 Result	2019/20 Result	2019/20 Target	Variance to Prior Year	Notes	Variance to Target	Notes
E2	Total Net CO₂ Emissions Net tonnes CO ₂ equivalent	25,569	21,219	19,163	-17.0%	17a	10.7%	17b

Notes: Variances greater than 5 per cent described below

17a. The favourable variance to prior year is a result of reduced demand for irrigation water, achieving higher efficiency operations whilst reduced power consumption, and commissioning of the onsite solar power generation.

17b. Unfavourable variance to target due to implementation of projects to reduce emissions delays. LMW has initiated a review on our strategy ensuring we deliver projects that promote power savings and reduction in CO₂ emissions.

LMW is in the process of developing a dashboard reporting system to closely monitor carbon emissions, and keep the business informed of changes and progress towards meeting LMW's carbon reduction pledge. There are also a set of projects being considered that are aimed at reducing scope 2 emissions and targeting higher operational efficiencies for pumping water, transport, energy generation, whole of life energy costs and environmental best practices for any new infrastructure and equipment.



Service

No urban customers >5 unplanned interruptions

99.71% of rural water orders delivered



Responsiveness

1 water quality complaint per **1,000** urban customers

1.6 billing complaints per **1,000** rural customers



Water Bill

Annual residential water bill of **\$1,009***

Annual irrigation water bill from **\$1,282 - \$20,809****



Environmental

68.6% of effluent recycled

21,219 net tonnes of CO₂ emissions

* (519 kl usage)

** (100 ML usage)

Certification of Performance Report for 2019/20

We certify that the accompanying Performance Report of Lower Murray Urban and Rural Water Corporation in respect to the 2019/20 financial year is presented fairly and in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the responsible Minister and as set out in the 2019/20 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.



Cheryl Rix
Chair



Anthony Couroupis
Managing Director



Karen Hensgen
General Manager Business Services and Performance

Dated this 29 day of September 2020

Independent Auditor's Report

To the Board of the Lower Murray Urban and Rural Water Corporation

Opinion	<p>I have audited the accompanying performance report of the Lower Murray Urban and Rural Water Corporation (the corporation) for the year ended 30 June 2020, which comprises the:</p> <ul style="list-style-type: none"> • financial performance indicators • urban water and sewerage service performance indicators • rural water service performance indicators • urban customer responsiveness performance indicators • rural customer responsiveness performance indicators • urban residential customer water bill Indicators • rural customer water bill Indicators • urban environmental performance indicators • rural environmental performance indicators • certification of performance report. <p>In my opinion, the performance report of the Lower Murray Urban and Rural Water Corporation in respect of the year ended 30 June 2020, presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the <i>Financial Management Act 1994</i>.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the performance report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance report in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the performance report	<p>The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.</p>

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

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

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

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

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

MELBOURNE
8 October 2020

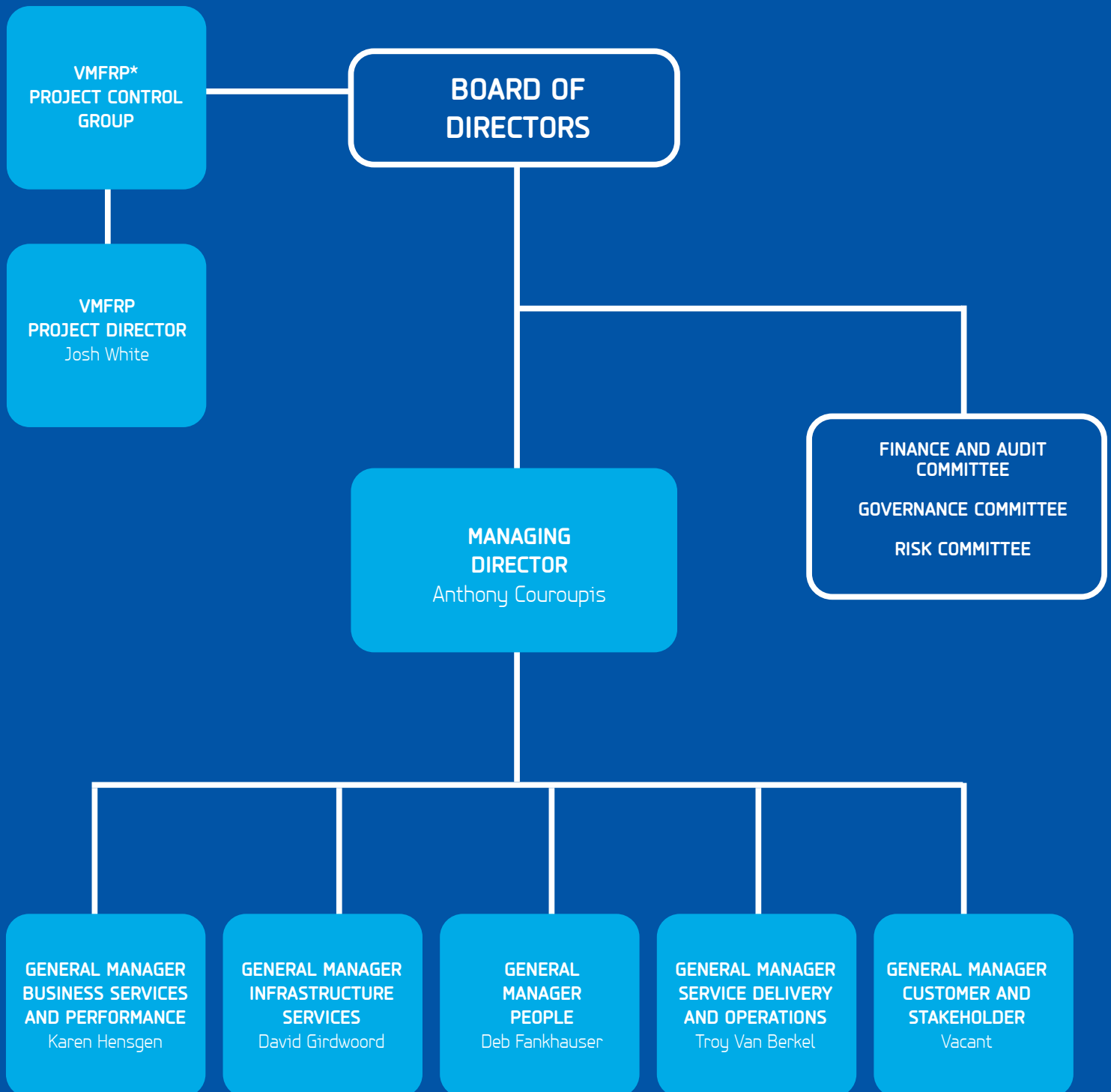


Paul Martin
as delegate for the Auditor-General of Victoria

Governance and Organisational Structure



Organisational Structure



- Restructure of LMW organisational structure commenced October 2019, implemented December 2019
- 5 General Managers appointed replacing 7 Executive Managers, effective from 2 December 2019
- Julie Campbell Chief Financial Officer/Corporate Secretary to 13/12/2019
- Andrew Kremor General Manager Customer and Stakeholder to 30/06/2020
- Karen Hensgen appointed 1 June 2020
- *Victorian Murray Floodplain Restoration Project

Governing Board

The Lower Murray Urban and Rural Water Corporation Board comprises nine Directors of which eight are non-executive Directors appointed by the Minister for Water and a Managing Director, appointed by the Board.

The Board is appointed to ensure the strategic planning and direction of the Corporation complies with Government objectives for the provision of reliable and secure water for urban, irrigation and domestic and stock purposes, wastewater and drainage services. The Board is also required to meet expectations for the region to deliver *Water for Victoria*.

Our Directors come from diverse backgrounds and bring a complementary mix of skills and expertise that ensure the Board focuses on Lower Murray Water achieving optimal strategic, environmental, operational and financial corporate governance.

Cheryl Rix Chair

Ms Rix was appointed 1 October 2017 to 30 September 2021. Appointed Chair from 1 October 2017.

Cheryl is the Corporate Secretary and Chief Risk Officer at Mildura Health Fund having previously held the positions of Program Manager for Northern Mallee Leaders and General Manager of Western Murray Irrigation Ltd. Cheryl was also the Chair of Lower Murray Darling Catchment Management Authority (New South Wales). Cheryl is a past member of the National Community Bank Strategic Advisory Board for Bendigo and Adelaide Bank's Community Bank Network and is also a past board member of Wentworth District Capital Limited and Mildura Development Corporation. Cheryl holds a Bachelor of Commerce, is a Graduate of the Australian Institute of Company Directors and has completed the Mastering the Boardroom program. Cheryl is a Chartered Accountant Fellow and a Fellow of the Australian Rural Leadership Foundation.

Committee membership:
Finance and Audit Committee.

Sharyon Peart Deputy Chair

Ms Peart was appointed 1 October 2017 to 30 September 2021. Reappointed Deputy Chair from October 2019.

Sharyon moved from Melbourne to the Mallee in 2003, where she lived on a large citrus, dried fruit and wine grape growing property at Nangiloc. Sharyon's background in corporate business, sales, marketing and team management gave inspiration to the small business she owns and operates. She has been the sole Director since she created the company in 2005, specialising in retail consultation, managing women's health and well-being. Sharyon served Mildura Rural City as a Councillor for nine years and gained much experience as Portfolio Councillor for art and education, community services and wellbeing, and governance and finance. Sharyon is the Chair of the Mallee Catchment Management Authority, Chair of Vic Catchments, a member of the La Trobe University Advisory Board and a member of the Commissioner for Environment &

Sustainability Reference Group. Sharyon has sound experience in corporate governance, financial management, environmental management, agricultural water uses and associated impacts on the environment, strategic planning, community engagement, relationship building and has completed the Australian Institute of Company Directors course.

Committee membership:
Risk Committee and Governance Committee.

Warren Lloyd Deputy Chair

Mr Lloyd was appointed from 1 October 2017 to 30 September 2023. Appointed Deputy Chair from October 2019.

Warren comes from a family that has been involved in irrigated horticulture in the Mildura area from its pioneering beginnings. Since 2005, along with his father and uncle, he has been managing the family dried fruit property, giving him considerable expertise in horticulture and irrigation. Warren chaired our Strategic Advisory Committee from 2015 to 2017 and Customer Services Advisory Committee from 2008 to 2014. He has been a board member of Dried Fruits Australia since 2010. Warren holds a Bachelor of Education and prior to returning to the family business, was a secondary school teacher working in two different states. Warren is a graduate of the Australian Institute of Company Directors.

Committee membership:
Risk Committee and Governance Committee.

Greg Baker Director

Mr Baker was appointed 1 October 2019 to 30 September 2023.

Greg is an experienced Director and has held Board positions with a range of private companies, not-for-profit organisations and industry bodies. He is currently Executive Director and Principal Consultant at Severn Consulting, specialising in strategic and commercial advice to asset intensive companies and Governments in the utilities, logistics and manufacturing sectors. Greg has held senior executive positions at Aurizon, Pacific National and Qenos, in a career spanning more than 40 years. He holds degrees in Chemical Engineering and Commerce and is a graduate member of the Australian Institute of Company Directors.

Committee membership:
Risk Committee.

Max Folie Director

Mr Folie was appointed 1 October 2019 to 30 September 2023.

Max is an Audit Committee Member of Mildura Rural City Council and a highly experienced international General Manager with a depth of business experience managing risk and improvement drivers for the top 20 ASX listed large global complex commercial businesses. Max developed and improved

Risk Management and Internal Audit operations, systems and reporting and established effective reporting systems for Board Committees and Executive Management. He also has extensive offshore experience through South East Asia, South America, Canada, Europe, UK, USA, PND and West Africa. He is a CPA and holds a Diploma of Auditing from RMIT and a Diploma of Business from Monash University.

Committee membership:

Finance and Audit Committee (Chair) and Risk Committee.

Rob Fowler

Director

Mr Fowler was appointed 1 October 2017 to 30 September 2021.

Rob is an independent consultant based in regional Victoria. Since 2002 he has been working at the frontier of sustainable finance and climate change. During that time his clients have included major corporations, international banks, the UN, national and provincial governments, service providers, industry associations and non-profit organisations. He has previously held senior advisory and management roles with the Climate Bonds Initiative, Booz and Company, the New South Wales Cabinet Office, the Independent Pricing and Regulatory Tribunal of NSW, and LEK Consulting. Rob holds a Bachelor of Mechanical Engineering and during his professional career has lived and worked in Melbourne, Sydney, Shanghai, Singapore, Abu Dhabi, Boston, Bangkok, East Kalimantan and country Victoria.

Committee membership:

Risk Committee (Chair)

Michelle Oates

Director

Ms Oates was appointed 1 October 2017 to 30 September 2023.

Michelle is a senior Solicitor and Director of Martin Middleton Oates Lawyers in Mildura, practising predominantly in family law, commercial and property law. Michelle is Chair and a Director of Chaffey Aged Care. Michelle has commercial law experience in primary industry, water management and land transfers, and advises clients and stakeholders on corporate governance. Michelle holds a Bachelor of Laws and Legal Practice (Hons) and a Bachelor of Justice and Society from Flinders University and is a graduate of the Australian Institute of Company Directors. Michelle lives and works in the Sunraysia district along with her husband and two young daughters.

Committee membership:

Governance Committee (Chair)

Svetla Petkova

Director

Ms Petkova was appointed 1 October 2019 to 30 September 2023.

Svetla is a respected professional with a strong network of industry contacts. She is a member of the Southern Alpine Resort Management Board and Chair of the Workplace committees; and Loddon Mallee Waste Resource Recovery Group Board Director. She is a highly skilled Executive, People and Asset Manager with expertise managing services, projects and programs with Grampians Wimmera Mallee Water, Gippsland Water, City West Water, Isaac Regional Council and more recently with Swan Hill Rural City Council. Svetla excels in the development, coordination and management of multimillion-dollar assets and programs, maintaining compliance and meeting governance requirements.

Svetla is adept at containing costs through the implementation of systems and procedures that streamline efficiencies. She adapts a consultative approach with a strong record of performance, collaborating with management teams, board and committees, building effective client and stakeholder relationships. As a leader, she fosters unity and motivates teams towards the attainment of goals.

Committee membership:

Finance and Audit Committee.

Audit Committee Membership and Roles

Finance and Audit Committee

The responsibilities of the Finance and Audit Committee include oversight and review of:

- internal audit
- external audit
- financial reporting matters
- compliance with laws, regulations and internal policies
- internal controls

The Finance and Audit Committee has fulfilled its required responsibilities as per the Terms of Reference.

All members of the Finance and Audit Committee are independent non-executive Directors with the exception of Glen Hornsby who is an independent externally appointed member.

Board Committees

Governance Committee

The Governance Committee assists the Board in carrying out its duties by providing independent and objective review, advice and assistance in developing effective corporate governance, and making recommendations to the Board for resolution. The Governance Committee is formed in accordance with section 122C of the *Water Act 1989* that provides for Committees to be established by a water corporation.

The objectives of the Governance Committee are to:

- assist the Board to discharge its duty with respect to overseeing all aspects of good corporate governance and compliance
- make recommendations to the Board in regard to self-review, training and development and the induction of new members
- review arrangements for executive remuneration and
- assist the Board to discharge its duty with regard to its employment responsibilities for the Managing Director

The Governance Committee has fulfilled its required responsibilities as per the Terms of Reference.

Risk Committee

The Risk Committee assists the Board in carrying out its duties by providing independent and objective review, advice and assistance in developing effective risk management, and making recommendations to the Board for resolution. The Risk Committee is formed in accordance with section 122C of the *Water Act 1989* that provides for Committees to be established by a water corporation.

The objectives of the Risk Committee are to:

- assist the Board to discharge its duty with respect to overseeing all aspects of risk management
- make recommendations to the Board in regard to the effectiveness of the implementation of the risk framework
- provide the Corporation's risk appetite and risk tolerance, for presentation and approval by the Board

The Risk Committee has fulfilled its required responsibilities as per the Terms of Reference.

Attendance at Board and Committee Meetings

Directors	Board Meetings		Governance Committee		Finance & Audit Committee		Risk Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Cheryl Rix (Chair)	13	13	n/a	n/a	4	4	n/a	n/a
Sharyon Peart (Deputy Chair)	13	13	3	3	n/a	n/a	6	6
Anthony Couroupis	13	13	n/a	n/a	n/a	n/a	n/a	n/a
Warren Lloyd	13	13	3	3	n/a	n/a	6	6
Michelle Oates	13	11	3	3	n/a	n/a	n/a	n/a
Rob Fowler	13	12	n/a	n/a	n/a	n/a	6	6
*Greg Baker	11	11	n/a	n/a	n/a	n/a	5	5
*Max Folie	11	11	n/a	n/a	3	3	5	5
*Svetla Petkova	11	10	n/a	n/a	3	3	n/a	n/a
**Jason Kambovski	2	2	n/a	n/a	1	1	n/a	n/a
**Liza McDonald	2	2	2	2	n/a	n/a	n/a	n/a
**Guy Kingwill	2	2	n/a	n/a	1	1	1	1
***Glen Hornsby	n/a	n/a	n/a	n/a	4	4	n/a	n/a

* Directors appointed to the LMW Board 1 October 2019

** Directors not reappointed from 1 October 2019

*** Independent/External Member

Workforce Data

Public Sector Values and Employment Principles

Workforce philosophy

We recognise that our people are our largest strategic asset in achieving business objectives and it is through investing in our people that we will support the growth and prosperity of our region. During 2019/20 we reviewed our organisational and staff structures and implemented a new workforce design that provides:

- appropriate spans of control to enable strong people leadership
- progression opportunities to enable strong talent management and career development pathways in all areas of the business
- recognition of the importance of both technical and leadership capability in the delivery of performance and strategic outcomes

The new workforce design also brings the organisation together as one structure and enables the sharing of resources, skills and knowledge which will establish a learning culture. Through this review, our focus of 'one LMW' has been the anchor of all decisions made.

Growth through people

During 2019/20 we completed a leadership development program with 100 per cent of people leaders completing a tailored 'Leadership by Design' program delivered by an external partner. This initiative forms part of the foundational development required for us to achieve our strategic objective of developing an engaged, high-performing, skilled and diverse workforce.

We commenced development of a Talent Management Framework. Talent management is a key business strategy and an investment in building for the future capability requirements of our workforce. Taking a systematic approach to managing the career growth of high-performing and high-potential employees will ensure we have the right people ready for critical roles now and in the future.



Mid-year staff awards recognising 10 to 30 years of service, held in July 2019. This photo was taken pre-coronavirus (COVID-19) restrictions.

Diversity and inclusion

We continue an active role on VicWater's Diversity, Equity and Inclusion steering committee, supporting the implementation of the Water Industry Diversity and Inclusion Strategy.

The following demonstrates our progress in 2019/20, towards **our** 2023 diversity and inclusion targets.

OUR TARGETS	2023 TARGET	2020 ACTUAL
Percentage of women at LMW	42%	32%
Women in senior leadership	50%	43%
Identify as a person with a disability	10%	3%
Speak a language other than English	20%	7%
Have flexible work arrangements in place	35%	34%
Have caring responsibilities	35%	39%
Identify as Aboriginal or Torres Strait Islander	3%	1%

Workforce Data

We were a key contributor to the first progress report for the Water Industry in 2019 and in 2020 commenced planning for the development of our Gender Equality Action Plan in accordance with the requirement of the *Gender Equality Act 2020*.

Our focus is not just about meeting diversity targets but about attracting, recruiting and retaining the right people for the right positions and genuinely developing an inclusive culture where all people have access to employment opportunities.

During 2019/20 we partnered with disability employment services to provide employment opportunities for people with a disability during our drought response. This included two compliance officer positions and one customer service position. Further, in March 2020 we established our first identified Aboriginal position and successfully recruited to the position of People and Safety Trainee, already making significant contribution including the revision of an Acknowledgment of Country for our organisation.



Our Workforce Information

The following table discloses the head count and full-time staff equivalent (FTE) of all our employees in the last full pay period in June of the current reporting period, and in the last full pay period in June 2019 of the previous reporting period (2019).

Comparative workforce data

	June 2020								June 2019							
	All Employees				Ongoing		Fixed Term & Casual		All Employees				Ongoing		Fixed Term & Casual	
	Number		Full-time	Part-time	Total	Number			Number		Full-time	Part-time	Number			
	(Head Count)	FTE	(Head Count)	(Head Count)	FTE	(Head Count)	FTE		(HeadCount)	FTE	(Head Count)	(Head Count)	FTE	(Head Count)		FTE
Demographic Data	Gender															
	Women	66	63	45	13	55	8	8	57	0	0	0	0	0	0	0
	Men	140	140	137	1	138	2	2	140	0	0	0	0	0	0	0
	Self-described	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Age															
	15-24	12	12	10	0	10	2	2	10	10	4	0	4	6	6	6
	25-34	29	29	25	1	26	3	3	28	28	26	0	26	2	2	2
	35-44	48	48	44	3	47	1	1	50	49	44	4	47	2	2	2
	45-54	45	43	38	4	40	3	3	41	39	36	2	38	3	2	2
	55-64	60	59	55	4	59	1	1	60	60	55	4	59	1	1	1
65+	12	12	10	2	12	0	0	8	8	8	0	8	0	0	0	
	Totals	206	203	182	14	193	10	10	197	194	173	10	181	14	13	
Classification data	Areas															
	Executives	7	7						6	6						
	Administration	71	68						62	59						
	Operations	90	90						85	85						
	Engineering/ Technical	38	38						44	44						
	Sub-total	206	203						197	194						
	Vacancies	14	14						5	5						
	Totals	220	217						202	199						

Our people are our largest strategic asset in achieving business objectives and it is through investing in our people that we will support the growth and prosperity of our region.

Classification level data

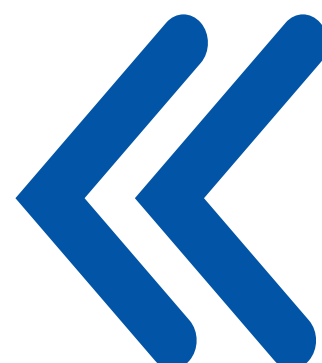
Classification Level	A	B	C	D	E	Total
Band 1	5	3	0	12	14	33
Band 2	8	9	2	42	-	61
Band 3	10	10	14	-	-	34
Band 4	3	3	18	-	-	24
Band 5	4	1	20	-	-	25
Band 6	0	0	1	-	-	1
Band 7	0	0	1	-	-	1
Contract Staff	-	-	-	-	-	23
Total*	30	26	56	54	14	203

*Does not include vacancies

Executive Officer Data

An Executive Officer (EO) is defined as an executive under Part 3 of the *Public Administration Act 2004* (PAA) or a person to whom the Victorian Government's *Public Entity Executive Remuneration Policy* applies. All figures reflect employment levels at the last full pay period in June of the current and corresponding previous reporting year. The definition of an EO does not include a statutory office holder or an Accountable Officer.

Workforce Data	2019/20								2018/19							
	Women		Men		Self-described		Total		Women		Men		Self-described		Total	
	Head Count	FTE	Head Count	FTE	Head Count	FTE	Head Count	FTE	Head Count	FTE	Head Count	FTE	Head Count	FTE	Head Count	FTE
Executive	5	5	1	1	0	0	7	7	5	5	1	1	0	0	6	6



Occupational Health and Safety



During 2019/20 we focused on building capability across our workforce in undertaking safety assessments, systems of work and improving accessibility to safety information.

Activities have included:

- development and implementation of a new hazard identification and risk assessment process
- development of an OHS Manual to ensure all OHS policies and procedures are accessible from the one location
- creation of an OHS Manual App to enable accessibility of the OHS Manual from all mobile devices anywhere, anytime
- development and delivery of training for Managers and Team Leaders on incident investigation, hazard identification and near misses.
- development and release of online training for all staff on hazard identification, near miss and incident reporting
- development and release of online training to confirm understanding and awareness of the OHS Manual
- inclusion of online training packages in our onboarding program to ensure appropriate training and induction of all new staff
- development of a Contractor Management Procedure to ensure a consistent approach to the engagement and management of all contractors across our operations.

Through a detailed review of our Global Safety Index (GSI) survey results from 2017 and 2019, our Executive Team developed a safety strategy in 2019/20 for implementation in 2020/21.

The program of works, titled the 4C's is categorised under four key themes:

- Commitment
- Communication – two-way
- Consistency
- Clarity

Our 4C Safety First Strategy will be led by the Executive and Management Teams to improve our safety culture and manage our organisational strategic risk, "Ensure LMW's approach to safety achieves zero harm and establishes a safety culture which supports the physical and mental wellbeing of our staff beyond the workplace". It will also support the achievement of our strategic objective to, "Establish an engaged, high-performing, skilled and diverse workforce".

Key performance indicators

The table below outlines Key Performance Indicators used to measure our performance in Occupational Health and Safety matters. Statistics are provided for comparative purposes for the previous two years.

Key performance indicator	2019/20	2018/19	2017/18
Reported Hazards / Incidents per 100 FTE	11/36	15/64	28/37
Number of Lost Time standard claims per 100 FTE	0	3	1
Average Cost per Claim	\$0	\$16,396	\$15,263

Injury management has been a key focus in 2019/20 and our 'lost time' standard claims per 100 FTE, after increasing in 2018/19 have reduced to none in 2019/20. This improvement is evidenced by a 97% reduction in actual lost time days from 66 in 2018/19 to two in 2019/20. A 100 per cent reduction in WorkCover claims was also realised, with none recorded in 2019/20.

To achieve this we formed a local partnership and focused on a proactive approach towards injury management and employee engagement post-injury. Our partner is well-connected within the medical field and has assisted us to ensure employees get access to the right treatment when they need it. In addition we have improved pre-employment medical checks enabling better support for employees with pre-existing injuries.

Other Disclosures

Local Jobs First

The *Local Jobs First Act 2003* introduced in August 2018 brings together the *Victorian Industry Participation Policy Act 2003* (VIPPA) and Major Project Skills Guarantee (MPSG) policy which was previously administered separately.

Departments and public sector bodies are required to apply the Local Jobs First policy in all projects valued at \$3m or more in metropolitan Melbourne or for Statewide projects, or \$1m or more for projects in regional Victoria.

MPSG applies to all construction projects valued at \$20m or more. The MPSG guidelines and VIPPA guidelines will continue to apply to MPSG-applicable and VIPPA-applicable projects respectively where contracts have been entered prior to 15 August 2018.

Projects Commenced – Local Jobs First Standard

During 2019/20, we commenced Four Local Jobs First Standard projects totalling \$22.78m. Of those projects, all are located in regional Victoria with an average commitment of 96 per cent of local content. No projects were commenced that occurred in Metropolitan Melbourne or statewide. The MSPG did not apply to any of the four projects.

The outcomes expected from the implementation of the Local Jobs First policy to these projects (where information was provided) are as follows:

- an average of 96 percent of local content commitment was made
- a total of 60 jobs (AEE) were committed, including the creation of two new jobs and the retention of 58 existing jobs (AEE)
- one new traineeship was committed

Projects Completed – Local Jobs First Standard

During 2019/20, we completed two Local Jobs First Standard projects, totalling \$10m. Of those projects, all were located in regional Victoria, with an average commitment of 96 percent local content. No projects were completed that occurred in metropolitan Melbourne or statewide. The MSPG did not apply to any of the projects.

The outcomes reported from the implementation of the policy where information was provided were as follows:

- an average of 97 percent of local content outcome was recorded;
- a total of 62 (AEE) positions were retained; and
- one traineeship was retained.

Reporting requirements – all projects

During 2019/20, there were four small to medium-sized businesses that prepared the Local Industry Development Plan (LIDP) for contracts, successfully appointed as principal contractor.

During 2019/20, 80 small to medium-sized businesses will be engaged through the supply chain on these projects.



\$22.78M

Four Local Jobs First
Standard projects
commenced



\$10M

Two Local Jobs First
Standard projects
completed

Government Advertising Expenditure

Our expenditure in the 2019/20 reporting period on government advertising campaigns did not exceed \$100,000.

Consultancy Expenditure

Consultancies under \$10,000

In 2019/20 there were 39 consultancies engaged during the year, where the total fees payable to the consultants was less than \$10,000. The total expenditure incurred during 2019/20 in relation to these consultancies was \$152,933 (excl GST).

Consultancies over \$10,000

In 2019/20 there were 30 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2019/20 in relation to these consultancies was \$3,102,951 (excl. GST). Details of the consultancies are shown in Appendix 3.

Information and Communications Technology expenditure

For the 2019/20 reporting period, we had a total ICT expenditure of \$4,030,00 with the details shown below.

- ICT expenditure—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 or 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.

All operational ICT expenditure	ICT Expenditure relating to projects to create or enhance ICT capabilities		
	Business As Usual (BAU) ICT expenditure	Non-Business as Usual (non-BAU) ICT expenditure	Capital Expenditure (CAPEX)
	\$4,030,000	\$243,000	\$0
			\$236,000

Freedom of Information

The *Freedom of Information Act 1982* allows Lower Murray Water to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include: cabinet documents, some internal working documents, law enforcement documents, documents covered by legal professional privilege such as legal advice, personal information about other people, and information provided to Lower Murray Water in-confidence.

The *Freedom of Information Act 1982* was amended on 1 September 2017 to reduce the Freedom of Information (FOI) processing time for requests received from 45 to 30 days. However, when external consultation is required under ss29, 29A, 31, 31A, 33, 34 or 35, the processing time automatically reverts to 45 days. Processing time may also be extended by periods of 30 days, in consultation with the applicant. With the applicant's agreement, this may occur any number of times. However, obtaining an applicant's agreement for an extension cannot occur after the expiry of the timeframe for deciding the request.

If the applicant is not satisfied by a decision made by Lower Murray Water, under section 49A of the Act, they have the right to seek review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

From July 2020

Application fee	\$29.60
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Making a request

FOI requests can be lodged online at www.foi.vic.gov.au. Access charges may also be payable if the document pool is large, and the search for material, time-consuming.

Access to documents can also be obtained through a written request to Lower Murray Water's Freedom of Information officer, as detailed in s17 of the *Freedom of Information Act 1982*

Requests for documents in the possession of Lower Murray Water should be addressed to:

Matthew Wilkes
Freedom of Information Officer
PO Box 1438
Mildura Vic 3502
Email: matthew.wilkes@lmw.vic.gov.au

During 2019/20, we received one application.

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.

Energy and Water Ombudsmen (Victoria)

Lower Murray Water is a member of the Energy and Water Ombudsman (Victoria) (EWOV) Dispute Resolution Scheme, which provides an independent third-party reconciliation process to resolve complaints by customers of electricity, gas and water service providers in Victoria.

In the 2019/2020 financial year, EWOV assisted in 10 complaints. Of those 10 complaints four were escalated to an investigation. We were advised that EWOV were contacted on three other occasions where the customer was referred back to us to resolve without EWOV involvement.

The Energy and Water Ombudsman (Victoria) may be contacted by writing to:

The Energy and Water Ombudsmen (Victoria)
Reply Paid 469
Melbourne Vic 8060
Or, by telephone on 1800 500 509

Major Contracts

In 2019/20, we entered into one major contract with a value of over \$10m.

The relevant contract is for approval and design services for the Victorian Murray Floodplain Restoration Project (VMFRP). This contract was awarded to GHD Pty Ltd and Jacobs Group Australia Pty partnering as the R8 Joint Venture.

Details about this contract are available on the Victorian Government Contracts Publishing System www.tenders.vic.gov.au

Compliance with *Building Act 1993*

We ensure that all building and maintenance work we undertake complies with the relevant sections of the *Building Act 1993*, Building Regulations 2018 and the relevant provisions of the National Construction Code. We engage appropriately qualified consultants and contractors for all works at our building sites. Works are carried out with the appropriate mechanisms in place to ensure compliance with the building and maintenance provisions of the *Building Act 1993*.

Our Assets group utilised an Asset Information Management System to regulate the mechanisms for scheduling of inspections, maintenance activities, rectification works and reporting on existing buildings. Mandatory testing of emergency and exit lighting, alarms, lift equipment, fire service audits in accordance with relevant standards are conducted including scheduled inspections for preventive maintenance tasks.

Building Activities undertaken in 2019/20	Number
Number of major works projects undertaken by LMW (>\$50,000)	1
Number of building permits, occupant permits or certificate of final inspection issued in relation to buildings owned by LMW	2
Number of buildings that have been brought into conformity with building standards during the reporting period	0



Competitive Neutrality Policy

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service. We continue to comply with the requirements of the Competitive Neutrality Policy.

Public Interest Disclosures Act 2012

We are committed to the aims and objectives of the *Public Interest Disclosures Act 2012 (PID Act)*, which enables people to disclose corrupt or improper conduct by a public office or a public body. We are a public body for the purposes of the *PID Act*. A public interest disclosure is a complaint of corrupt or improper conduct or detrimental action by a public office or a public body.

'Improper or corrupt conduct' involves substantial mismanagement of public resources, risk to public health or safety or the environment, or corruption.

'Detrimental action' is action taken against a person in reprisal for making a public interest disclosure. You can make a protected disclosure about Lower Murray Water or its Board members, officers or employees by contacting the Independent Broad-based Anti-Corruption Commission (IBAC).

GPO Box 24234
Melbourne Vic 3001
www.ibac.vic.gov.au
1300 735 135

We are not able to receive protected disclosures but have established a procedure setting out how we will protect people against detrimental action in reprisal for making a public interest disclosure about Lower Murray Water, its Board members, officers or employees. You can access our procedure on our website www.lmw.vic.gov.au.



Office-based Environmental Impacts

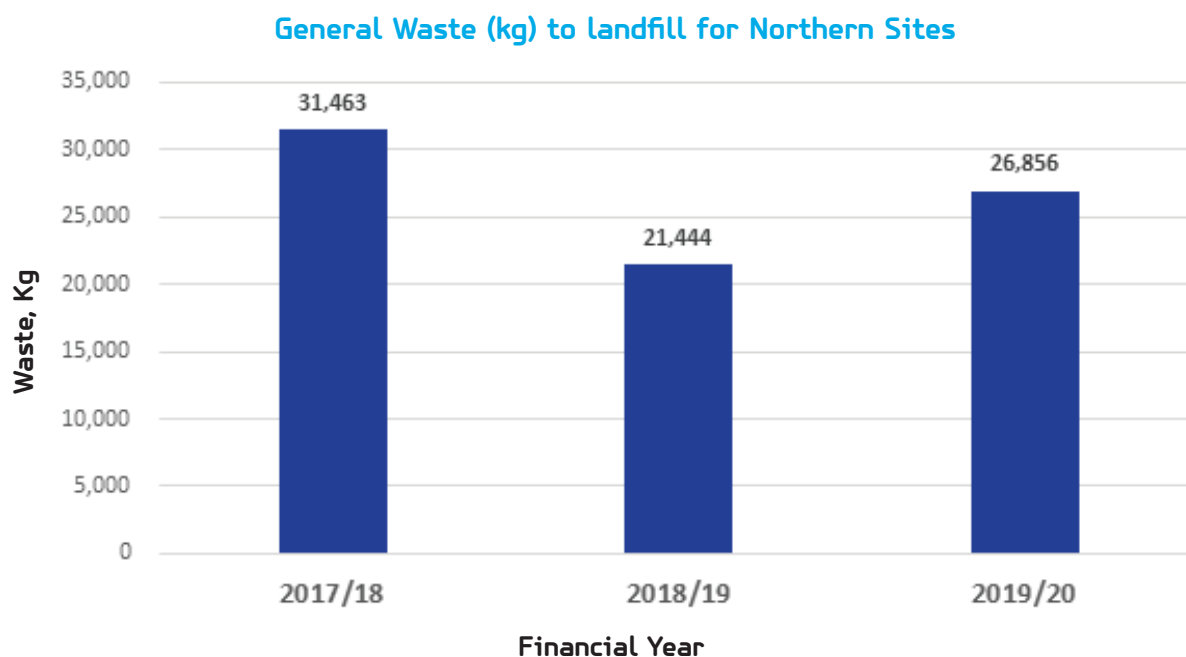
Energy Use

In 2019/20 energy used from electricity in our Kerang, Swan Hill and Mildura offices (Corporate) was 2.3t CO₂-e or 8,189.6MJ per full-time employee (FTE). Total energy usage across the offices was down 4.6 per cent in 2019/20 even though we had an increase in FTE, partly due to the installation of solar panels at the Mildura office. The total amount of office energy used across all of our offices which includes Kerang, Swan Hill and Mildura (Corporate) is 412.2MJ per m².

Performance Indicator Energy Use	2019/20 Megajoules	Tonnes CO ₂ -e
Corporate Offices (Total Electricity)	1,670,673.78	473.4
Mildura Solar (Generated)	884,520	262.899
Green Power (Purchased)	0	0
Total Use (Including Mildura Solar)	2,555,193.78	736.26

Waste and Recycling

We endeavour to divert as much recyclable waste material from the general waste stream as possible. The total amount of general waste sent to landfill from the northern sites in 2019/20 was 26,856kg, the equivalent of 131.7kg per FTE. This was an increase on 2018/19 that saw 21,444kg, the equivalent of 109.5kg per FTE. This figure includes waste generated by the workshop, urban and rural water supply, irrigation and sewer maintenance crews. The total GHG emissions associated with this waste disposal is 37.72t CO₂-e, this is a 25.7 per cent increase in 2018/19 figure of 30.02t CO₂-e all other waste goes to recycling streams that do not require GHG emissions reporting.



We are committed to the principle of 'reduce, reuse and recycle'. Our waste procedure is continuously updated, and new opportunities for recycling are adopted as and when they arise. At our Fourteenth Street office in Mildura, 3,408 kg of waste was sent for recycling, this is a 70 per cent decrease from 2018/19 where 11,478kg was sent to recycling. This figure represents the combined total of the commingled waste as well as paper and cardboard. It does not include any other recycled wastes. The amount of waste recycled represents 11.3 per cent of the total amount of waste generated, compared to 35 per cent for 2018/19, where a significant number of archive boxes were removed and recycled during the 2018/19 period. The decreased recycling rate can be attributed to the fact that no document destruction or archive removal took place during 2019/20.

We are a participant in the drumMUSTER program, which is a volunteer initiative that seeks to divert chemical drums from the general waste stream. Empty drums are appropriately cleaned, rinsed and stockpiled for collection by drumMUSTER for reuse by industry. Ten drums were delivered to drumMUSTER during 2019/20.

We recycle all used fluorescent tubes and lamps across our sites. This initiative removes our used fluorescent lamps from the general waste stream, thus preventing their toxic compounds leaking into the environment. Used fluorescent tubes and lamps are securely stored on-site until they are collected by a contractor and taken to a metropolitan recycling facility.

All waste oils and hydraulic fluids produced across our facilities are recycled through the local municipal oil recycling programs.

Recycled Waste	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Commingled (kg)	1,709	1,657	1,634	1,267	747	393
Paper (kg)	4,301	4,798	8,629	5,430	10,731	3,015
Printer Cart. (kg)	70.12	66.68	28.42	30.44	25.1	15.36
Batteries (kg)	3,867	3,380	6,035	3,670	705	3,053
Scrap Metal (kg)	58,973	35,560	24,262	18,542	29,187	9,018
Styrofoam (m3)	14.25	7.5	8	11	13	2
Fluorescent Lamps (kg)	~120*	~180*	~240*	~300*	~180*	~180*

Biosolids

Biosolids are a relatively untapped, nutrient rich resource that has the potential to bring tangible benefit to the sandy and often nutrient sparse soils in this region. They're characterised by high levels of organic matter and a broad range of macro and micronutrients. Together, these characteristics can improve soil health. The Victorian Environment Protection Authority (EPA) has recognised the potential of biosolids to improve soil health and is promoting their application to land, as a safe recycling method in line with the Biosolids Regional Environment Improvement Plan (REIP), which was developed and approved by the EPA.

A hardstand was constructed at Koorlong Wastewater Treatment Plant in 2018/19, which was approved by the EPA. The Hardstand is aimed at improving the handling and processing of biosolids and helping to accelerate the biosolids treatment process and achieve the required treatment grading (i.e. Grade T1), in line with the EPA guidelines for biosolids reuse.

During 2019/20, LMW has commenced arrangements to undertake a biosolids reuse trial on a third-party land. The objective of the trial is to reuse the old biosolids stockpiles, free space for new biosolids that generate from the wastewater treatment process, measure outcomes and develop an information sheet that showcases the benefits of biosolids reuse on land for future reuse programs.

Performance Indicator	2018/19 Tonnes CO ₂ -e	2019/20 Tonnes CO ₂ -e
Energy Use (Corporate)	520.6	473.4
Vehicle Transport	798.6	742.7
Air Travel (Approx)	32.05	28.16
Waste Disposal	30.02	37.72
Purchased GHG Offsets	0	0
Total	1381.27	1281.97

Paper Use

All copy paper purchased for the year was manufactured from 100 per cent recycled paper, in line with our environmental aims. Electronic timesheets were introduced in late 2018/19, eliminating the need for paper timesheets. During the 2019/20 year, we purchased 700 reams of A4 copy paper at our northern offices, which represents 3.43 reams per FTE, down from 4.07 reams per FTE in 2018/19.

Water Consumption

Water consumption at our Kerang, Swan Hill and Mildura offices for the 2019/20 year was 16,304KL. This equates to 79.9KL per FTE and the units of water used are 4.0kl per m2 for the 2019/20 financial year. This is the gross total consumption figure and includes all corporate facilities, garden irrigation, and water used in the workshop, warehouse, and the plant wash-down facilities that are located at our Fourteenth Street office complex.

Transportation

The total kilometres travelled by our vehicle fleet during 2019/20 was approximately 1,832,098Km for the diesel fleet and 376,693Km for the unleaded fleet. Based on the fuel usage, the energy consumption for the diesel fleet was 8978646.06MJ; and 1589433.71MJ for the unleaded fleet, equivalent to 742.72tCO₂-e total (0.336 tCO₂-e per 1000km). The overall tCO₂-e per 1000km was down 7.1 per cent on 2018/19 reflecting the coronavirus (COVID-19) travel restrictions. We continue to encourage alternatives to private vehicle use for commuting to and from work, although options are limited due to limited availability of public transport.

We also encourage the use of technologies teleconferencing and video conferencing were possible as due to our location we are required to travel for meetings by air frequently with a total distance travelled by air being approximately 20,408 km a month which is down by 13.8 per cent on 2018/19.

Greenhouse Gas Emissions

We continue with our investigation and investment into renewables and other technologies to meet our pledge of a 39 per cent reduction in t CO₂ emissions by 2024/25. Currently, we have not purchased any GHG emissions offsets.

Performance Indicator	2018/19 Tonnes CO ₂ -e	2019/20 Tonnes CO ₂ -e
Energy Use (Corporate)	520.6	473.4
Vehicle Transport	798.6	742.7
Air Travel (Approx)	32.05	28.16
Waste Disposal	30.02	37.72
Purchased GHG Offsets	0	0
Total	1,381.27	1,281.97

Procurement

We have a commitment to environmental sustainability and protection. This is achieved by promoting purchasing practices which conserve resources, save energy, minimise waste, protect the environment and human health and, maintain environmental safety and quality. Furthermore, environmentally sustainable business practice is a priority objective in our Social Procurement Strategy.

Suppliers engaged through a tender are required to ensure compliance with the standards set out in our Environmental Policy. When tendering for a project, responses include information on environmental policies and compliance with any International Standard Organisation (ISO) or industry recognised standards and business practices that contribute to the social procurement objective of environmentally sustainable business practices. These responses are evaluated and incorporated into the final scoring of tender responses and awarding of works.

Of the nine tenders that were conducted during 2019/20, all successful suppliers had an Environmental Management System, seven of which were compliant with ISO 14001:2004 or other industry standards.

Statement of Availability of Other Information

The following information is available on request, subject to the *Freedom of Information Act 1982*:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by a senior officer as nominee, or held beneficially in a statutory authority or subsidiary
- details of publications produced by the agency about itself, and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by the agency
- details of any major external reviews carried out by the agency (none conducted during 2019/20)
- details of major research and development activities undertaken by the agency (none conducted during 2019/20)
- details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit (no Board members or staff participated in overseas work-related trips during 2019/20)
- details of major promotional, public relations and marketing activities undertaken by the agency to develop community awareness of Lower Murray Water and our services
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations within the agency, and details of time lost through industrial accidents and disputes
- a list of the agency's major committees, the purpose of each committee, and the extent to which those purposes have been achieved
- details of all consultancies and contractors, including consultants/contractors engaged, services provided, and expenditure committed for each engagement



220 participants at the 2019 LMW Growers' Conference



Monthly newsletter delivered to subscribers



8 Strategic Advisory Committee (SAC) and 12 Customer Service meetings



Approximately 3,000 students engaged through education programs



Pricing determination

Financial Management Compliance Attestation Statement

I, Max Folie, on behalf of the Responsible Body, certify that Lower Murray Urban and Rural Water Corporation has no Material Compliance Deficiencies with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



Max Folie
Chair
Finance and Audit Committee
Lower Murray Urban and Rural Water Corporation

Dated this 29th day of September 2020

Financial Report



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Declaration in the Financial Statements

The attached financial statements for Lower Murray Urban and Rural Water Corporation have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance 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 is set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2020 and financial position of Lower Murray Urban and Rural Water Corporation at 30 June 2020.

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

We authorise the attached financial statements for issue on 29 September 2020.



Cheryl Rix
Chair



Anthony Couroupis
Managing Director



Karen Hensgen
General Manager Business Services and Performance

Dated this 29th day of September 2020

Independent Auditor's Report

To the Board of the Lower Murray Urban and Rural Water Corporation

Opinion	<p>I have audited the financial report of the Lower Murray Urban and Rural Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2020 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • declaration in financial statements. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Other Information	<p>The Board of the corporation is responsible for the "other information" included in the corporation's Annual Report for the year ended 30 June 2020. The other information in the Annual Report does not include the financial report, performance report and my auditor's reports thereon. My opinion on the financial report does not cover the other information included in the Annual Report. Accordingly, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial report, my responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a materially misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.</p>
Board's responsibilities for the financial report	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
8 October 2020



Paul Martin
as delegate for the Auditor-General of Victoria

Comprehensive Operating Statement

For the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Revenue			
Revenue from contracts with customers	2.1	61,091	61,617
Victorian Murray Floodplain Restoration Project funding	10.2	14,039	1,402
Government grants and contributions	2.2	2,260	3,115
Developer contributions	2.1.2	7,249	3,594
Net profit on disposal of non-current assets	4.1.4	229	816
Other income	2.3	3,189	4,330
Total revenue		88,057	74,874
Expenses			
Depreciation and impairment	4.1.1	27,937	27,090
Amortisation	4.2	387	400
Employee benefits	3.1.1	19,654	18,553
Repairs and maintenance	3.2	6,781	6,695
Direct operational expenses	3.3	13,889	14,784
Victorian Murray Floodplain Restoration Project expenditure	10.2	16,062	1,203
Environmental contribution	8.2	2,278	2,278
Interest	6.1.2	2,958	3,047
Other expenses	3.4	5,205	5,861
Total expenses		95,151	79,911
Net result before tax		(7,094)	(5,037)
Income tax revenue	8.1.1	1,543	1,503
Net result for the period		(5,551)	(3,534)
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Change in physical asset revaluation surplus	9.1.2	1,154	-
Income tax relating to these items	8.1.1	(346)	-
Total comprehensive income for the period		808	-
Comprehensive result		(4,743)	(3,534)

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

Balance Sheet

For the year ended 30 June 2020

		Notes	2020 \$'000	2019 \$'000
Current assets				
	Cash and cash equivalents	6.2	5,783	8,547
	Receivables	5.1	9,146	9,044
	Other assets	5.3	4,252	4,016
	Other non-financial assets		630	457
	Assets classified as held for sale	4.3	72	75
Total current assets			19,883	22,139
Non-current assets				
	Receivables	5.1	153	178
	Infrastructure, property, plant and equipment	4.1.1	876,160	879,100
	Intangible assets	4.2	5,827	6,046
Total non-current assets			882,140	885,324
Total assets			902,023	907,463
Current liabilities				
	Payables	5.2	9,724	11,782
	Interest bearing liabilities	6.1	3,880	2,831
	Employee benefits	3.1.2	6,136	5,896
Total current liabilities			19,740	20,509
Non-current liabilities				
	Interest bearing liabilities	6.1	42,752	44,632
	Employee benefits	3.1.2	167	169
	Net deferred tax liabilities	8.1.2	110,276	111,473
Total non-current liabilities			153,195	156,274
Total liabilities			172,935	176,783
Net assets			729,088	730,680
Equity				
	Contributed capital	9.1.1	633,524	630,373
	Asset revaluation surplus	9.1.2	201,498	200,690
	Accumulated deficit	9.1.3	(105,934)	(100,383)
Total equity			729,088	730,680

The above Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2020

	Notes	Contributed capital \$'000	Physical asset revaluation surplus \$'000	Accumulated deficit \$'000	Total \$'000
Balance at 1 July 2018		629,573	200,690	(96,849)	733,414
Total comprehensive income for the year as reported in the 2019 financial report		800	-	(3,534)	(2,734)
Balance at 30 June 2019		630,373	200,690	(100,383)	730,680
Total comprehensive income for the year	9.1	3,151	808	(5,551)	(1,592)
Balance at 30 June 2020	9.1	633,524	201,498	(105,934)	729,088

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

For the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts			
Service and usage charges		61,613	67,318
Government contributions		14,005	2,310
Interest received		185	173
Developer contributions		421	-
Income for capital purposes		6,407	3,123
Goods and services tax received from the ATO		5,945	4,779
Other receipts		2,861	3,342
Total receipts		91,438	81,045
Payments			
Payments to suppliers & employees		(69,387)	(50,834)
Goods and services tax paid to the ATO		(239)	(620)
Interest and other costs of finance paid		(2,958)	(3,047)
Total payments		(72,585)	(54,501)
Net cash inflows from operating activities	6.2.1	18,853	26,544
Cash flows from investing activities			
Payments for new infrastructure, property, plant and equipment		(9,608)	(10,803)
Payments for renewal/upgrade of infrastructure, property, plant and equipment		(14,802)	(17,819)
Payments for intangible assets		(168)	-
Proceeds from sale of infrastructure, property, plant and equipment		540	356
Proceeds from sale of assets held for sale		100	4,025
		(23,939)	(24,241)
Cash flows from financing activities			
Proceeds from borrowings		2,000	4,000
Repayment of borrowings		(2,831)	(2,784)
Government capital contributions		3,151	800
Net cash inflows/(outflows) from financing activities		2,321	2,016
Net increase/(decrease) in cash and cash equivalents		(2,764)	4,319
Cash and cash equivalents at the beginning of the financial year		8,547	4,228
Cash and cash equivalents at the end of the year	6.2	5,783	8,547

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

Notes Accompanying the Financial Statements

For the year ended 30 June 2020



1. ABOUT THIS REPORT

Basis of Accounting

The financial report includes separate financial statements for Lower Murray Urban & Rural Water Corporation (Lower Murray Water) as an individual reporting entity. This financial report is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, Directors Declaration and notes accompanying these statements for the period ending 30 June 2020. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS's), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. Lower Murray Water is a not-for-profit entity for the purpose of preparing the financial statements.

Where appropriate, AAS paragraphs applicable to not-for-profit entities have been applied.

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The annual financial statements were authorised for issue by the Board on the 29th September 2020.

The principal address is:
Lower Murray Water
741-759 Fourteenth Street
Mildura VIC 3500

The financial information has been prepared based on Lower Murray Water's main functions which gives a more detailed understanding of the different areas of the business. Lower Murray Water provide potable water and wastewater services to Urban customers (Water and Wastewater). The Rural business includes the delivery of river water for irrigation purposes and the provision of drainage services.

The operations of the Victorian Murray Floodplain Restoration Project have been ring fenced from the core business of Lower Murray Water to ensure Lower Murray Water customers are not affected. Refer to note 10 for further detail.

Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year.

The following standard has been adopted by Lower Murray Water:

•AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from contracts with customers, which replaces AASB 118 Revenue AASB 111 Construction Contracts and related interpretations requires Lower Murray Water to recognise revenue when the Corporation satisfies a performance obligation by transferring a promised good or service to a customer. Lower Murray Water has adopted AASB 15 as at 1 July 2019 and has applied the new rules on a modified retrospective basis as mandated by the DTF through FRD 121 Transitional requirements on the application of AASB 15 Revenue from Contracts with Customers. As a result, comparatives for 2018/19 in our 30 June 2020 accounts have not been restated. Adoption of the new revenue recognition rules has highlighted there is no financial impact on Lower Murray Water financial statements and no transition adjustment required to be made to retained earnings. Further disclosures in relation to AASB 15 are at note 9.7 of this report.

•AASB 1058 Income for Not-for-Profits

AASB 1058 Income for Not-for-Profits replaces requirements of income transactions previously accounted for under AASB 1004 Contributions. It establishes principles for not-for-profit entities that apply to (a) transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit Corporation to further its objectives; and (b) the receipt of volunteer services. It will apply to capital grants from government and grants with no sufficiently specific performance obligation. The new rules requires an assessment of whether a transaction falls under AASB 1058 or actually a contract with a customer under AASB 15. Lower Murray Water has adopted AASB 1058 as at 1 July 2019 and has applied the new rules on a modified retrospective basis as mandated by the DTF through FRD 122 Transitional requirements on the application of AASB 1058 Income of Not-for-Profit Entities. As a result, comparatives for 2018/19 in our 30 June 2020 accounts have not been restated. Adoption of the new revenue recognition rules has highlighted there is no financial impact on Lower Murray Water financial statements and no transition adjustment required to be made to retained earnings. Further disclosures in relation to AASB 15 are at note 9.7 of this report.

Functional and Presentation Currency

Items included in this financial report are measured using the currency of the primary economic environment in which Lower Murray Water operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Lower Murray Water's functional and presentation currency.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Classification Between Current and Non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being Lower Murray Water's operational cycle.

Rounding

Unless otherwise stated, amounts shown in the financial statements are expressed to the nearest thousand dollars (\$'000). Figures in the financial statements may not equate due to rounding.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets, and certain classes of infrastructure, property, plant and equipment.

Accounting Estimates

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

- Accrued water charges
- The fair value of land, buildings, infrastructure, plant and equipment (note 4.1.2).
- Estimation of useful life (note 4.1.3).
- Impairment of assets (note 4.1.3).
- Employee benefit provisions (note 3.1.2).
- Actuarial assumptions for employee benefit provisions based on likely tenure of existing statistics, patterns of leave claims, future salary movements and future discount rates (note 3.1.2).
- Determining whether the performance obligations are sufficiently specific so as to determine whether the arrangement is within the scope of AASB 15 or AASB 1058 (notes 2.1, 2.2 and 3.1.2).
- The timing of satisfaction of performance obligations (note 2.1.1).
- Determining transaction price and amounts allocated to performance obligations (note 2.1.1).

Coronavirus (COVID-19) was declared a pandemic by the World Health Organisation on 11 March 2020. On 16 March 2020, Victoria was declared as a State of Emergency to combat the spread of coronavirus (COVID-19). 2 August 2020, the Victorian Premier Daniel Andrews declared a State of Disaster across Victoria. Greater Melbourne was placed under stage 4 restrictions with regions outside of metro Melbourne placed under stage 3 restrictions. The return to stage 3 restrictions requires staff to work from home and has placed restrictions on certain businesses and how they can trade. During the 2019/20 financial year, Lower Murray Water did not see a major impact on its business or cash flow, with both urban and rural demand remaining largely unaffected by coronavirus (COVID-19). Many local businesses have been able to adapt to the changing working conditions, as such management has seen no reason to make any additional provision for receivables and expected credit loss. Refer additional disclosure in:

- Note 2.1.1 Service and usage charges
- Note 3.1.3 Superannuation
- Note 4.1.2 Fair value determination non-physical assets
- Note 4.1.3 Depreciation and impairment
- Note 5.1 Receivables
- Note 5.1.1 Impairment of contractual receivables
- Note 5.2 Payables
- Note 6.2 Cash flow information
- Note 7.1.2 Financial risk management objectives and policies
- Note 9.2 Events occurring after the balance date

Financial support measures have been implemented by the Federal government to assist Australian businesses and residents that have been impacted by coronavirus (COVID-19) with the introduction and extension of JobKeeper and JobSeeker payments until January 2021. JobKeeper assists businesses impeded by coronavirus (COVID-19) to retain employees while JobSeeker provides additional support to unemployed residents during the pandemic. Management believes that these measures, combined with the existing Government Pensioner rebate and Utility Relief Grant Scheme, will significantly reduce the impact coronavirus (COVID-19) will have on Lower Murray Water customers' ability to meet their financial obligations.

A ministerial direction was issued on 23 March 2020 requiring Lower Murray Water to fast track payments to creditors to assist with reducing cash flow burden on businesses during coronavirus (COVID-19). This has resulted in payables reducing as per note 5.2. Lower Murray Water usually pays within the normal trading terms so there has been minimal affect on cash flow.

Reclassification

Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2. FUNDING DELIVERY OF OUR SERVICES

Introduction

This section provides additional information about how Lower Murray Water is funded and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

Lower Murray Water provides water services, waste water collection treatment and disposal to urban areas along the Murray from Koondrook to Merbein, river quality water services to irrigators and manages private diversion licenses from Nyah to the South Australian border. Where appropriate, amounts have been segmented into the categories Water & Wastewater and Irrigation & Drainage to reflect the services provided. Lower Murray Water's key source of funding is provided from water services charges and volume based tariffs for water delivered.

Revenue is recognised when control of a good or service has transferred to a customer. Where applicable, amount disclosed as income are net of returns, allowances, duties and taxes.

Structure

- 2.1 Revenue from contracts with customers
 - 2.1.1 Service and usage charges
 - 2.1.2 Developer contributions
- 2.2 Government grants and contributions
- 2.3 Other income

2.1 Revenue from contracts with customers

2.1.1 Service and usage charges

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2020	2019	2020	2019	2020	2019
Service Charges						
Water service charges	23,630	22,835	5,595	5,622	18,035	17,213
Sewerage service charges	15,414	15,161	15,414	15,161	-	-
Trade waste service charges	704	644	704	644	-	-
Recycled Water service charges*	103	104	103	104	-	-
Irrigation drainage service charges	1,480	1,489	-	-	1,480	1,489
Usage Charges						
Water usage charges	19,443	21,178	13,566	14,608	5,877	6,570
Recycled water usage charges*	317	206	317	206	-	-
Total Service and usage charges	61,091	61,617	35,699	36,345	25,392	25,272

Water service charges are recognised as revenue when services have been provided or service charge has been made. Trade waste charges are recognised as revenue at the end of the service delivery period. As at 30 June 2020 all Service Charges for the financial year have been invoiced resulting in no Service Charge accrued revenue therefore no contract asset is required to be reported under AASB 15.

Usage charges are billed quarterly in arrears and revenue is recognised over time as the Corporation has the right to receive an amount of consideration based on the unit of water consumed by and sewage, recycled water and trade waste disposed of during the financial year and the regulated price. The meters are read on a cyclical basis with accounts sent on a quarterly basis for both Water & Wastewater and Irrigation and Drainage services. Usage charges are accrued, and services charges are recognised in the quarter services are to be delivered.

Lower Murray Water has applied the practical expedient given in AASB 15, paragraph B16, where revenue can be recognised in the amount which it has a right to invoice, since the amount is considered by Corporation to correspond directly with the value to the customer of the Corporation's performance to date. The amount of right to invoice is based on meter readings. Water usage charges are recognised as revenue when the water is provided. Meter reading is undertaken progressively during the year. At 30 June 2020 all Usage Charges through meter readings have been recognised as revenue in the period usage was provided and no contract asset is reported under AASB 15.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Coronavirus (COVID-19) has had no significant impact on revenue in 2019/20. Revenue from service and usage charges are lower than 2018/19 due to introduction of Stage 1 water restrictions for 7 months and low water allocation determinations (66%) affecting urban and rural sectors respectively.

2.1.2 Developer contributions

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2020	2019	2020	2019	2020	2019
Developer contributions						
- Fees paid by developers	6,828	3,123	2,160	2,906	4,668	217
- Assets or services received from developers	421	471	264	471	157	-
Total revenue	7,249	3,594	2,424	3,377	4,825	217

New customer contributions are paid by developers to connect new housing developments to existing water supply and waste water systems. The charges contribute towards the cost of augmenting Lower Murray Water, water supply distribution systems and sewerage disposal systems.

Revenue from new customer contributions is recognised at a point in time when the Corporation has satisfied its performance obligation.

Depending on the type of new customer contribution application, this can result in the performance obligation being satisfied at point in time when the Corporation 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 Corporation's infrastructure network for the provision of water and sewerage services when no Statement of Compliance is required to be issued, or
- the customer receives consent from the Corporation to proceed with their application.

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

Developer contributed assets arise where developers pay for the cost of construction of new assets and subsequently gift these assets to Lower Murray Water, which operates, maintains and replaces them in perpetuity.

Revenue from developer contributed assets is recognised at a point in time when the Corporation 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 Corporation's infrastructure network for the provision of water and sewerage services when no Statement of Compliance is required to be issued.

Developer contributions for construction of assets received by Lower Murray Water that have not satisfied these obligations are reported as Contract Liabilities as per AASB 15.

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2.2 Government grants and contributions

	(\$'000)		(\$'000) WATER & WASTEWATER		(\$'000) IRRIGATION & DRAINAGE	
	TOTAL 2020	2019	2020	2019	2020	2019
Government contributions (non-capital)	5	910	3	32	2	878
Government pensioner concession reimbursement	2,255	2,205	2,200	2,155	55	50
Total Government grants and contributions	2,260	3,115	2,203	2,187	57	928

Lower Murray Water applies AASB 1058 when the grants received are not enforceable and doesn't have sufficiently specific performance obligations. Lower Murray Water also applies AASB 1058 to capital grants that are controlled by the Corporation.

Government pensioner concession reimbursement relates to funds reimbursed to Lower Murray Water, by government for concessions attributed to customer accounts.

Grants and contributions received from the Victorian State Government are accounted for as Equity - Contributions by Owners in accordance with FRD 119A *Transfers through Contributed Capital* (refer to Note 9.1.1).

Under AASB 15 income will only be recognised when or as the performance obligations under the contract are satisfied, potentially resulting in a deferral of income as compared to accounting under AASB 1004.

2.3 Other income

	(\$'000)		(\$'000) WATER & WASTEWATER		(\$'000) IRRIGATION & DRAINAGE	
	TOTAL 2020	2019	2020	2019	2020	2019
Income from fees	1,141	1,075	851	781	290	294
Annual water trade income	472	1,422	450	1,392	22	30
Customer service obligations	249	226	249	226	-	-
Interest income	146	171	32	47	114	124
Sundry income	1,181	1,436	271	965	910	471
Total other income	3,189	4,330	1,853	3,411	1,336	919

Income is brought to account when services have been provided or charges determined.

Income from fees relates to multiple charges such as Meter fees, Subdivision processing fees and Information Statement fees received by Lower Murray Water.

Annual water trade income is revenue from sale of excess allocation of Lower Murray Water Urban bulk water entitlement.

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

3. THE COST OF DELIVERING SERVICES

Introduction

This section provides additional information about how Lower Murray Water's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

Structure

- 3.1 Our people
 - 3.1.1 Employee benefits - comprehensive operating statement
 - 3.1.2 Employee benefits - balance sheet
 - 3.1.3 Superannuation
- 3.2 Repairs and maintenance
- 3.3 Supplies and services
- 3.4 Other expenses

3.1 Our people

3.1.1 Employee benefits - comprehensive operating statement

	(\$'000) TOTAL	
	2020	2019
Employee Benefits		
- salaries and wages, annual leave, long service leave and termination payments	17,721	16,772
- employer superannuation contributions	1,651	1,563
- Directors and Chair remuneration and allowance	282	218
Total employee benefit costs	19,654	18,553

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

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by Lower Murray Water to the relevant superannuation plans in respect to the services of Lower Murray Water's staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that Lower Murray Water is required to comply with.

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

3.1.2 Employee benefits - balance sheet

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

	(\$'000)	
	2020	2019
Current provisions:		
<i>Annual leave</i>		
Unconditional and expected to settle within 12 months	1,051	984
Unconditional and expected to settle after 12 months	826	665
<i>Long service leave</i>		
Unconditional and expected to settle within 12 months	291	291
Unconditional and expected to settle after 12 months	3,035	2,937
<i>Provisions for on-costs</i>		
Unconditional and expected to settle within 12 months	191	184
Unconditional and expected to settle after 12 months	473	457
Accumulated RDO, sick leave & accrued bonus	268	378
Total current provisions for employee benefits	6,136	5,896
Non-current provisions:		
Employee benefits	149	150
On-costs	18	19
Total non-current provisions for employee benefits	167	169
Total provisions for employee benefits	6,302	6,065
Reconciliation of movement in on-cost provision	(\$'000)	
	2020	
Opening balance	660	
Additional provisions recognised	363	
Amounts utilised during the period	(342)	
Effect of change in the discount rate	1	
Closing balance	682	
Current	664	
Non-current	18	
Total	682	

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Wages and salaries, annual leave and sick leave

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

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

Liabilities for salaries and annual leave are all recognised in the provision for employee benefits as 'current liabilities' as per AASB 119 Employee Benefits, because Lower Murray Water does not have an unconditional right to defer settlement of these liabilities.

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

- undiscounted value - if Lower Murray Water expects to wholly settle within 12 months; or
- present value - if Lower Murray Water does not expect to wholly settle within 12 months

On-costs

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

Long service leave

Long Service Leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL (representing seven or more years of continuous service) is disclosed as a current liability even where Lower Murray Water does not expect to settle the liability within 12 months. Lower Murray Water does not have the unconditional right to defer the settlement of the entitlement should an employee take LSL within 12 months.

The components of this current LSL liability are measured at:

- Undiscounted value - if Lower Murray Water expects to wholly settle within 12 months; or
- Present value - if Lower Murray Water does not expect to wholly settle within 12 months.

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

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised in the operating statement.

Performance payments

Performance based bonus payments for Lower Murray Water's Executive Officers and staff on employment contracts (where applicable) are based on a percentage of the annual salary package provided under their contract(s) of employment. A liability is recognised and is measured as the aggregate of the amounts accrued under the terms of the contracts to balance date.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

3.1.3 Superannuation

Lower Murray Water makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (Vision Super, referred to as "The Fund"). The Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in Comprehensive Operating Statement when they are made or due.

Contributions to the superannuation plans

Scheme	Type of scheme	Rate %	(\$'000)	
			2020	2019
Vision Super	Accumulation	9.5	1,114	793
Vision Super	Defined benefit	9.5	143	154
Super Trust of Australia	Accumulation	9.5	68	121
Other superannuation funds	Accumulation	9.5	300	471
Other superannuation funds	Defined benefit	9.5	26	24
			1,651	1,563

There were \$81,036 contributions outstanding and no loans issued from or to the above schemes as at 30 June 2020.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020 is \$138,808.

Accumulation

Contributions to the accumulation plans are expensed as the contributions are paid or become payable.

Defined Benefit

Lower Murray Water does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category because it is a pooled multi-employer sponsored plan. There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Lower Murray Water in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

On the basis of the results of the 2020 interim actuarial investigation conducted by the fund actuary, Lower Murray Water makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. In addition, Lower Murray Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

The 2020 interim actuarial investigation surplus amounts

As at 30 June 2019, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) was 107.1%. Because the VBI was above 100%, the 2020 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

To determine the VBI, the Fund Actuary used the following long-term assumptions:

- Net investment returns 6.0% pa
- Salary information 3.5% pa
- Price inflation (CPI) 2.0% pa.

Vision Super has advised that the VBI at 30 June 2020 was 104.6%

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2020.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

The 2020 full triennial actuarial investigation

A full actuarial investigation is being conducted for the Fund's position as at 30 June 2020. It is anticipated that this actuarial investigation will be completed by 31 December 2020.

Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of *Superannuation Prudential Standard* 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Lower Murray Water) are required to make an employer contribution to cover the shortfall.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

The 2019 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Lower Murray Water is a contributing employer. Generally, a full actuarial investigation conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2019 and the last full actuarial investigation was conducted as at 30 June 2017.

The Fund's actuarial investigations identified the following for the Defined Benefit category of which Lower Murray Water is a contributing employer:

	\$m	
	2019	2017
- A VBI surplus	151.3	69.8
- A total service liability surplus	233.4	193.5
- A discounted accrued benefits surplus	256.7	228.8

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2019.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2019.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2019.

Lower Murray Water was notified of the 30 June 2019 VBI during August 2019 (2018: August 2018).

Superannuation has been impacted by the uncertainty that the coronavirus (COVID-19) pandemic has caused. Superannuation balances are exposed to various assumptions, including discount rates, unemployment rates, future salary increase and equity markets. As the market conditions are changing daily at present, we consider that there is significant market uncertainty.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

3.2 Repairs and maintenance expense

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2020	2019	2020	2019	2020	2019
Repairs and maintenance						
- Infrastructure	3,418	3,244	2,262	1,786	1,156	1,458
- Other	744	670	411	382	333	288
Consumables	2,619	2,781	1,419	1,480	1,200	1,301
Total repairs and maintenance	6,781	6,695	4,092	3,648	2,689	3,047

Routine maintenance, repair costs and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, the cost is capitalised and depreciated.

Consumables include materials used in the process of routine maintenance.

3.3 Direct operational expenses

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2020	2019	2020	2019	2020	2019
Direct operational expenses						
Bulk water charge	3,736	3,764	660	660	3,075	3,104
Electricity	6,572	7,705	2,091	2,439	4,481	5,266
Chemicals	1,357	1,281	1,285	1,199	73	82
Consultants	2,223	2,034	1,212	1,149	1,011	885
Total direct operational expenses	13,889	14,784	5,248	5,447	8,640	9,337

The Bulk water charge relates to Lower Murray Water's entitlement to access bulk water.

Electricity, chemicals, consultants and other charges are recognised as expenses in the period in which they are incurred.

3.4 Other expenses

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2020	2019	2020	2019	2020	2019
Other expenses						
IT expenses	1,393	1,139	734	600	659	539
Administration expenses	1,270	1,298	793	834	478	464
Bad debt expense	103	258	85	150	19	108
Write off of assets	581	790	199	685	382	105
Staff related expenses	233	272	122	143	110	129
Travel	189	293	104	152	84	141
Subscriptions	193	183	106	96	87	87
Rates	201	207	157	145	44	62
Other	1,042	1,421	649	787	393	634
Total other expenses	5,205	5,861	2,949	3,592	2,256	2,269

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and are deemed relevant for the understanding of this financial report. They are expensed in the period in which they are incurred.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

4. KEY ASSETS AVAILABLE TO SUPPORT DELIVERY OF OUR SERVICES

Introduction

Lower Murray Water controls infrastructure property, plant and equipment that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to Lower Murray Water to be utilised for delivery of services.

Structure

- 4.1 Infrastructure, property, plant and equipment
 - 4.1.1 Reconciliation of movements in carrying values of infrastructure, property, plant
 - 4.1.2 Fair value determination: Non-financial physical assets
 - 4.1.3 Depreciation and impairment
 - 4.1.4 Net profit/(loss) on disposal of non-current assets
- 4.2 Intangible assets
- 4.3 Assets held for sale

4.1 Infrastructure, property, plant and equipment

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

										(\$'000)
	Carrying amount 1 July	Fair value of assets received free of charge or for nominal considerations	Additions including developer contributions	Transfers between classes	Disposals	Depreciation	Revaluation	Transfer from (to) assets held for sale	Carrying amount 30 June	
2019-2020										
Land	14,589	75	-	-	(30)	-	-	30	14,664	
Buildings	9,355	-	1	293	-	(383)	1,154	-	10,420	
Infrastructure	830,792	346	-	22,276	(581)	(26,332)	-	-	826,501	
Plant, Equipment, and Vehicles	6,265	-	1,709	231	(335)	(1,222)	-	(72)	6,576	
Works In Progress	18,099	-	22,700	(22,800)	-	-	-	-	17,999	
	879,100	421	24,410	-	(946)	(27,937)	1,154	(42)	876,160	

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(\$'000)									
2018-2019	Carrying amount 1 July	Fair value of assets received free of charge or for nominal considerations	Additions including developer contributions	Transfers between classes	Disposals	Depreciation	Revaluation	Transfer from (to) assets held for sale	Carrying amount 30 June
Land	13,861	-	-	-	-	-	-	728	14,589
Buildings	9,025	-	-	688	-	(358)	-	-	9,355
Infrastructure	839,600	-	471	17,097	(782)	(25,594)	-	-	830,792
Plant, Equipment, and Vehicles	6,415	-	6	1,334	(352)	(1,138)	-	-	6,265
Works In Progress	9,259	-	28,610	(19,770)	-	-	-	-	18,099
	878,160	-	29,087	(651)	(1,134)	(27,090)	-	728	879,100

Initial recognition

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, infrastructure, plant, equipment and vehicles, used by Lower Murray Water in its operations. Items with a cost or value in excess of \$1,000 (2019: \$1,000) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

Items of infrastructure, property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

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.

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). Refer to Note 4.1.2 for fair value disclosures.

Revaluation of infrastructure, property, plant and equipment

Revaluations are conducted in accordance with FRD 103H Non-financial physical assets. Scheduled revaluation is undertaken every five years with an annual assessment of fair value to determine if it is materially different to the carrying value. If the difference to carrying value is greater than 10 per cent, a management revaluation is undertaken while a movement greater than 40 per cent will normally involve an Approved valuer (usually the Valuer General of Victoria) to perform detailed assessment of the fair value. If the movement in fair value since the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts.

Revaluation increments are credited directly to equity in the physical asset revaluation surplus/(deficit), except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in determining the net result, the increment is recognised as revenue in determining the net result.

Revaluation decrements are recognised immediately as an expense in the net result, except that, to the extent that a credit balance exists in the physical asset revaluation surplus/(deficit) in respect of the same class of assets, they are debited to the physical asset revaluation surplus/(deficit).

Revaluation increases and revaluation decreases relating to individual assets within a class of infrastructure, property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

Revaluation reserves are not transferred to accumulated surplus/(deficit) on derecognition of the relevant asset.

The last full revaluation was conducted in 2016 and the next full revaluation for Lower Murray Water is scheduled for June 2021.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

4.1.2 Fair value determination non-physical assets

Significant judgement: Fair value measurements of assets and liabilities

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 Lower Murray Water.

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.

Consistent with AASB 13 Fair Value Measurement, Lower Murray Water determines the policies and procedures for both recurring fair value measurements such as infrastructure, property, plant and equipment, biological assets, financial instruments and for non-recurring fair value measurements such as assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

Fair value hierarchy

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

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

For the purpose of fair value disclosures, Lower Murray Water has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Non-financial physical assets 2020	(\$'000) Carrying amount as at 30 June	(\$'000) Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
Land at fair value				
Non-specialised land	3,230	-	3,230	-
Specialised land	11,434	-	-	11,434
Total of land at fair value	14,664	-	3,230	11,434
Buildings at fair value				
Non-specialised buildings	6,296	-	-	6,296
Specialised buildings	4,124	-	-	4,124
Total buildings at fair value	10,420	-	-	10,420
Plant, equipment and vehicles at fair value				
Vehicles	4,319	-	-	4,319
Plant and equipment	2,257	-	-	2,257
Total of plant, equipment and vehicles as fair value	6,576	-	-	6,576
Infrastructure at Fair Value				
Water storage	12,474	-	-	12,474
Water pumping stations	19,429	-	-	19,429
Sewer pumping stations	17,718	-	-	17,718
Irrigation pumping stations	45,231	-	-	45,231
Water treatment plants	75,928	-	-	75,928
Waste water treatment plants	31,300	-	-	31,300
Water pipeline infrastructure	142,912	-	-	142,912
Sewer pipeline infrastructure	148,004	-	-	148,004
Irrigation pipeline infrastructure	315,697	-	-	315,697
Other structures	17,808	-	-	17,808
Total infrastructure at fair value	826,501	-	-	826,501
Total infrastructure, property, plant and equipment at fair value	858,161	-	3,230	854,931

Above classified in accordance with the fair value hierarchy.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2019	(\$'000)	(\$'000)		
	Carrying amount as at 30 June	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
Land at fair value				
Non-specialised land	3,200	-	3,200	-
Specialised land	11,389	-	-	11,389
Total of land at fair value	14,589	-	3,200	11,389
Buildings at fair value				
Non-specialised buildings	5,624	-	-	5,624
Specialised buildings	3,731	-	-	3,731
Total buildings at fair value	9,355	-	-	9,355
Plant, equipment and vehicles at fair value				
Vehicles	4,380	-	-	4,380
Plant and equipment	1,885	-	-	1,885
Total of plant, equipment and vehicles at fair value	6,265	-	-	6,265
Infrastructure at Fair Value				
Water storage	12,981	-	-	12,981
Water pumping stations	20,213	-	-	20,213
Sewer pumping stations	18,290	-	-	18,290
Irrigation pumping stations	46,929	-	-	46,929
Water treatment plants	79,764	-	-	79,764
Waste water treatment plants	32,838	-	-	32,838
Water pipeline infrastructure	143,704	-	-	143,704
Sewer pipeline infrastructure	149,823	-	-	149,823
Irrigation pipeline infrastructure	308,322	-	-	308,322
Other structures	17,928	-	-	17,928
Total infrastructure at fair value	830,792	-	-	830,792
Total infrastructure, property, plant and equipment at fair value	861,001	-	3,200	857,801

There have been no transfers between levels during the period.

The Valuer-General Victoria (VGV) is Lower Murray Water's independent valuation agency in relation to valuation of property, plant and equipment and infrastructure.

Lower Murray Water, in conjunction with the VGV, monitors changes in the fair value of property, plant and equipment and infrastructure through relevant data sources to determine whether revaluation is required.

All non-current physical assets are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of FRD 103H Non-financial physical assets.

Non-specialised land

Non-specialised land is valued using the market approach, whereby assets are compared to recent comparable sales or sales of comparable assets that are considered to have nominal value.

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

An independent valuation of Lower Murray Water's land was performed by the VGV. The effective date of the valuation is 30 June 2016. A managerial revaluation of non-specialised land was performed at 30 June 2018.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Specialised land, specialised and non-specialised buildings

The current replacement cost approach is used for specialised land, specialised and non-specialised buildings, although they are also adjusted for the community service obligation (CSO) to reflect the specialised nature of the land and buildings being valued.

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

For the majority of Lower Murray Water's specialised and non-specialised buildings, the current replacement cost method is used, adjusting for associated depreciations. As depreciation adjustments are considered as significant unobservable inputs in nature, specialised and non-specialised buildings are classified as Level 3 fair value measurements.

An annual fair value assessment, using the building indices provided by the Valuer-General Victoria, indicated a compound movement in the fair value to be material for the financial year ended 30 June 2020. This resulted in a material movement of 13% (\$1,154K). In accordance with the requirements of FRD 103H, Lower Murray Water has performed a managerial revaluation of buildings. This is disclosed in Note 4.1.1. A managerial revaluation of specialised land was performed at 30 June 2018.

Coronavirus (COVID-19) was declared a pandemic by the World Health Organisation on 11 March 2020. The real estate market is being impacted by the uncertainty that coronavirus (COVID-19) has caused. Market conditions are changing daily at present. As at the date of valuation, we consider that there is significant market uncertainty. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of valuation).

Plant, equipment and vehicles

Plant, equipment and vehicles are held at fair value. When plant, equipment and vehicles are specialised in use, such that they rarely sold other than as part of a going concern, fair value is determined using the current replacement cost method.

There were no changes in valuation techniques throughout the period to 30 June 2020.

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

Water and sewer infrastructure

Water and sewer infrastructure are valued using the current replacement cost method less all forms of obsolescence and depreciation. This cost represents the replacement cost of the building/infrastructure after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. All forms of obsolescence have also been factored into the current replacement cost calculation.

An independent valuation of Lower Murray Water's water and sewer infrastructure was carried out by Jacobs Australia Pty Limited on behalf of the VGV. The valuation was performed based on the current replacement cost of the assets. The effective date of the valuation is 30 June 2016.

An independent valuation of Lower Murray Water's water and sewer infrastructure was carried out by Jacobs on behalf of the Valuer General Victoria. The valuation was performed based on the current replacement cost of the assets. The effective date of the valuation is 30 June 2016.

Lower Murray Water conducted a fair value assessment as at 30 June 2020 with no material movement identified since the 2016 valuation.

There were no changes in valuation techniques throughout the period to 30 June 2020.

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

Coronavirus (COVID-19) has not resulted in a change to the judgement for Lower Murray Water to determine the fair value of the infrastructure assets held. As at the date of valuation, we consider that there is significant market uncertainty. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of valuation).

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Reconciliation of Level 3 fair value movements

A reconciliation from the opening balances to the closing balances for fair value measurements categorised within Level 3 of the fair value hierarchy, disclosing separately changes during the period.

2020

2020	(\$'000)								
	Carrying amount 1 July	Fair value of assets received free of charge or for nominal considerations	Additions	Transfers between classes	Transfers in (out) of Level 3	Disposals	Depreciation	Transfer from (to) assets held for sale/ revaluation	Carrying amount 30 June
Land									
Specialised land	11,389	75	-	-	-	(30)	-	-	11,434
Buildings									
Non specialised buildings	5,624	-	1	280	-	-	(288)	679	6,296
Specialised buildings	3,731	-	-	13	-	-	(95)	475	4,124
Plant, equipment, and vehicles									
Vehicles	4,380	-	971	-	-	(334)	(626)	(72)	4,319
equipment	1,885	-	738	231	-	(1)	(596)	-	2,257
Infrastructure									
Water storage tanks	12,981	-	-	1	-	-	(508)	-	12,474
Water pumping stations	20,213	-	-	126	-	-	(910)	-	19,429
Sewer pumping stations	18,290	-	-	608	-	-	(1,180)	-	17,718
Irrigation pumping stations	46,929	-	-	1,182	-	-	(2,880)	-	45,231
Water treatment plants	79,764	-	-	639	-	-	(4,475)	-	75,928
Waste water treatment plants	32,838	-	-	472	-	-	(2,010)	-	31,300
Water pipeline infrastructure	143,704	63	-	1,782	-	(199)	(2,438)	-	142,912
Sewer pipeline infrastructure	149,823	108	-	1,128	-	-	(3,055)	-	148,004
Irrigation pipeline infrastructure	308,322	-	-	16,330	-	(382)	(8,573)	-	315,697
Other structures	17,928	174	-	8	-	-	(302)	-	17,808
	857,801	420	1,710	22,800	-	(946)	(27,936)	1,082	854,931

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2019

(\$'000)

	Carrying amount 1 July	Fair value of assets received free of charge or for nominal considerations	Additions	Transfers between classes	Transfers in (out) of Level 3	Disposals	Depreciation	Transfer from (to) assets held for sale/ revaluation	Carrying amount 30 June
Land									
Specialised land	11,389	-	-	-	-	-	-	-	11,389
Buildings									
Non Specialised Buildings	5,413	-	-	476	-	-	(266)	-	5,624
Specialised buildings	3,612	-	-	211	-	-	(93)	-	3,731
Plant, equipment, and vehicles									
Vehicles	4,549	-	-	791	-	(350)	(610)	-	4,380
Plant and equipment	1,866	-	6	543	-	(2)	(528)	-	1,885
Infrastructure									
Water storage tanks	13,147	-	-	321	-	-	(487)	-	12,981
Water pumping stations	18,796	-	-	2,272	-	-	(855)	-	20,213
Sewer pumping stations	19,324	-	-	110	-	-	(1,144)	-	18,290
Irrigation pumping stations	49,397	-	-	363	-	-	(2,831)	-	46,929
treatment plants	77,238	-	-	6,766	-	-	(4,240)	-	79,764
Waste water treatment plants	33,177	-	-	1,615	-	-	(1,954)	-	32,838
Water pipeline infrastructure	145,845	165	-	800	-	(676)	(2,430)	-	143,704
Sewer pipeline infrastructure	149,106	306	-	3,368	-	-	(2,957)	-	149,823
Irrigation pipeline infrastructure	315,427	-	-	1,403	-	(106)	(8,402)	-	308,322
Other structures	18,143	-	-	79	-	-	(294)	-	17,928
	866,429	471	6	19,119	-	(1,134)	(27,090)	-	857,801

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Description of significant unobservable inputs to Level 3 valuations 2020

	(\$'000) 2020	(\$'000) 2019	Valuation technique	Significant unobservable
Specialised land				
	11,434	11,389	Market Approach	Community Service Obligation (CSO) adjustment VGV provided
Non Specialised Buildings				
	6,296	5,624	Current replacement cost	Direct cost per sqm Useful life of specialised buildings
Specialised buildings				
	4,124	3,731	Current replacement cost	Direct cost per sqm Useful life of specialised buildings
Vehicles				
	4,319	4,380	Current replacement cost	Cost per unit Useful life of vehicles
Plant and equipment				
	2,257	1,885	Current replacement cost	Cost per unit Useful life of plant & equipment
Water storage				
	12,474	12,981	Current replacement cost	Cost per unit Useful life of water storages
Water pumping stations				
	19,429	20,213	Current replacement cost	Cost per unit Useful life of water pumping stations
Sewer pumping stations				
	17,718	18,290	Current replacement cost	Cost per unit Useful life of sewer pumping stations

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Irrigation pumping stations	45,231	46,929	Current replacement cost	Cost per unit Useful life of irrigation pumping stations
Water treatment plants	75,928	79,764	Current replacement cost	Cost per unit Useful life of water treatment plants
Wastewater treatment plants	31,300	32,838	Current replacement cost	Cost per unit Useful life of wastewater treatment plants
Water pipeline infrastructure	142,912	143,704	Current replacement cost	Cost per metre Useful life of water pipeline infrastructure
Sewer pipeline infrastructure	148,004	149,823	Current replacement cost	Cost per metre Useful life of sewer pipeline infrastructure
Irrigation pipeline infrastructure	315,697	308,322	Current replacement cost	Cost per metre Useful life of irrigation pipeline infrastructure
Other structures	17,808	17,928	Current replacement cost	Cost per unit Useful life of other structures

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

4.1.3 Depreciation and impairment

All infrastructure assets, buildings, plant and equipment and other non financial physical assets that have finite useful lives, are depreciated. Land is considered to have an infinite useful life and therefore is not depreciated. Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component.

Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life, commencing from the time the asset is held ready for use.

Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

	2020
Asset	Useful life: years
Water, irrigation and drainage infrastructure	
Buildings	60
Plant and machinery	8 - 20
Storage tanks / channels / pipelines	60 - 100
Pumping stations	10 - 80
Sewerage infrastructure	10 - 50
Plant and equipment	8 - 20
Motor vehicles	8 - 10

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

There were no changes in rates from prior year.

Impairment

Non-financial assets, including items of infrastructure, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

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

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

The recoverable amount for most assets is measured at the higher of current replacement cost and fair value less costs to sell. The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business.

The recoverable amount of specialised non-cash-generating assets which are held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 Fair Value Measurement. As a consequence, that AASB 136 does not apply to such assets that are regularly revalued.

Coronavirus (COVID-19) has not resulted in a change to the judgement of testing the impairment of Lower Murray Water non-financial assets.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

4.1.4 Net profit/(loss) on disposal of non-current assets

	(\$'000) TOTAL		(\$'000) WASTEWATER		(\$'000) DRAINAGE	
	2020	2019	2020	2019	2020	2019
Net profit/(loss) on disposal						
Proceeds from sale of non-financial assets	540	356	185	187	355	169
Proceeds from sale of assets held for sale	100	4,025	-	-	100	4,025
Disposal of non-financial assets other than assets	(335)	(351)	(176)	(184)	(159)	(167)
Disposal of non-financial assets - assets held for sale	(75)	(3,214)	-	-	(75)	(3,214)
Profit/(loss)	229	816	9	3	220	813

4.2 Intangible Assets

2020		(\$'000)			
	Carrying amount 1 July	Additions	Transfers between classes	Amortisation	Carrying amount 30 June
Water shares	4,797	-	-	-	4,797
Software development costs	1,249	168	-	(387)	1,030
	6,046	168	-	(387)	5,827

2019		(\$'000)			
	Carrying amount 1 July	Additions	Transfers between classes	Amortisation	Carrying amount 30 June
Water shares	4,797	-	-	-	4,797
Software development costs	999	-	650	(400)	1,249
	5,796	-	650	(400)	6,046

Recognition

Intangible assets represent identifiable non-monetary assets without physical substance.

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 *Intangible Assets* is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

A summary of the policies applied to Lower Murray Water's intangible assets is as follows:

	<i>Water shares</i>	<i>Software development costs</i>
Useful lives	Indefinite	Finite
Amortisation method used	Not amortised or revalued	3 years - straight line
Internally generated / acquired	Acquired	Acquired
Impairment test / recoverable amount testing	Tested annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end; Reviewed annually for indicators of impairment

Water Shares are treated as an intangible asset on the balance sheet at cost (in accordance with AASB 138 *Intangible Assets* and FRD 109A *Intangible Assets*), and will not be subject to amortisation, as they have an indefinite life. Lower Murray Water holds the following Water Shares: Permanent Water - High Reliability - Murray / Goulburn: 2,585.54 ML / 550 ML. Permanent Water - Low Reliability - Goulburn: 216 ML.

Water shares are tested annually for impairment using the latest prices from the Victorian Water Register.

Urban bulk water entitlements are not recorded on the balance sheet as they are held by the organisation in trust, for the Victorian State Government. These entitlements enable the organisation to carry out its core business operations.

Amortisation

Intangible assets with finite useful lives are amortised as an expense on a systematic basis (typically straight-line), commencing from the time the asset is available for use. The amortisation periods are reviewed and adjusted if appropriate at each balance date. Intangible assets with indefinite useful lives are not amortised. However, all intangible assets are assessed for impairment annually as outlined below.

Impairment of intangible assets

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified.

4.3 Assets held for sale

	(\$'000)	
	2020	2019
Land held for sale	-	75
Vehicles held for sale	72	-
	72	75

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, as their carrying amount will be recovered principally through a sale transaction, rather than through continuing use. Lower Murray Water considers that the sale is highly probable, the asset is available for immediate sale in its present condition and the sale is expected to be completed within 12 months from the date of classification. Assets are not depreciated or amortised while they are classified as held for sale. Assets classified as held for sale are classified as current assets.

During the period Lower Murray Water sold land held for sale valued at \$0.05m.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

5. OTHER ASSETS AND LIABILITIES

This section sets out those assets and liabilities that arose from Lower Murray Water's operations and the delivery of services.

Structure

- 5.1 Receivables
 - 5.1.1 Movement in the provision for impaired receivables
 - 5.1.2 Ageing analysis of contractual receivables
- 5.2 Payables
- 5.3 Other assets

5.5 Other non-financial assets

5.1 Receivables

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2020	2019	2020	2019	2020	2019
Current receivables:						
Contractual						
Trade receivables	7,920	7,715	4,297	4,879	3,623	2,836
Government receivables	-	493	-	493	-	-
Sundry debtors	412	423	412	423	-	-
Allowance for expected credit losses	(379)	(312)	(338)	(272)	(41)	(40)
	7,953	8,319	4,370	5,523	3,582	2,796
Non contractual other receivables	693	366	594	231	99	135
Statutory						
GST receivable	501	359	263	188	238	170
Total current receivables	9,146	9,044	5,227	5,942	3,919	3,102
Non-current receivables:						
Contractual						
Sundry debtors	153	178	153	178	-	-
Total non-current receivables	153	178	153	178	-	-
Total receivables	9,299	9,222	5,380	6,120	3,919	3,102

Receivables consist of:

- Contractual receivables, classified as financial instruments and categorised as financial assets held at amortised cost. They are initially recognised at their transaction price. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment. Trade receivables are due for settlement no more than 30 days from the date of recognition.
- Statutory receivables, do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments.

There has been no significant impact from coronavirus (COVID-19) to Lower Murray Waters' receivable balance, with the overall receivables balance being consistent with prior years. The implementation of JobKeeper and JobSeeker payments coupled with the Pensioner Rebate and Utility Relief Grant Scheme has assisted in lessening the impact.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

5.1.1 Impairment of contractual receivables

Lower Murray Water applies the AASB 9 Financial Instruments simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contractual receivables. Trade receivables consist of service and usage charges that are either secured to a property (not expected to incur credit losses) or are charged to a tenant (expected credit loss).

Lower Murray Water has established an Expected Credit Loss (ECL) percentage rate for each aged debtor category; Current, Quarter 1 (90 days), Quarter 2 (180 days), Quarter 3 (270 days), Quarter 4 (360 days) and outstanding balances greater than 1 year. The ECL rates are established using analysis of actual Tenant and Sundry receivables aged trial balances extracted from LMW's property and metering enterprise software (PAM) and the payment profiles of the debtors with balances for each aged debtor category.

The analysis of the payment profiles within the aged debtor category was carried out across the previous 2018 and 2019 financial years to provide an averaged ECL percentage for each of the aged debtor categories; Current, Q1, Q2, Q3, Q4 and > 1 year.

On that basis, the loss allowance as at 30 June 2020 and 30 June 2019 (on adoption of AASB 9) was determined as per the table below for receivables - tenant service and usage charges and sundry debtors.

	\$'000's					
2020	Current	Q2	Q3	Q4	> 1 year	Total
Expected loss rate	4.95%	42.32%	45.38%	69.23%	35.99%	
Gross carrying amount - tenant receivables	225	76	52	11	420	784
Gross carrying amount - sundry debtors	67	54	38	55	198	412
Loss allowance	15	55	41	46	222	379

	\$'000's					
2019	Current	Q2	Q3	Q4	> 1 year	Total
Expected loss rate	4.95%	45.32%	45.38%	69.23%	35.99%	
Gross carrying amount - tenant receivables	370	71	50	8	366	865
Gross carrying amount - sundry debtors	218	37	52	26	90	423
Loss allowance	29	49	46	24	164	312

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

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

Lower Murray Water has not changed calculated expected loss rate due to coronavirus (COVID-19). Given the nature of receivables, it would be hard to accurately determine if there would be any impact on the expected loss rate of the receivables. Given that during the 2020 financial year we have not seen a significant rise in our overall receivables. Lower Murray Waters client who are experiencing hardship can access the utility relief grant scheme.

5.1.2 Ageing analysis of contractual receivables

The ageing of these receivables is as follows:

	(\$'000)		Past due but not impaired		
	Carrying amount	Not past due and not	1 - 3 months	3 months - 1 year	1 year +
2020					
Receivables	8,596	4,344	844	1,728	1,679
2019					
Receivables	8,497	3,508	901	2,397	1,691

No interest is charged for the first 30 days from the invoice date. Thereafter, interest is charged at 4.0% for 2020 (2019: 5.0%) for irrigation and drainage customers on the outstanding balance. Interest is not charged for water and wastewater customers. The average credit period for sales of goods / services and for other receivables is 47 days (2019: 46 days). There are no material financial assets that are individually determined to be impaired.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

5.2 Payables

	Note	(\$'000)		(\$'000) WATER & WASTEWATER		(\$'000) IRRIGATION & DRAINAGE	
		TOTAL					
		2020	2019	2020	2019	2020	2019
Current							
Contractual							
Creditors and accrued expenses		3,958	6,594	2,244	3,250	1,714	3,344
Deposits		961	894	840	789	121	105
Contract liabilities		1,879	3,580	1,879	1,455	-	2,125
VMFRP creditors and accrued expenses		2,458	294	-	-	-	-
		9,256	11,362	4,963	5,494	1,835	5,574
Statutory		468	420	230	206	238	214
Total current payables	10.3	9,724	11,782	5,193	5,700	2,073	5,788

Payables consist of:

- contractual payables including creditors and accrued expenses, deposits, and contract liabilities are classified as financial instruments and measured at amortised cost. Payables represent liabilities for goods and services provided to Lower Murray Water prior to the end of the financial year that are unpaid; and
- statutory payables, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts. Statutory payables includes payroll tax, superannuation charges payable and the Financial Accommodation Levy.

All payables are classified as current with none older than 12 months.

Contract liabilities represent payments received in advance from customers for goods or services not yet provided, including developer contributions for construction of assets which will be recognised as revenue once all performance obligations have been satisfied, as per AASB 15. Refer to Note 2.1.2

Due to coronavirus (COVID-19), there was a ministerial direction issued to Lower Murray Water to ensure all creditors are paid within 10 working days rather than the terms of the creditor agreement. This has resulted in payables balance reducing at June 2020 than in previous financial year. There has been no significant impact on Lower Murray Waters cash flow as creditors are usually paid on a weekly basis and we have not seen an impact on the cash inflow at this stage given the unpredictability of the situation this may change in the future.

5.2.1 Ageing analysis of contractual payables

	Maturity dates				
	Carrying amount	Nominal amount	Less than 1 month	1 3 months	3 months - 1 year
2020					
Supplies and services	8,295		6,416	1,065	814
Other payables	961		-	545	416
Total	9,256	-	6,416	1,610	1,230
2019					
Supplies and services	10,468		6,888	246	3,334
Other payables	894		-	61	833
Total	11,362	-	6,888	307	4,167

5.3 Other assets

	(\$'000)	
	2020	2019
Current		
Inventories and consumables - at cost	4,079	3,885
Biological assets	173	131
Total other assets	4,252	4,016

Inventories comprise stores and materials used in the construction of new works and for the repair and maintenance of existing assets. These inventories are held for consumption in the ordinary course of business operations and measured at the lower of cost and net realisable value. Costs are assigned to inventory quantities on hand at balance date on a weighted average cost (WAC) basis.

Biological assets consist of sheep and timber. They are measured at fair value less costs to sell, with any changes recognised in the comprehensive operating statement. Costs to sell include all costs that would be necessary to sell the assets, including freight and direct selling costs.

The fair value of a biological asset is based on its present location and condition. The quoted price in the market, is the appropriate basis for determining the fair value of these assets.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

6. HOW WE FINANCED OUR OPERATIONS

Introduction

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

This section includes disclosures of balances that are financial instruments (such as loans and cash balances). Notes 7.1 provide additional, specific financial instrument disclosures.

Structure

- 6.1 Interest bearing liabilities
 - 6.1.1 Maturity analysis of interest bearing liabilities
 - 6.1.2 Interest expense
- 6.2 Cash flow information
 - 6.2.1 Reconciliation of net result to cash flow from operating activities
 - 6.2.2 Financing facilities
- 6.3 Commitments for expenditure

6.1 Interest bearing liabilities

(\$'000)

	2020	2019
Current interest bearing liabilities		
Loans from TCV	3,880	2,831
Non-current interest bearing liabilities		
Loans from TCV	42,752	44,632
Total interest bearing liabilities	46,632	47,463

Interest bearing liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Interest bearing liabilities are subsequently measured at amortised cost. Any difference between the initial amount recognised (net of transaction costs) and the redemption amount is recognised in the Comprehensive Operating Statement over the period of the interest bearing liabilities, using the effective interest method.

Interest bearing liabilities are classified as current liabilities unless Lower Murray Water has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

6.1.1 Maturity analysis of interest bearing liabilities

	TOTAL (\$'000)		CURRENT (12 MONTHS) (\$'000)		NON-CURRENT (1-5 YEARS) (\$'000)		NON-CURRENT (OVER 5 YEARS) (\$'000)	
	2020	2019	2020	2019	2020	2019	2020	2019
Loans from TCV	46,632	47,463	3,880	2,831	13,078	10,848	29,674	33,784
	46,632	47,463	3,880	2,831	13,078	10,848	29,674	33,784

	TOTAL (\$'000)		WATER & WASTEWATER (\$'000)		IRRIGATION & DRAINAGE (\$'000)	
	2020	2019	2020	2019	2020	2019
Loans from TCV	46,632	47,463	17,816	19,232	28,816	28,231
	46,632	47,463	17,816	19,232	28,816	28,231

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

6.1.2 Interest expense

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2020	2019	2020	2019	2020	2019
Interest on loans	2,456	2,546	1,101	1,208	1,356	1,338
Financial accommodation levy	502	501	206	224	296	277
Total interest expense	2,958	3,047	1,307	1,432	1,652	1,615

Interest expense includes costs incurred in connection with the borrowing of funds, including interest on bank overdrafts, short term and long term loans and financial accommodation levy charges.

Interest expense is recognised in the period in which it is incurred.

When Lower Murray Water carries borrowings in excess of \$5 Million it is obligated to pay to the Victorian government a Financial Accommodation Levy (FAL). On the basis of the Lower Murray Water's credit rating, a FAL of 73 basis points is applied to all new financial accommodation in 2020 (2019 - 81 basis points) assessed from Treasury Corporation of Victoria (TCV). FAL incurred by Lower Murray Water is accounted for as a borrowing cost for the purpose of presentation in the general purpose financial statements.

6.2 Cash flow information

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet, as indicated in the reconciliation below.

Coronavirus (COVID-19) has not had a significant impact the to cash flow of Lower Murray Water during the 2020 financial year however there remains uncertainty around the situation moving forward. Management have been and will continue to monitor cash flow impacts on a regular basis.

		(\$'000)	
	Note	2020	2019
Cash on hand		4	4
Cash at bank		5,779	8,543
Balance as per cash flow statement	10.3	5,783	8,547

6.2.1 Reconciliation of net result for the period to cash flow from operating activities

	(\$'000)	
	2020	2019
Net result for the year after income tax	(5,551)	(3,534)
Non cash movements		
Depreciation/amortisation	28,324	27,490
Income tax revenue	(1,543)	(1,503)
Assets written off	581	790
Net (profit)/loss on disposal of non-current physical assets	(229)	(816)
Gifted Assets	(421)	(471)
	21,160	21,956
Movements in assets & liabilities:		
Decrease in receivables	(77)	67
Increase in inventories	(236)	(241)
(Increase)/decrease in prepayments	(173)	(85)
Increase in payables & provisions	(2,058)	4,712
Increase/(decrease) in employee benefits	237	134
Net Cash provided by operating activities	18,853	26,544

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

6.2.2 Financing facilities

	(\$'000)	
	2020	2019
Unsecured bank overdraft facility, reviewed annually and payable at call		
Amount unused	250	250
Total	250	250

6.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts.

These commitments are recorded below at their nominal value and inclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

The operating commitments are not considered to be leases in nature, as such these are not subject to requirements outlined in AASB 16.

Please refer to Note 8.2.1 for details on environmental commitments.

	(\$'000)	
	Less than 1 year	Total
<i>Nominal Amounts: 2020</i>		
Capital commitments payable	5,496	5,496
Operating commitments payable	13,547	13,547
Total commitments (inclusive of GST)	19,043	19,043
Less GST recoverable	1,713	1,713
Total commitments (exclusive of GST)	17,330	17,330

	Less than 1 year	Total
<i>Nominal Amounts: 2019</i>		
Capital commitments payable	9,940	9,940
Operating commitments payable	910	910
Total commitments (inclusive of GST)	10,850	10,850
Less GST recoverable	986	986
Total commitments (exclusive of GST)	9,864	9,864

Lower Murray Water has not entered into any Private Public Partnerships (PPPs).

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Lower Murray Water is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for Lower Murray Water related mainly to fair value determination.

Structure

- 7.1 Financial instruments specific disclosures
 - 7.1.1 Financial instruments: Categorisation
 - 7.1.2 Financial risk management objectives and policies
- 7.2 Contingent assets and contingent liabilities
- 7.3 Power Purchase Agreement

7.1 Financial instruments specific disclosures

Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

These financial instruments include:

<i>Financial assets</i>	<i>Financial liabilities</i>
Cash and deposits	Payables:
Receivables:	For supplies and services
Sale of goods and services	Amounts payable to government and agencies
Other receivables	Other payables
Term deposits	Interest bearing liabilities:
	Bank overdraft
	Loans

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

Classification of financial instruments

Loans, receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. Financial assets (except for trade receivables) are initially measured at fair value plus or minus any direct transaction costs. Trade receivables are initially measured at their transaction price. Subsequent to initial measurement, loans and receivables are measured at amortised cost only 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, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The following assets are held with the objective to collect the contractual cash flows:

- cash and deposits
- receivables (excluding statutory receivables); and
- term deposits.

Financial liabilities are initially recognised at fair value, plus or minus 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 the profit and loss, over the period of the interest bearing liability using the effective interest rate method. Lower Murray Water recognises the following liabilities:

- payables (excluding statutory payables); and
- borrowings.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Offsetting financial instruments

Financial instrument assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, Lower Murray Water has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where Lower Murray Water does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

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
- Lower Murray Water 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
- Lower Murray Water 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 Lower Murray Water has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of Lower Murray Water's continuing involvement in the asset.

Impairment of financial assets

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

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*. Impairment losses are recognised in the Comprehensive Operating Statement.

7.1.1 Financial instruments: Categorisation

All financial assets and financial liabilities of Lower Murray Water are measured at amortised cost in line with AASB 9 *Financial Instruments*.

7.1.2 Financial risk management objectives and policies

Lower Murray Water's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. As a whole, Lower Murray Water's financial risk management program seeks to manage these risks and the associated volatility of its financial performance. The main purpose in holding financial instruments is to prudentially manage Lower Murray Water's financial risks within the government policy parameters. Lower Murray Water's main financial risks include credit risk, liquidity risk and interest rate risk.

Risk management is carried out by the Manager Finance in conjunction with the Chief Financial Officer, Managing Director, Finance and Audit Committee and Risk Committee under the Lower Murray Water Treasury Management Policy approved by the Board. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit risk

Credit risk is the risk of financial loss to Lower Murray Water as a result of a customer or counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises principally from Lower Murray Water's receivables.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Lower Murray Water's exposure to credit risk is influenced by the individual characteristics of each customer. The receivable balance consists of a large number of residential and business customers which are spread across a diverse range of industries. Receivable balances are monitored on an on-going basis to ensure that exposure to bad debts is not significant.

Lower Murray Water applies the AASB 9 *Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. Refer to section 5.1.

Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. Lower Murray Water's policy is to settle financial obligations within 30 days and in the event of dispute make payments within 30 days from the date of resolution.

Lower Murray Water manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

Due to coronavirus (COVID-19), there was a ministerial direction issued to Lower Murray Water to ensure all creditors are paid within 10 working days rather than the terms of the creditor agreement. This has resulted in payables balance reducing at June 2020 than in previous financial year. There has been no significant impact on Lower Murray Water's cash flow as creditors are usually paid on a weekly basis and we have not seen an impact on the cash inflow at this stage given the unpredictability of the situation this may change in the future. Lower Murray Water will continue to monitor this on a regular basis with budgets, cash flow and forecast.

Market risk

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

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

(i) Interest Rate Risk

Lower Murray Water's exposure to market interest rates relates primarily to Lower Murray Water's long term loans and funds invested on the money market.

The interest rate on Lower Murray Water's long term loans is fixed. Lower Murray Water occasionally uses short term floating interest rate loans by way of the Treasury Corporation of Victoria's 11am (on call) facility. The short term nature of the floating facility and the fixed long term loans therefore do not expose Lower Murray Water to any material interest rate risk.

Lower Murray Water has minimal exposure to interest rate risk through its holding of cash assets and other financial assets. Lower Murray Water manages its interest rate risk by maintaining a diversified mix of at call floating and fixed rate investment products.

(ii) Foreign Exchange Risk

Lower Murray Water has no exposure to changes in the foreign exchange rate.

(iii) Other Price Risk

Lower Murray Water has no significant exposure to Other Price Risk.

Interest rate exposure of financial instruments

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. Lower Murray Water does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Lower Murray Water has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and Lower Murray Water's sensitivity to interest rate risk are set out in the table that follows.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2020	(\$'000)	Interest rate exposure				Interest rate risk sensitivity			
		Weighted average interest rate %	Fixed interest rate	Variable interest rate	Non-interest bearing	-100 basis points		+100 basis points	
	Carrying amount					Net result	Equity	Net result	Equity
Contractual financial assets									
Cash and deposits	5,783	1.97	-	5,779	4	(58)	(58)	58	58
Contractual financial receivables	8,985	0.78	-	4,410	4,576	(44)	(44)	44	44
Total financial assets	14,768		-	10,189	4,580	(102)	(102)	102	102
Contractual financial liabilities									
Loans with TCV	46,632	5.27	46,632	-	-	-	-	-	-
Total financial liabilities	46,632		46,632	-	-	-	-	-	-

2019	(\$'000)	Interest rate exposure				Interest rate risk sensitivity			
		Weighted average interest rate %	Fixed interest rate	Variable interest rate	Non-interest bearing	-100 basis points		+100 basis points	
	Carrying amount					Net result	Equity	Net result	Equity
Contractual financial assets									
Cash and deposits	8,547	0.81	-	8,543	4	(85)	(85)	85	85
Contractual financial receivables	9,168	1.13	-	3,134	6,034	(31)	(31)	31	31
Total financial assets	17,715		-	11,677	6,038	(117)	(117)	117	117
Contractual financial liabilities									
Loans with TCV	47,463	5.36	47,463	-	-	-	-	-	-
Total financial liabilities	47,463		47,463	-	-	-	-	-	-

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

7.2 Contingent assets and contingent liabilities

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

Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets identified in the ordinary course of business include developers who often provide a commitment to Lower Murray Water to construct water and sewerage assets. The assets are constructed within an agreed timeframe, generally 12 months, and upon completion are transferred to Lower Murray Water at no cost.

As at 30 June 2020, various developers have agreed to construct assets. These assets are under construction or have not yet commenced construction.

Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
 - the amount of the obligations cannot be measured with sufficient reliability.

As at 30 June 2020, there are no known potential contingent liabilities.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

7.3 Power Purchase Agreement

Lower Murray Water is one of 13 water corporation members of Zero Emissions Water (ZEW) Limited, 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(is) in Victoria and in turn supply these products to its members. ZEW 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. Lower Murray Water's Executive Manager Customer and Stakeholder 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, Lower Murray Water's liability as a member is limited to \$10 in the event of a winding up.

As required by Australian accounting standards, Lower Murray Water 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. Lower Murray Water 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 Lower Murray Water.

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 which were due to be satisfied during the 2019/20 financial year.

The solar farm energy generator experienced a construction delay due to redesign of electrical infrastructure and a connection delay relating to generator restrictions and revised connection procedures advised by the Australian Electricity Market Operator (AEMO). Renegotiated terms have resulted in an extension of the target commercial operation date to 1 October 2020 and a compensation settlement to ZEW for the delay. Lower Murray Water's share of the settlement is \$62,083 which has been recognised in the Comprehensive Operating Statement as other income.

At 30 June 2020 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 other transactions to be recognised.

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 ZEW may call on Lower Murray Water to make a loan available to ZEW amounting to \$35,636. The loan, if requested by ZEW, would meet the definition of a financial asset as it gives rise to a contractual right for Corporation to receive cash from ZEW at the end of the loan term. As at 30 June 2020, no request has been made by 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).

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

8. STATUTORY OBLIGATIONS

Introduction

This section includes disclosures in relation to Lower Murray Water's statutory obligations.

Structure

- 8.1 Tax
 - 8.1.1 Income tax
 - 8.1.2 Deferred tax assets and liabilities
- 8.2 Environmental contribution
 - 8.2.1 Environmental commitments

8.1 Tax

8.1.1 Income tax

Lower Murray Water is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office. The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The income tax expense for the financial year differs from the amount calculated on the net result. The differences are reconciled as follows:

	(\$'000)	
	2020	2019
Income statement		
Current income tax expense (paid or payable)	-	-
Adjustments to prior years	-	-
Deferred income tax expense		
Temporary differences	1,543	1,503
Adjustment for prior years	-	-
Income tax reported in the Income Statement	1,543	1,503
Statement of changes in Equity		
Current tax - credited/(debited)	-	-
Net deferred tax - debited/(credited) directly to equity (refer to Note 8.1.2)	346	-
Income tax reported in equity	346	-
Tax reconciliation		
Net result before income tax expense	(7,094)	(5,037)
Tax at the Australian tax rate of 30% (2019: 30%)	(2,128)	(1,511)
Adjustment in respect of income tax of previous year	59	-
Non deductible items	526	8
Other	-	-
Income tax on profit before tax	(1,543)	(1,503)

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

8.1.2 Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lower Murray Water's deferred tax liabilities exceed the level of deferred tax assets and therefore a net deferred tax liability has been disclosed in the balance sheet.

Deferred tax assets	(\$'000)	
	2020	2019
Amounts recognised in Comprehensive Operating Statement		
Doubtful debts	114	94
Employee benefits	1,891	1,820
Tax losses	19,447	21,628
Other	131	113
Total deferred tax assets	21,583	23,655
Movements		
Opening balance at 1 July	23,655	25,491
Credited/(debited) to the Comprehensive Operating Statement	(2,072)	(1,836)
Closing balance at 30 June	21,583	23,655
Deferred tax asset to be recovered after more than 12 months	2,107	2,006
Deferred tax asset to be recovered within 12 months	29	21
Tax losses	19,447	21,628
Ending balance at 30 June	21,583	23,655
Deferred tax liabilities	(\$'000)	
	2020	2019
Amounts recognised in Comprehensive Operating Statement		
Prepayments	2	1
Amounts recognised directly in equity		
Revaluation of infrastructure property, plant and equipment	131,857	135,127
Total deferred tax liabilities	131,859	135,128
Movements		
Opening balance at 1 July	135,128	138,467
Credited/(debited) to the net result	(3,615)	(3,339)
Credited/(debited) to other comprehensive income	346	-
Closing balance at 30 June	131,859	135,128
Deferred tax liabilities to be recovered after more than 12 months	131,857	135,127
Deferred tax liabilities to be recovered within 12 months	2	1
Ending balance at 30 June	131,859	135,128
Net deferred tax liability	110,276	111,473

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

8.2 Environmental contribution

(\$'000)

	2020	2019
Environmental contribution levy	2,278	2,278

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 into a consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation. The contribution period has 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.

Lower Murray Water has a statutory obligation to pay an environmental contribution to the Department of Environment, Land, Water and Planning. This contribution is recognised as an expense during the reporting period as incurred.

8.2.1 Environmental commitments

At 30 June 2020, Lower Murray Water had outstanding environmental contribution commitments, to be paid as follows:

(\$'000)

	<i>Less than 1 year</i>	<i>Between 1 and 5 years</i>	<i>Total</i>
<i>2020</i>			
Environmental contribution levy commitments	2,278	-	2,278
<i>2019</i>			
Environmental contribution levy commitments	2,278	-	2,278

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

9. OTHER DISCLOSURES

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

Structure

- 9.1 Equity
 - 9.1.1 Contributed capital
 - 9.1.2 Asset revaluation surplus
 - 9.1.3 Accumulated surplus/(deficit)
- 9.2 Events occurring after the balance date
- 9.3 Responsible persons
- 9.4 Related parties
- 9.5 Remuneration of executives
- 9.6 Remuneration of auditors
- 9.7 Changes in accounting policies
- 9.8 Australian Accounting Standards issued that are not yet effective

9.1.1 Contributed capital

Contributed capital

Balance 1 July
Capital contributions from the Victorian Government
Balance 30 June

(\$'000)	
2020	2019
630,373	629,573
3,151	800
633,524	630,373

Additions to net assets that have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have been recognised in contributed equity.

9.1.2 Asset revaluation surplus

Land
Buildings
Infrastructure
Other

(\$'000)	
2020	2019
2,682	2,682
807	(1)
198,005	198,005
4	4
201,498	200,690

(\$'000)					
Movements during the reporting period	Land	Buildings	Infrastructure	Other	Total
Opening balance	2,682	(1)	198,005	4	200,690
Revaluation increment/(decrement)	-	1,154	-	-	1,154
Tax effect of revaluation increment/ (decrement)	-	(346)	-	-	(346)
Closing balance	2,682	807	198,005	4	201,498

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

9.1.3 Accumulated surplus/(deficit)

	(\$'000)	
	2020	2019
Accumulated surplus/(deficit) at beginning of financial year	(100,383)	(96,849)
Result for the period	(5,551)	(3,534)
Accumulated surplus/(deficit) at end of financial year	(105,934)	(100,383)

9.2 Events occurring after the balance date

Subsequent to 30 June 2020, the follow events occurred:

- the funding agreement for the remaining balance of Stage 1 for the Victorian Murray Floodplain Restoration Project was signed by the Hon. Lisa Neville MP. For further details please refer to note 10.

Lower Murray Water has not been impacted by coronavirus (COVID-19) during the 2019-2020 financial year but given the volatility and uncertainty, this could be affected in the future. Although regional Victoria is experiencing low numbers of people with coronavirus (COVID-19), Metro Melbourne is still reaching high levels of community transmission with stage 4 restrictions now being enforced. Management will continue to monitor the situation with reviews of cash flows and budgets on a regular basis to ensure Lower Murray Water is a going concern.

9.3 Responsible persons

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

<i>Name</i>	<i>Title</i>	<i>Period of appointment</i>
The Hon. Lisa Neville MP	Minister for Water	23 May 2016 to Current
Mr Anthony Couroupis	Managing Director/Accountable Officer	1 July 2019 to Current
Cheryl Rix	Director - Chair	1 October 2012 to Current
Liza McDonald	Director	1 October 2015 to 30 September 2019
Jason Kempinski	Director	1 October 2015 to 30 September 2019
Guy King will	Director	1 October 2015 to 30 September 2019
Sharyon Peart	Director	1 October 2017 to Current
Robert Fowler	Director	1 October 2017 to Current
Michelle Oates	Director	1 October 2017 to Current
Warren Lloyd	Director	1 October 2017 to Current
Svetla Petkova	Director	1 October 2019 to Current
Max Follie	Director	1 October 2019 to Current
Greg Baker	Director	1 October 2019 to Current

Accountable Officer remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of Lower Murray Water during the reporting period was in the range:

\$280,001-\$290,000	(2019-20)
\$280,001-\$290,000	(2018-19)

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Board Members remuneration

	2020	2019
\$1 - \$10,000	3	-
\$20,001 - \$30,000	3	-
\$30,001 - \$40,000	4	7
\$40,001 - \$50,000	-	1
\$50,001 - \$60,000	1	-
Total number of Board Members remuneration	11	8
Total annualised employee equivalent	0.40	0.40

	(\$'000)	
Total remuneration received or due and receivable by Board Members from the reporting entity was:	282	218

9.4 Related parties

Lower Murray Water is a wholly owned and controlled entity of the State of Victoria.

Related parties of Lower Murray Water include:

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

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Lower Murray Water, directly or indirectly, comprising independent Directors and the Managing Director. Key management personnel (as defined in AASB 124 Related Party Disclosures) includes the Portfolio Minister and all Directors listed under responsible persons in note 9.3 who have the authority and responsibility for planning, directing and controlling the activities of Lower Murray Water directly or indirectly, during the financial year.

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

	2020	2019
Compensation of KMPs		
Short-term employee benefits	517	508
Post-employment benefits	45	46
Other long-term benefits	6	9
Termination benefits	-	-
Share based payments	-	-
Total	568	563

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Significant transactions with Government related entities

Lower Murray Water received funding from and made payments to government related entities of \$19.406 million (2019: \$4.915 million) and \$3.033 million (2019: \$2.999 million) respectively.

During the year, the Corporation had the following government-related entity transactions:

Government-related entity receipts

		(\$'000)	
Entity name	Description of main activity	2020	2019
Department of Health and Human services (DHHS)	Concession reimbursements	2,255	2,205
Department of Environment, Land, Water and Planning (DELWP)	Victorian Murray Floodplain Restoration Project	14,000	1,000
DELWP	Sunraysia Modernisation Project 2	2,225	800
DELWP	Sunraysia Modernisation Project	926	-
Zero Emissions Water Limited	Emissions Reduction	62	-
DELWP	Water Efficiency Feasibility Projects	-	850
DELWP	Integrated Water Management	-	30
DELWP	Compliance Framework	-	30

Government-related entity receivables

		(\$'000)	
Entity name	Description of main activity	2020	2019
DELWP	Victorian Murray Floodplain Restoration Project	-	400
DHHS	Concession reimbursements	-	93

Government-related entity payments

		(\$'000)	
Entity name	Description of main activity	2020	2019
DELWP	Environmental contribution	2,278	2,278
Department of Treasury and Finance (DTF)	Financial accommodation levy	503	501
DELWP	Annual fees water shares	82	80
DELWP	Monitoring costs	78	84
DELWP	Water supply, trades and searches	47	56
DELWP	Vegetation Offsets	30	-
DELWP	Governance Support	15	-
Zero Emissions Water Limited	Emissions Reduction	10	-

Government-related entity payables

		(\$'000)	
Entity name	Description of main activity	2020	2019
DTF	Financial accommodation levy	123	127

Transactions with key management personnel and other related parties

Given the breadth and depth of Corporation activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements. Outside of normal citizen type transactions with the department, there were no related party transactions that involved key management personnel and their related parties.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

Director Sharyon Peart is also the Chair of the Mallee Catchment Management Authority (MCMA). The transactions with MCMA were in respect of an arrangement with DELWP to collect the salinity levy on behalf of the MCMA as part of Lower Murray Water's billing cycle. The value of these transactions in 2020 was \$4.328m. The MCMA is also a partner in the Victorian Murray Floodplain Restoration Project, refer to note 10 for further details on the project.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Lower Murray Water 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(is) in Victoria and in turn supply these products to its Members. This vehicle provides the opportunity for water Corporation members to collaboratively promote energy and emissions reduction initiatives in Victoria and to reduce emissions.

On 30 October 2018, a Members' Agreement was entered into between the water Corporations and ZEW in order to regulate their rights and obligations as members of ZEW and as participants in the project. The Members' Agreement establishes the operating activities of ZEW and the decision-making responsibilities of the ZEW Directors. Under the Members' Agreement, Lower Murray Water's liability as a member is limited to \$10 in the event of a wind up. As required by Australian accounting standards, Lower Murray Water 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. Lower Murray Water will account for its investment in ZEW as a financial instrument within the scope of AASB 9 Financial Instruments.

All other transactions that have occurred with KMP and their related parties have been trivial or domestic in nature. In this context, transactions are only disclosed when they are considered of interest to users of the financial report in making evaluation decisions about the allocation of scarce resources.

9.5 Remuneration of executive officers

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long-service benefit or deferred compensation.

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

Remuneration	(\$'000)	
	Total remuneration 2020	2019
Short-term employee benefits	1,396	1,113
Post-employment benefits	118	106
Other long-term benefits	28	22
Termination benefits	-	-
Total remuneration (a)	1,542	1,241
Total number of executives	20	14
Total annualised employee equivalents (b)	5.5	5.3

Notes:

- (a) The total number of executive officers (excluding Accountable Officer) includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 9.4).
- (b) Annualised employee equivalent is based on the time fraction worked over the reporting period.

9.6 Remuneration of auditors

	(\$'000)	
	2020	2019
Victorian Auditor General's Office		
Audit or review of the financial statements	91	86
Other audit services		
Internal Audit	72	69
Essential Services Commission Audit	23	23
Department of Health Services - Safe Drinking Water	18	-
	204	178

9.7 Changes in accounting policies

AASB 15 - Revenue Contracts with Customers

Lower Murray Water has adopted the new revenue recognition policy however there is no financial impact on financial statements and no transition adjustment required to be made to retained earnings.

AASB 1058 - Income for not-for-profit

Lower Murray Water has adopted the new revenue recognition policy however there is no financial impact on financial statements and no transition adjustment required to be made to retained earnings.

9.8 Australian Accounting Standards issued that are not yet effective

The following AAS's become effective for reporting periods commencing after the operative dates stated:

Certain new Australian Accounting Standards (AAS's) have been published that are not mandatory for the 30 June 2020 reporting period. DTF assesses the impact of all these new standards and advises Lower Murray Water of their applicability and early adoption where applicable.

Topic	Key requirements	Effective date	Effective date for the entity	Estimated impact
AASB 2018-7 <i>Amendments to Australian Accounting Standards - Definition of Material</i>	This Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.	1 Jan 20	1 Jul 20	The assessment has indicated that there will be no significant impact for Lower Murray Water.
AASB 17 Insurance Contracts	The new Australian standard seeks to eliminate inconsistencies and weaknesses in existing practices by providing a single principle based framework to account for all types of insurance contracts, including reissuance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities. This standard currently does not apply to the not-for-profit public sector entities.	1 Jan 21	1 Jul 21	The assessment has indicated that there will be no significant impact for Lower Murray Water.
AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.	1 January 2022. However, ED 301 has been issued with the intention to defer application to 1 January 2023.		The assessment has indicated that there will be no significant impact for Lower Murray Water.

The following accounting pronouncements are also issued but not effective for the 2019 20 reporting period. The preliminary assessment suggests it may have insignificant impacts on public sector reporting.

- AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business
 - AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework
 - AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform
 - AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards
- Not Yet Issued in Australia

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

10. *Financial impact of projects*

This section provides the high level financial impact of projects that have been ring fenced on Lower Murray Water's financial statements. These projects should be considered separate from the core business of Lower Murray Water.

Structure

- 10.1 Background: Victorian Murray Floodplain Restoration Project (VMFRP)
- 10.2 Impact on the Operating Statement
- 10.3 Impact on the Balance Sheet
- 10.4 Impact on the Cash Flow Statement

10.1 Background: Victorian Murray Floodplain Restoration Project

Lower Murray Water has been appointed by the Hon. Lisa Neville MP, Minister for Water as the lead agency for the delivery of the Victorian Murray Floodplain Restoration Project. The VMFRP is part of Victoria's commitment for Sustainable Diversion Limits Adjustment Supply and Constraints Measures in the Murray-Darling Basin working in partnership with Goulburn Murray Water, Mallee CMA, North Central CMA, Parks Victoria and DELWP.

As lead agency, Lower Murray Water is currently facilitating the designs and approvals required for nine business cases that will be submitted to the Commonwealth Government for approval of Stage 2 funding for construction. Stage 1 funding to complete the nine business cases is \$29m (of which \$600k was retained by DELWP) and provides for the engagement of the necessary resources to complete these tasks. Stage 1 designs and approvals for each of the nine projects are to be completed by 31 March 2021.

The initial funding agreement between DELWP & Lower Murray Water for \$1m was implemented in 2018-19. The funding agreement for the remaining balance for Lower Murray Water of \$27.4m was signed by the Hon. Lisa Neville MP, Minister for Water on 15 July 2019.

Lower Murray Water has implemented controls to ring fence all aspects of the VMFRP to ensure it is managed separately to our core business and have no impact on our customers. There will be no cost burden imposed on Lower Murray Water urban or rural customers arising from Lower Murray Water's lead agency role with VMFRP.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

10.2 Impact on the Operating Statement

	VMFRP (\$'000)		Core business (\$'000)		Consolidated (\$'000)	
	2020	2019	2020	2019	2020	2019
Revenue						
Service and usage charges	-	-	61,091	61,617	61,091	61,617
VMFRP funding	14,039	1,400	-	-	14,039	1,400
Government grants and contributions	-	-	2,260	3,115	2,260	3,115
Developer contributions	-	-	7,249	3,594	7,249	3,594
Net profit on disposal of assets	-	-	229	816	229	816
Other income	-	2	3,189	4,330	3,189	4,332
Total revenue	14,039	1,402	74,018	73,472	88,057	74,874
Expenses						
Depreciation, impairment and amortisation	-	-	28,324	27,490	28,324	27,490
Direct operational expenses	-	-	13,889	14,784	13,889	14,784
Employee benefits	-	-	19,654	18,553	19,654	18,553
Repairs and maintenance	-	-	6,781	6,695	6,781	6,695
VMFRP expenditure	16,062	1,203	-	-	16,062	1,203
Environmental contribution	-	-	2,278	2,278	2,278	2,278
Interest	-	-	2,958	3,047	2,958	3,047
Other expenses	-	-	5,205	5,861	5,205	5,861
Total expenses	16,062	1,203	79,089	78,708	95,151	79,911
Net result before tax	(2,023)	198	(5,071)	(5,236)	(7,094)	(5,037)

VMFRP funding is recognised as revenue when Lower Murray Water obtains control of the contribution. Control is obtained when Lower Murray Water receives the grant or contribution and they meet certain other criteria as outlined by AASB 1004 *Contributions*. VMFRP expenditure reflects the costs associated to the project incurred during the year.

10.3 Impact on the Balance Sheet

		VMFRP (\$'000)		Core business (\$'000)		Consolidated (\$'000)	
	Note	2020	2019	2020	2019	2020	2019
Assets							
Cash and cash equivalents	6.2	633	492	5,150	8,055	5,783	8,547
Other current assets		-	-	14,100	13,592	14,100	13,592
Total current assets		633	492	19,250	21,647	19,883	22,139
Total non-current assets		-	-	882,140	885,324	882,140	885,324
Total assets		633	492	901,390	906,971	902,023	907,463
Liabilities							
Payables	5.2	2,458	294	7,266	11,488	9,724	11,782
Other current payables		-	-	10,016	8,727	10,016	8,727
Total current liabilities		2,458	294	17,281	20,215	19,740	20,509
Total non-current liabilities		-	-	153,195	156,274	153,195	156,274
Total liabilities		2,458	294	170,476	176,489	172,935	176,783
Net assets		(1,825)	198	730,914	730,482	729,088	730,680

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

	VMFRP (\$'000)		Core business (\$'000)		Consolidated (\$'000)	
	2020	2019	2020	2019	2020	2019
Equity						
Contributed capital	-	-	633,524	630,373	633,524	630,373
Asset revaluation surplus	-	-	201,498	200,690	201,498	200,690
Accumulated surplus/(deficit)	(1,825)	198	(104,109)	(100,581)	(105,934)	(100,383)
Total equity	(1,825)	198	730,914	730,482	729,088	730,680

Cash held relating to the project is held in a separate bank account exclusively for the delivery of this project.

10.4 Impact on the Cash Flow Statement

	VMFRP (\$'000)		Core business (\$'000)		Consolidated (\$'000)	
	2020	2019	2020	2019	2020	2019
Net cash inflows from operating activities	141	492	18,712	26,053	18,853	26,544
Net cash outflows from investing activities	-	-	(23,939)	(24,241)	(23,939)	(24,241)
Net cash outflows from financing activities	-	-	2,321	2,016	2,321	2,016
Net increase in cash	141	492	(2,905)	3,828	(2,764)	4,319
Cash at the beginning of the year	492	-	8,056	4,228	8,547	4,228
Cash at the end of the year	633	492	5,151	8,056	5,783	8,547

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1. Disclosure Index

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	<i>Local Jobs First Act 2003</i>	49
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	<i>Safe Drinking Water Act 2003</i>	7
	<i>Victorian Industry Participation Policy 2003</i>	49
	<i>Water Act 1989</i>	7, 8, 21, 43
	<i>Water Industry Act 1994</i>	7, 8

2. Letter of Expectations References

Priority Area	Key Performance Indicator	Page Reference
Climate change Undertake activities and provide services that minimise environmental impacts, mitigate climate change and demonstrate reasonable progress in integrating climate change adaptation into planning and decision making across the business.	E2 Emission reductions Demonstrate reasonable progress toward the achievement of the entity's emission reduction target specified in the Statement of Obligations (Emissions Reduction).	11
	E3 Climate adaptation a) Apply the Guidelines for Assessing the Impact of Climate Change on Water Suppliers in Victoria and demonstrate adaptation by: <ul style="list-style-type: none"> • their application in drought preparedness and urban water strategies (Urban water corporations); • Rural water corporations (as applicable) develop low flow contingency plans that include an appropriate range of climate scenarios. b) Integrate climate change adaptation into decision-making across the business (all sources of water, wastewater, and where relevant drainage and flood management) including: <ul style="list-style-type: none"> • source waters and demand • built assets • natural environment • people and workplace • interdependencies • customer and product delivery 	12
Customer and community outcomes All aspects of service delivery will be customer and community centred and will continue to build extensive and effective community engagement and partnerships in planning and implementation of service delivery.	C1 Customer satisfaction (Urban Water Corporations) Note this indicator includes both direct and proxy measures. Overall, reporting on measures identified for this indicator should demonstrate high or improving levels of customer satisfaction over time.	12, 13
	C1 Customer satisfaction (Rural Water Corporations) Note this indicator includes both direct and proxy measures. Overall, reporting on measures identified for this indicator should demonstrate high or improving levels of customer satisfaction over time.	12, 13
	C2 Customer and community engagement Stakeholder engagement based on best practice that demonstrates approaches to engagement that are open, honest and occur frequently. The DELWP Community Charter or IAP2 framework could be considered as a guide.	12
Deliver water for aboriginal cultural, spiritual and economic values Recognise and support Aboriginal cultural values and economic inclusion in the water sector.	AC1 Engagement of Aboriginal Communities Effective and genuine engagement of Aboriginal communities for involvement in business opportunities and access to water for economic development. Measures related to this indicator will not be considered in isolation. Rather, reported information will be used to help build a broad picture of engagement, taking into account the relevant local context.	12
	AC2 Engagement of Traditional Owners Effective and genuine engagement of Traditional Owners for inclusion of Aboriginal values in water planning. Measures related to this indicator will not be considered in isolation. Rather, reported information will be used to help build a board picture of engagement, taking into account the relevant local context.	12
	AC3 Aboriginal Inclusion Plan/Reconciliation Action Plan To be considered in conjunction with AC1 and AC2, taking into account the relevant local context.	12, 45

Letter of Expectations References (cont'd)

Priority Area	Key Performance Indicator	Page Reference
Resilient and liveable cities and towns Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments.	L1 Integrated Water Management (urban) In relevant IWM forum(s), actively facilitate and champion water's contribution to deliver liveability for cities and towns of the region consistent with the forum's objectives.	12
	L2 Water efficiency (urban) Implement water efficiency programs aligned with Target 155 (Metros) and Target Your Water Use (Regional Urban).	12
	L3 Water bills (urban) Victorian water bills are amongst the lowest in Australia.	12, 34, 35
	L4 Payment management and hardship Overall improved access to instalment plans for management of payments. Understand year on year trends in hardship grants.	24
Recognising recreational values	Rec1 Recreational values Consideration of recreational values in carrying out functions and providing services.	13
Leadership and culture Water corporations reflect the needs of our diverse communities and develop strategies and goals that will increase cultural diversity in the workforce and gender equity in executive leadership.	G1 Diversity and inclusion Improve gender and cultural diversity in workforce including gender equity in both executive leadership and throughout the organisation. Diversity Inclusion plans to be based on best practice and include reference to identifying barriers to succession and meeting targets. The approach of the DELWP Diversity and Inclusion Strategy 2016-2020 could be considered as a guide.	13, 45
	G3 Health and Safety Sustained annual improvement against H&S performance benchmarks (AS/NZS standard 4801).	13, 48
Financial sustainability Delivering safe and cost-effective water and wastewater services in a financially sustainable way.	F1-F8 Financial Indicators Overall reporting on these measures should demonstrate financial sustainability and provide a positive picture of a corporation's financial sustainability over time.	13, 27, 28, 29, 30, 31, 32

3. Consultancies over \$10,000

Consultancy Name and Project Reference	Total Project Fees Approved (Excl GST) \$	Expenditure 2019/20 \$	Future expenditure (Excl GST) \$
DAVIDSON EXECUTIVE	26,000		
Recruitment Process General Manager Business Services		26,000	
DM ENGINEERING	269,735		
Minor Projects Consultancy		49,660	50,000
Red Cliffs PLC Upgrade		17,010	20,000
SCADA Upgrade Projects		10,680	10,000
SMP2 Consultancy		49,985	
Solar Projects Consultancy		33,690	5,000
VMFRP Consultancy		23,710	
EDA PROJECT MANAGEMENT	610,273		
Asset Class Plan		28,250	
Contructions Procurement Guidelines		9,720	
Engineering Consultancy Services		37,551	
Isolation Valve Replacements		9,708	
Koorlong WWTP Wet Weather Storage		17,256	
Main Replacement Projects		36,376	
Mildura West Storage Tank Upgrade		64,318	5,000
Mildura WTP Roadworks and Surfacing		13,280	10,000
Office Renovation & Driveway Works		19,980	
Portable Generator Consutancy		11,502	
Red Cliffs PLC Upgrade		13,485	
SCADA Upgrade Projects		103,882	
Solar Projects Consultancy		3,915	
Subdivision Consultancy		27,675	5,000
Switchboard Upgrade Projects		29,613	
UV Treatment Upgrades		158,764	5,000
FREEMAN & FREEMAN	17,500		
Mildura WTP Survey Works		17,500	
GHD PTY LTD	629,514		
Asset Class Plan		22,214	40,000
Engineering Consultancy Services		65,144	
Koorlong WWTP Wet Weather Storage		278,323	20,000
Main Replacement Projects		133,215	
Risk Assessment Consultancy		20,795	
SMP2 Consultancy		13,097	
Water Efficiency Project Consultancy		36,726	
GILLIAN BYDEVAATE PTY LTD	26,000		
Cyber Secuirty Threat Analysis		26,000	
GRANTUS PTY LTD	99,543		
Water Efficiency Project Consultancy		99,543	
HUNTER H2O HOLDINGS	260,018		
Blue Green Algae Consultancy		25,500	
Engineering Consultancy Services		12,993	
SCADA Upgrade Projects		19,039	20,000
Water Treatment Plant Projects		32,485	150,000
INTEGRITY GOVERNANCE	68,656		
Board Performance review		68,656	
JACOBS GROUP	166,636		
Engineering Consultancy Services		77,494	
Main Replacement Projects		52,118	
Millewa Pump Station Project		37,023	

Consultancies over \$10,000 cont'd

LANDER & ROGERS	27,684		
Workplace Relations Advice		27,684	
LPK12 CONSULTING PTY LTD	30,594		
SMP2 Consultancy		30,594	
MRM ENGINEERING	16,061		
REFCL Review & Inspections		16,061	
OGYRIS PTY LTD	21,285		
Koorlong Flora and Fauna Assessment		21,285	
POWERCOR AUSTRALIA	25,113		
Millewa Pump Station Project		25,113	
PRAGMATIC CULTURE	24,409		
Preliminary Aboriginal Heritage Test		14,409	10,000
PRESSURE SYSTEM SOLUTION PTY LTD	41,420		
Sewer System Design Works		41,420	
RM ENGINEERING SOLUTIONS	36,800		
Engineering Consultancy Services		16,800	20,000
SAGE AUTOMATION	35,887		
SCADA Consultancy		35,887	
SCHNEIDER ELECTRIC	103,522		
SCADA Upgrade Projects		103,522	
SEAN BROWN T/AS ZEROHARM	63,000		
Safety Consultancy		63,000	
SMART POWER UTILITIES PTY LTD	12,739		
Energy Audit & Consultancy		12,739	
SOUTHERN CROSS CONSULTING GROUP	18,550		
Tax Advisory Services		18,550	
SUNRAISA ENVIRONMENTAL	56,967		
Salinity Investigations		56,967	
TEN CONSULTING	332,502		
Engineering Consultancy Services		18,420	18,000
Main Replacement Projects		33,710	20,000
Mildura WTP Power Supply Project		61,520	5,000
SMP2 Consultancy		3,840	
Subdivision Consultancy		11,823	
Swan Hill Clarifier Project		18,660	
UV Treatment Upgrades		71,530	70,000
THE UNIVERSITY OF MELBOURNE	22,592		
Desalination Strategy Review		22,592	
TONKIN CONSULTING	718,845		
Engineering Consultancy Services		111,026	
Main Replacement Projects		207,157	100,000
Millewa Pump Station Project		117,661	170,000
Robinvale HPPS Surge Vessel		12,999	
UTILACOR PTY LTD	98,665		
Electricity Consultancy Services		68,665	30,000
WATER FUTURES PTY LTD	13,485		
Risk Assessment Consultancy		13,485	
WORKPLACE CONFLICT RESOLUTION	11,956		
Workplace Relations Advice		11,956	
GRAND TOTAL	3,885,951	3,102,951	783,000

