



LOWER MURRAY URBAN AND
RURAL WATER CORPORATION

ANNUAL REPORT 2021-22



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ANNUAL REPORT

2021-22

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Cover image: The Murray River at Red Cliffs.

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ACKNOWLEDGEMENT OF COUNTRY

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

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 Ngayampaa 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 LMW.

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INTRODUCTION





ABOUT US

WHO WE ARE

The Lower Murray Water Urban and Rural Water Corporation is a statutory water authority created under the provisions of the *Water Act 1989*. 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 (LMW).

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

During the period 1 July 2021 to 27 June 2022, our relevant Minister was the Hon. Lisa Neville MP, Minister for Water. From 1 July 2021 to 22 August 2021, our relevant Minister was the Hon. Richard Wynne MP, Acting Minister for Water. The Hon. Harriet Shing MP was the relevant Minister for Water from 27 June 2022 to 30 June 2022.

OUR SERVICE REGION



LMW operates in a remote and arid area of Australia extending from Kerang to the South Australian border, spanning the municipalities of Mildura, Swan Hill and Gannawarra. Our region incorporates key industries such as irrigated horticulture, dryland farming, tourism, food and beverage manufacturing, transport and logistics, retail, health, and community services.

We provide this extensive region with urban water and sewerage treatment, supply, and disposal; river quality water for stock and irrigation; and collection and disposal of subsurface irrigation drainage. We contribute to the economic, social, and cultural development of our region and its many communities with environmentally responsible and sustainable water management.

LMW provides services to both rural and urban customers including:

- Urban water services to 14 townships via 9 treatment plants to 35,171 households and businesses (approx. 75,000 customers) along the Murray River from Koondrook to Merbein.
- Wastewater collection, treatment and effluent re-use and disposal services to 11 towns via 10 treatment plants.
- Raw (river quality water) services to 2,655 irrigation and 2,253 stock and domestic customers in the four pumped irrigation districts of Mildura, Merbein, Red Cliffs and

Robinvale, and to 300 Millewa waterworks district customers and 12 Yelta waterworks district customers.

- Management of the region's urban and rural bulk water entitlements.
- The collection and disposal of subsurface drainage water from the four pumped irrigation districts, as well as from private diverters in Nangiloc, Robinvale and Boundary Bend.
- Oversight of irrigation and drainage design in new agricultural developments ensuring conformity with salinity management plan development guidelines.
- Management of the private diversion licences of 1,317 water users along the Murray River in Victoria between Nyah and the South Australian border.
- The assessment and approval of licensing, water share and allocation trade applications.
- Reclaimed water for third party use.
- Water supply delivery to important environmental and recreational sites.
- Lead agency in a partnership model for the Victorian Murray Floodplain Restoration Project (VMFRP) which includes Goulburn Murray Water, Mallee Catchment Management Authority, North Central Catchment Management Authority, Parks Victoria and the Department of Environment, Land, Water and Planning.

VICTORIAN MURRAY FLOODPLAIN RESTORATION PROJECT

LMW is the lead agency for the Victorian Murray Floodplain Restoration Project (VMFRP). The VMFRP will get much needed water back onto nine high-value floodplains along the Murray River. Without this water, these iconic landscapes will continue to decline – along with the many native trees, animals and plants that depend on them.

Healthier floodplains are good for:

Local communities and visitors

Healthy floodplains are beautiful places to visit and are great for recreation like boating, fishing and camping.

Traditional Owners

Traditional Owners have cultural, spiritual, and economic connections to land, water and resources through their relationship with Country, having managed land and water sustainably over thousands of generations.

Local wildlife

Lots of species rely on floodplains for food, habitat, and breeding, from microscopic creatures to frogs, fish, birds, bats and other mammals.

Vegetation

Flooding brings vegetation back to life, creating habitat, foraging and food for floodplain creatures. Some flood dependent species like river red gums and black box trees rely on the bigger floods that used to happen every ten years. Animals like bats and birds nest in the hollows of these trees.

Local economies

Projects will bring substantial financial investment into the region, creating jobs and helping local economies.



OUR RESPONSIBILITIES AND OBLIGATIONS

LMW engages and collaborates with several agencies and partners including councils, developers, Traditional Owner groups, developers, community, and government agencies to deliver services that add value. We are responsible for ensuring that we operate within specified legislation and are compliant with the various Acts and Regulations that provide direction for, and support us in delivering, upon the objectives, functions, powers, and duties at both a strategic and operational level.

Key legislative and compliance obligations that govern Victoria's water industry include:

Water Act 1989

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

Statement of Obligations

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.

Letter of Expectations

Effective 31 March 2021, the Letter of Expectations issued under the *Water Act 1989* sets out the Minister's performance expectations for 2020-2021.

Environment Protection Act 2017

The Department of Health 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 2017*.

By Law No 2 Urban Water Restrictions

LMW currently has 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.

Essential Services Commission (ESC)

Our economic regulator, the 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.

Lower Murray Water Urban and Rural Customer Charters

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.

Australian Competition and Consumer Commission (ACCC)

The ACCC is the Regulator for water businesses extracting water for irrigation from the Murray-Darling Basin under federal legislation, *Water Charge Rules 2010* (WCR 2010).

The WCR 2010 contain requirements regarding who determines bulk water operators' infrastructure charges. All rural associated infrastructure charges are regulated and determined by the ACCC to ensure achievement of the Basin water charging objectives and principles.

Murray-Darling Basin Plan

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

OUR YEAR IN REVIEW



Sharyon Peart
Chair



Anthony Couroupis
Managing Director

REPORT FROM THE CHAIR AND MANAGING DIRECTOR

We are pleased to present the Lower Murray Water (LMW) Annual Report for the financial year ending 30 June 2022, in accordance with the *Financial Management Act 1994*.

Our Annual Report outlines how we are meeting our requirements under the various legislation that governs our services as well as our Water Plan 4 and our Strategic Plan.

This was the first year of our Strategic Plan 2021-2025 with our purpose to support our region to prosper by successfully delivering vital water services underpinned by the following three priorities and three foundations.

Service Delivery – achieving high quality outcomes for our customers

Our key service is delivering water and sewage services to our urban customers and a reliable water supply to our rural customers. Our commitment and effort to providing high quality water was reflected in our Customer Satisfaction Survey with 89 per cent of urban customers satisfied with the overall quality. On the rural side, 99.9 per cent of water orders were delivered on time.

Our focus remains on placing our customers at the centre of everything we do. Our annual Customer Satisfaction Surveys were moved online to enable easier access for our customers and saw a 20 per cent increase in the response rate. We again tracked

well in the eyes of our customers with 93 per cent of urban customers and 82 per cent of rural customers satisfied with LMW's performance overall. While we are proud of these positive results, areas of improvement were also identified, and we will continue to address those.

Work on our Business Transformation Program continued with the aim to streamline customer service delivery and create operational efficiencies. The first phase will deliver in the finance and customer areas of our business, including a customer portal which will enable online billing, payment, and other services.

We faced and dealt with environmental challenges throughout the year, including a significant storm which hit the Sunraysia region in January 2022. This event resulted in many emergency call outs from urban and rural customers, and our teams did a fantastic job responding safely and efficiently, providing a high level of service to our customers.

Engagement – effective engagement with our customers

After the restrictions due to the COVID-19 pandemic, the return of opportunities for face-to-face meetings and consultation in December saw us reinvigorate our customer and stakeholder engagement.

We engaged with our urban and rural customers and the broader community through deliberative panels, community meetings, barbeques, online forums and shed meetings as we worked to develop Water Plan 5. We also consulted with urban customers through online surveys, drop-in stalls and focus groups to help shape our 2022-2071 Urban Water Strategy. We hosted stalls at community field days to promote local projects and to provide a face-to-face point of contact for our customers. The two-way conversations we had with our customers and community members were invaluable and we will continue to build these types of engagement into our regular business. We also continued our engagement with our rural customer advisory committees and see these as an important way of consulting with our customers.

Continuous engagement with our customers and communities is one way we ensure we understand their needs as well as the challenges and opportunities they are facing. It's been a tough year for many with the downturn in commodity prices for

table and wine grapes on top of the challenges that increased operating costs across the board and weather conditions have presented.

On our urban side, local development shows no sign of slowing down and we are continuing to look at what we can do to ensure this is a smooth process for all parties.

Environment – better the environment in our region

LMW continues its role as lead agency in the Victorian Murray Floodplain Restoration Project (VMFRP), working with project partners, Goulburn Murray Water, Mallee Catchment Management Authority, North Central Catchment Management Authority, Parks Victoria and the Department of Environment, Land, Water and Planning. The VMFRP will enable water to be delivered to nine floodplains along the Murray River. The work over the 2021-2022 period has focused on environmental assessment and cultural heritage surveys. There has been large scale involvement with Traditional Owners as this work was undertaken to identify the location of artifacts and culturally sensitive landmarks as well as outlining ways to protect cultural heritage before, during and after construction. It has been rewarding to work closely with Traditional Owners on this important project and we look forward to seeing it progress and inject much needed water into these iconic landscapes.

We recognise the significant impact climate change is having, and will have, on our communities as well as our raw water quality. We have a pledge to reduce our Greenhouse Gas emissions by 39 per cent at the end of 2024 and will be focusing on purchasing renewable electricity to help us achieve that target. We are also preparing for the challenge of poor raw water quality through several measures including retrofitting UV disinfection systems at our water treatment plants.

We are continuing to work to utilise biosolids, the nutrient-rich organic material produced during the processing of wastewater. Biosolids is a viable alternative fertiliser solution when applied under the right conditions. This year, we sought expressions of interest from farmers to enter into a long-term agreement to apply biosolids to their farm. We have identified a suitable farmer and we look forward to supplying the biosolids to the farm, ensuring long term sustainability and compliance with Environment Protection Authority Victoria guidelines.

People and safety – enhance our people and safety and leverage innovation to be more efficient and effective

The COVID-19 pandemic continued to present many challenges to LMW and our staff as we dealt with lockdowns, staff illness, and isolation and distancing requirements. We thank our staff for the dedication they showed to ensure our services were delivered uninterrupted, despite the numerous challenges. The pandemic also presented an opportunity to take what we had learnt and consider new ways of working and to increase our use of technology to deliver our services. Staff adapted and embraced these changes with 81 per cent continuing to use video conferencing for effective communication. Our new Flexible Work Arrangements Policy saw this become the norm for around a quarter of our staff, giving a better work life balance and making LMW a more attractive employer.

Our Leadership and Talent Management Program was launched to provide support for all our people wherever they are in their careers. Our commitment, through this program, to growing our people was evident by 21 internal promotions, providing staff with opportunities as well meeting the needs of the organisation.

Our annual People Matters Survey again gave us insight into our workforce culture. This year we developed an action plan to continue our focus on creating positive change now and into the future. This included ensuring we celebrated staff achievements and we were extremely proud to recognise our General Manager People and Stakeholders, Deb Fankhauser, who was named as one of the Institute of Public Administration Australia Victoria Top 50 Public Sector Women.

Our Enterprise Agreement (EA) was approved in December with 98.7 per cent of eligible staff voting yes. The changes made to the EA focused on gender equality and employee attract and retain strategies. LMW's first Gender Equality Action Plan was approved in June with a focus on LMW achieving a diverse, inclusive and equal workforce. We look forward to seeing the benefits both of these bring our staff and the positive changes that will flow onto our organisation.

We continued our focus on safety across the entire organisation. We enlisted a third-party to work with our Safety Team on an OHS Review to identify opportunities for LMW to improve its OHS systems and processes. The outcomes will see a

new safety framework developed to improve and simplify our safety technology, systems and processes. We also received encouraging results from our Global Safety Index Survey which showed continued growth in employee opinions, understanding, involvement and participation in safety.

Infrastructure – ensure our assets and infrastructure meet current and future needs

The second last year of Water Plan 4 saw a record \$29.5 million in infrastructure projects delivered.

These included:

- the Swan Hill Water Storage Tank which will secure the region's urban water security into the foreseeable future
- power upgrades at the Seventh Street Water Treatment Plant
- the commencement works for UV disinfection systems at Mildura West, Robinvale, and Swan Hill water treatment plants.

We also continued our strategic approach to maintaining and upgrading our rural pipes and channel systems to increase our ability to provide water to our customers when they need it.

We look forward to commencing the Water Efficiency Project, which will build on the success of the Sunraysia modernisation projects and achieve water savings by upgrading outdated infrastructure in the irrigation districts of Mildura, Red Cliffs and Merbein. The \$37.9 million project will see approximately 27km of outdated irrigation channel improved including plastic lining of 23.1km and piping and reconfiguring of around 3.9km. Around 700 existing domestic and stock and Dethridge meters will be decommissioned or replaced with modern accurate meters.

Finance and governance – secure our long-term financial success and upgrade our governance systems and processes

Our focus on the prevention, detection and enforcement of water theft continued this year. While most of our customers are responsible and adhere to their licence conditions, there are those who break the law and take water that they aren't entitled to (unauthorised take). Our renewed focus has resulted in a significant reduction of unauthorised take with the volume reducing by more than 87 per cent and the number of customers who took water without authorisation reducing by more than 65 per cent in the past two years. We issued 18 Penalty Infringement Notices and proceeded to prosecute five irrigators. Guilty verdicts were awarded in all cases with convictions recorded against four, sending a clear message that non-compliance is an unacceptable practice.

For the year ended 30 June 2022, we recorded a net loss of \$19.306 million which incorporates revenue and expenditure of the VMFRP. The Net Result before tax and other comprehensive income (including VMFRP) was a loss of \$23.620 million. If VMFRP was excluded from the Comprehensive Operating Statement, the Net Result before tax and Comprehensive income would be a loss of \$14.7 million for 2022 compared to a loss of \$7.6 million for 2021, and the 2022 Corporate Plan projected loss of \$7.7 million. Whilst we remain in a strong financial position to continue to meet the current and future needs of our growing customer base.

On an organisational note, we thanked and farewelled our outgoing chair, Cheryl Rix after nine years on the Board, including four as Chair. We also thanked and farewelled one of our directors, Rob Fowler, after four years on the Board. We welcomed Sharyon Peart as the new Board Chair after serving as Deputy Chair. Sharyon brings significant experience, particularly in her ongoing role on the Mallee CMA Board and owning and operating her own small business. We also welcomed two new directors, Domenic Isola and Kate Hughes, who both have extensive executive experience.

We have achieved many successes in the 2021-2022 year. Our most valuable asset is, as always, our people and we once again thank each staff member for their contribution during the year as we delivered services consistently for our customers.



Sharyon Peart
Chair



Anthony Couroupis
Managing Director

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 2022.



Sharyon Peart

Chair

Lower Murray Urban and Rural Water Corporation

Dated this day, Monday, 10 October 2022

OUR STRATEGIC CONTEXT

LMW operates within a dynamic industry with significant challenges requiring an innovative, integrated, and strategic approach. Our Strategic Plan 2021-2025 identifies the key strategic priorities and fundamental strategic foundations that will enable us to fulfil our purpose and see our vision come to life.

The three Strategic Priority areas and three Strategic Foundation areas, drive our direction across 16 Strategic Aspirations (or areas of focus) as represented below.

OUR STRATEGY 2021-2025

OUR PURPOSE

To support our region to prosper by successfully delivering vital water services.

OUR VISION

A healthy, sustainable water future underpinned by an LMW culture of performance excellence, built in partnership with our staff, customers and communities.



Building a healthy and sustainable future through our strategic priorities



Service Delivery

Achieve high quality outcomes for our customers

- Identify, define, and deliver agreed customer service levels
- Improve our responsiveness to customer issues by obtaining better service delivery insights



Engagement

Effective engagement with our stakeholders

- Embed authentic customer engagement across the business
- Enhance stakeholder relationships to build confidence in and generate future opportunities for LMW and our region



Environment

Better the environment in our region

- Deliver the Victorian Murray Floodplain Restoration Project to the agreed objectives
- Achieve our CO₂ emissions reduction target
- Explore enhanced integrated water management that best works for our region



Building a dynamic culture of performance excellence through our strategic foundations



People and Safety

Enhance our people and safety and leverage innovation to be more efficient and effective

- Put 'Safety First' through communication, consistency, clarity & commitment
- Embed #ILMW by fostering a high-performing culture by attracting, retaining, and developing our people
- Achieve greater equality, diversity, and inclusion
- Adopt improved ways of working through our Business Transformation Program



Infrastructure

Ensure our assets and infrastructure meet current and future needs

- Optimise our infrastructure through improved life cycle management
- Deliver our Water Plan capital expenditure (capex) on time, on quality and within budget



Finance and Governance

Secure our long-term financial success and upgrade our governance, systems and processes

- Achieve year-on-year improvement in our frameworks, policies and performance to meet our risk management and compliance obligations
- Deliver on our Water Plans' revenue and operational expenditure (opex) targets
- Optimise business efficiencies through sustainable pricing, resourcing and procurement

2

DELIVERING VALUED OUTCOMES

OUR LEADERSHIP AND GOVERNANCE

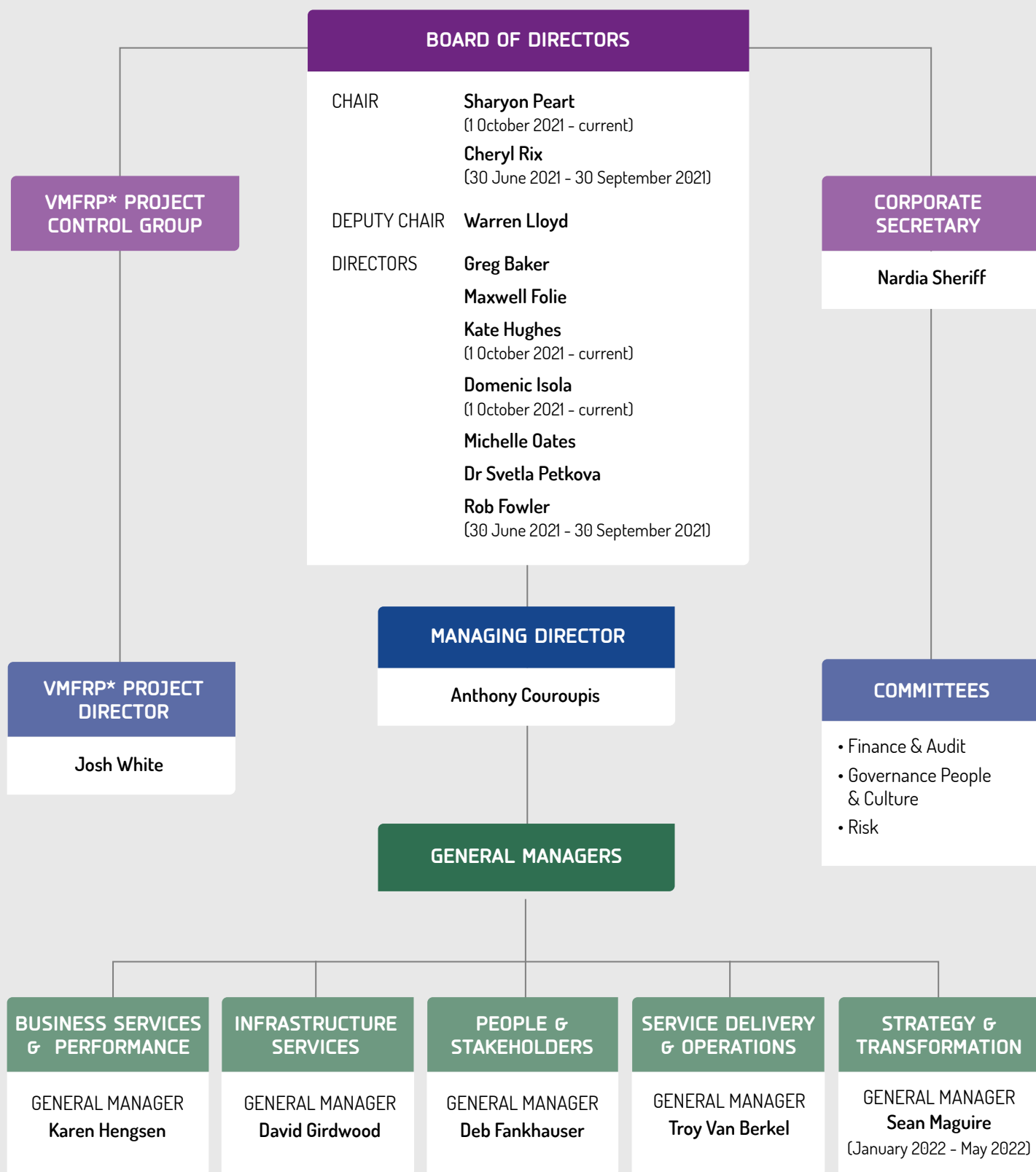
The LMW Board is responsible for corporate governance including:

- developing the strategic direction
- establishing objectives for management
- monitoring and achieving these goals and the business' performance
- oversight of and participation in the Board performance review process
- recruitment, monitoring and assessment, and the termination of the Managing Director.

This section identifies the corporate governance practices for the 2021-2022 financial year.

"Our purpose is to support our region to prosper by successfully delivering vital water services."

ORGANISATIONAL STRUCTURE



*Victorian Murray Floodplain Restoration Project

GOVERNING BOARD


The LMW Board comprises nine Directors of which eight are non-executive Directors appointed by the Minister for Water, and the ninth is LMW's Managing Director, appointed by the Board.

The Board is appointed to ensure the strategic planning and direction of LMW complies with Victorian 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 LMW achieving optimal strategic, environmental, operational, and financial corporate governance.

The Board is committed to the uplift of our organisation's governance practices and adheres to its role and responsibilities within its Board Charter.

"Our vision is to create a healthy, sustainable water future underpinned by a LMW culture of performance excellence, built in partnership with our staff, customers and communities."





SHARYON PEART

Ms Peart was appointed to the LMW Board on 1 October 2017, with her term as a Director finishing on 30 September 2021. Ms Peart was appointed as Chair on 1 October 2021 and will serve another term on the Board until 20 September 2025.

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 wellbeing. 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 served as Chair of the Mallee Catchment Management Authority for 10 years, is a past Chair of Vic Catchments, and member of the Commissioner for Environment & Sustainability Reference Group. Currently, Sharyon is a Director of the Mallee CMA, a member of the Resilient Towns and Cities Reference Group, and a member of the La Trobe University Advisory Board. She is also a graduate member of the Australian Institute of Company Directors.



WARREN LLOYD

Mr Lloyd was appointed to the LMW Board on 1 October 2017 and in 2021 was appointed to another term which will finish on 30 September 2023. Mr Lloyd was appointed Deputy Chair on 26 October 2021.

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 LMW's 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.



GREG BAKER

Mr Baker was appointed to the LMW Board on 1 October 2019 with his current term finishing on 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.



MAXWELL FOLIE

Mr Folie was appointed to the LMW Board on 1 October 2019 with his current term finishing on 30 September 2023.

Max is the Chair of LMW's Finance and Audit Committee. He also chairs the Mildura Rural City Council Audit and Risk Committee and is a highly experienced international General Manager with a depth of business experience managing risk and improvement drivers for top 20 ASX listed, large global 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, PNG and West Africa. He is a CPA and holds a Diploma of Auditing from RMIT and a Diploma of Business from Monash University and is also a graduate of the Australian Institute of Company Directors.



KATE HUGHES

Ms Hughes was appointed to the LMW Board on 1 October 2021 with her current term finishing on 30 September 2025.

Kate is independent Chair of the Audit and Risk Management Committee at the Department of Justice and Community Safety and the Department of Health. She is also member of risk and audit committees at the Department of Transport, Australian Prudential Regulation Authority and Comcare.

Kate has considerable executive experience and was formerly the Chief Audit and Risk Officer at RMIT University, Chief Risk Officer, Telstra, and Chief Risk Officer at the Australian Wheat Board. She holds a Bachelor of Commerce, a graduate diploma in applied finance, a graduate diploma in OH&S and is a graduate of the Australian Institute of Company Directors.



DOMENIC ISOLA

Mr Isola was appointed to the LMW Board on 1 October 2021 with his current term finishing on 30 September 2025.

Domenic has extensive experience in leading organisations, most recently as Chief Executive Officer of Hume City Council, having served 13 years. He has also served in senior management positions at Hume City Council, overseeing financial and corporate governance services at Hume City Council and Wyndham City Council, and was a Banking Audit Manager at Commonwealth Bank. Domenic was a board member of the Broadmeadows Revitalisation Board and chair of the Northern Economic Working Group. He is a former board member of Dianella Health Services and the Institute Council Kangan Batman TAFE. He is a Fellow of CPA Australia and a graduate of the Australian Institute of Company Directors.



MICHELLE OATES

Ms Oates was appointed to the LMW Board on 1 October 2017 with her current term finishing on 30 September 2023.

Michelle is an experienced and passionate senior lawyer who leads with passion, integrity and confidence. She is a Principal Lawyer at Connect Family Law in Mildura and has a decade of experience in family law, children's court and commercial law including in primary industry, water management and land transfers as well as experience in criminal law and the Victims of Crime Assistance Tribunal.

Michelle is also Chair and Director of Chaffey Aged Care. Michelle is passionate about self-education and improvement and is a Graduate of the Australian Institute of Company Directors and the Northern Mallee Leadership Program. She is a member of the Law Institute of Victoria and the Women in Water Network.



DR SVETLA PETKOVA

Ms Petkova was appointed to the LMW Board on 1 October 2019 with her current term finishing on 30 September 2023.

Svetla is a member of the Southern Alpine Resort Management Board and Chair of the Workplace committees and is a 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 adapts a consultative approach with a strong record of performance, collaborating with management teams, board, and committees, building effective client and stakeholder relationships. She is also a graduate of the Australian Institute of Company Directors.



ANTHONY COUROUPIS

Mr Couroupis was appointed as LMW's Managing Director in July 2019.

Anthony's return to Sunraysia in 2019 was a chance to embrace two passions – the region in which he was born and the water industry. The position of LMW Managing Director provides Anthony the opportunity to contribute to the region's success, leaning on his 30 years' experience in water and natural resources management.

Anthony has extensive experience in the strategic management of various organisations across both commercial and government sectors and is focused on continuously delivering outcomes of the highest standard. Anthony is a graduate of the Australian Institute of Company Directors and is a Fellow of the Governance Institute of Australia.

COMMITTEE MEMBERSHIP AND ROLES

BOARD COMMITTEES

The LMW Board has established four sub-committees to support the delivery of its responsibilities, and to provide opportunity for Directors to consider issues in more detail. Terms of Reference have been developed for each committee with a Director nominated annually as Chair for its general sub-committees, and the appointment of an independent Chair for the Victorian Murray Floodplain Restoration Project (VMFRP) Project Control Group (PCG). All committees are formed in accordance with section 122C of the *Water Act 1989* that provides for committees to be established by a water corporation.

Finance and Audit Committee

The LMW Finance and Audit (F&A) Committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, financial and fraud risk management, and monitoring compliance with applicable laws and regulations.

The F&A Committee has fulfilled its required responsibilities as per its Terms of Reference.

The objectives of the F&A Committee are to:

- assist the Board to discharge its duty in overseeing all aspects of financial and fraud risk management
- make recommendations to the Board relating to internal and external auditor appointments
- make recommendations to the Board with respect to issues and decisions in alignment with the Strategic Plan 2021-2025.

Governance, People and Culture Committee

The LMW Governance, People and Culture (GP&C) Committee assists the Board in carrying out its duties by providing independent and objective review, advice, and assistance in developing effective Corporate Governance and People Management and making recommendations to the Board for resolution.

The GP&C Committee has fulfilled its required responsibilities as per its Terms of Reference.

The objectives of the GP&C Committee are to:

- assist the Board to discharge its duty with respect to overseeing all aspects of good corporate governance and compliance
- support the Board to strengthen the organisation's culture and its people resources
- make recommendations to the Board regarding self-review, training and development and the induction of new members
- review arrangements for executive remuneration
- assist the Board to discharge its duty regarding its employment responsibilities for the Managing Director
- make recommendations to the Board regarding GP&C related elements that aligns with the Strategic Plan 2021-2025.

Risk Committee

The LMW 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 has fulfilled its required responsibilities as per its Terms of Reference.

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
- make recommendations to the Board with respect to risk appetite and tolerance for LMW's key risk categories in alignment with the Strategic Plan 2021-2025.

VMFRP Project Control Group

The VMFRP PCG is a sub-committee of the LMW Board chaired by an independent chair, Mr Jim Keary, to oversee the VMFRP project and provide strategic direction. The VMFRP PCG reports to the LMW Board and includes representation from the five project partners (Lower Murray Water, Goulburn Murray Water, Mallee Catchment Management Authority, North Central Catchment Management Authority, and Parks Victoria) and input via observer status from the Victorian Department of Environment, Land, Water and Planning (DELWP) and the Federal Department of Agriculture, Water and the Environment (DAWE).

The VMFRP PCG has fulfilled its required responsibilities as per its Terms of Reference.

The objectives of the VMFRP PCG are to:

- oversee the VMFRP
- provide strategic direction
- facilitation of partners working together.

LMW Board and Committee meeting attendance

Directors	Board meetings Scheduled min. 9 meetings per year		Risk Committee Min. 2 meetings per year	Finance and Audit Committee Min. 4 meetings per year		Governance, People and Culture Committee Min. 2 meetings per year
	Meetings attended out of those held while a Director	Special (as required)	Meeting attended out of those held while a committee member	Meeting attended out of those held while a committee member	Focused meetings	Meeting attended out of those held while a committee member
Sharyon Peart ¹ (Board Chair)	10/10	1	1/3	N/A	N/A	1/2
Warren Lloyd (Deputy Chair)	10/10	1	3/3	N/A	N/A	2/2
Michelle Oates (Chair G,P&C Committee)	9/10	1	N/A	N/A	N/A	2/2
Greg Baker	10/10	1	3/3	4/4	4/5	N/A
Maxwell Folie ² (Chair F&A Committee)	10/10	1	1/3	3/4	4/5	1/2
Svetla Petkova ³	9/10	1	N/A	1/4	N/A	2/2
Domenic Isola ⁴	8/8	1	N/A	3/3	5/5	1/1
Kate Hughes ⁵ (Chair Risk Committee)	8/8	1	2/2	N/A	N/A	N/A
Anthony Couroupis	10/10	1	N/A	N/A	N/A	N/A
Cheryl Rix ⁶	2/2	1	N/A	N/A	N/A	N/A
Rob Fowler ⁷	2/2	1	1/1	N/A	N/A	N/A
Adam Christou (Independent Member)	N/A	N/A	N/A	4/4	5/5	N/A

1. Resigned from the Risk Committee and the Governance People and Culture Committee as at 1 October 2021.
2. Resigned from the Risk Committee as at 1 October 2021.
3. Resigned from the Finance and Audit Committee from 1 October 2021.
4. Director appointed to the LMW Board, Finance and Audit Committee and Governance, People and Culture Committee as at 1 October 2021.
5. Director appointed to the LMW Board and Risk Committee as at 1 October 2021.
6. Director not reappointed from 1 October 2021.
7. Director not reappointed from 1 October 2021.

VMFRP PCG meeting attendance

PCG members	PCG meetings	
	Scheduled min 11. meetings per year	Special (as required)
Jim Keary (Board Chair)	11/11	5
Anthony Couroupis (LMW Member)	10/11	5
Jenny Collins (MCMA Member)	8/11	3
Brad Drust (NCCMA Member)	11/11	5
Danial McLaughlin (Parks Victoria Member)	10/11	5
Warren Jose (GMW Member)	10/11	5
Rohan Henry (Independent Member)	10/11	5
Josh White (VMFRP Project Director)	11/11	3

OUR PEOPLE AND CULTURE

LEADERSHIP AND TALENT MANAGEMENT

Leadership and Talent Management is a key strategic deliverable and foundation pillar of LMW's Strategic Plan 2021-2025.

The aspiration behind this initiative is to embed #1LMW across the organisation. #1LMW is the concept of bringing all elements of the business together as one team whether they be geographical across our broad region, departmental or functional. Leadership and Talent Management embeds #1LMW by fostering a high-performing culture through attracting, retaining, and developing our people.

The pilot program commenced on 1 July 2021 and was completed on 30 January 2022 with the main objective of the pilot program to test the functionality of the Professional Development Plan (PDP) online system and ensure it was fit for purpose in readiness for the full launch on 1 February 2022. This objective was achieved, with positive feedback confirming the system was easy to use. The process generated positive and proactive discussion between manager and employee.

The full launch was delivered on time with 81% employees formalising their PDPs by 1 March 2022. A range of support activities were implemented to support managers and employees in the development of their first PDP and include:

- a dedicated resource and point of contact in the People Team to facilitate support, encouragement, and advice
- online group sessions where managers and employees could dial in and ask questions, seek clarification, or request additional goals to be added to the drop-down lists to ensure they met their specific needs
- one-on-one support with managers and/or employees to support the development of PDPs or support employees to review their draft PDP and prepare for a discussion with their manager
- workshops with teams sharing a sample experience as an exercise to hear real feedback and providing an opportunity to learn from each other
- instructional videos and a dedicated intranet page to provide hints, tips, and updates.

LMW's commitment to growing our people is further evidenced by 21 internal appointments over the 2021-2022 performance period. These appointments include a range of ongoing, limited tenure and secondment roles, providing our staff with opportunities to move throughout the organisation to explore new career paths that are aligned with their aspirations, development goals and the needs of the organisation.

SERVICE AWARDS AND RETIREMENTS

Several LMW staff celebrated a 'length of service milestone' of 10 or 20 years of dedicated service to LMW and our community.

Brian Hosking, Jo Lloyd, Donna Humphrey, and Ellie Page celebrated a 20-year milestone of employment with LMW.

Damien Ryan, Kym Foster, Muneeb Sunna, Robert Wood, and Krystal Shaw celebrated the milestone of 10 years with LMW.

Also celebrated during this period were the retirements of two very valued staff members with Engineering Officer Darryl DeBoo finishing in May 2022 having spent 41 years in the water industry. Leading Hand Re-use Farm Bruce Harvey also finished his time with LMW after 11.5 years.

IMPACTS OF COVID-19

While the pandemic continued to present many challenges for LMW and our employees over the past year, it has also presented an opportunity to take the many learnings from the experience which have enabled us to consider new ways of working and to increase the use of technology to deliver our services. During this time, LMW sought regular feedback from staff to understand how the pandemic was changing our workforce.

Some of the highlights include:

- 81% of employees continue to use video conferencing and IT solutions for effective communication
- 40% of employees said they had learned "new or innovative" ways to accomplish tasks
- 59% of employees learnt new skills that have supported their development
- 36% of employees supported a different team.

In December 2021, LMW introduced a COVID-19 Vaccination Policy aligning with government mandates. Impacts of COVID-19 were experienced across LMW and monitored by the Safety and Executive teams through monthly safety reporting. Seventy positive cases since our first recorded case

in January 2022 were recorded with June 2022 recording the highest positive case numbers since the pandemic began

Training challenges and opportunities

LMW experienced a backlog of compliance training due to the COVID-19 pandemic restrictions over the past two years. Throughout this time, we liaised with WorkSafe Victoria and our stakeholders to ensure safety provisions were in place for our teams and stakeholders. On easing of restrictions in late 2021, training schedules recommenced and returned to normal.

Flexible work and remote work policies

LMW introduced a Flexible Work Arrangement Policy and Remote Working Policy in August 2020, however with multiple lockdowns and the Victorian Government's order "if you can work from home you must work from home", working remotely was considered a requirement and not an option. Since the lifting of this order in April 2022, LMW has encouraged employees to consider flexible work arrangements, including remote working, to support employees and business operating requirements. We have seen an increase in formalised remote working arrangements and LMW is proud to offer our employees the ability to manage their work/life balance and improve their wellbeing while benefiting the organisation through increased productivity and staff retention rates.

GROWTH THROUGH PEOPLE

Proteus development training and Embedding Day

LMW's commitment to developing our people continues to be demonstrated through our ongoing partnership with Proteus Leadership to provide all our people leaders with practical leadership development training.

This development resumed in June 2022, with 14 staff attending the 2-day Leading People and Culture Leadership Development Program and 20 staff attending the 1-day Leadership Embedding Day.

This level of tangible development reiterates LMW's commitment to supporting our leaders to build capability in leading their people and building a high performing culture.

People Matter Survey Action Plan

The annual People Matter Survey aims to help support and further build a positive workplace culture. From the results of this survey, an action plan was created to help our organisation respond to the feedback and continue our focus on creating positive change now and into the future, ensuring that we take our people along that journey with us.

One of the activities in this action plan was to celebrate employee achievements both internally and externally. This included General Manager People and Stakeholders, Deb Fankhauser being named as one of the IPAA Victoria Top 50 Public Sector Women as well as the promotion of flexibility throughout our organisation with 26 percent of the workforce now on flexible work agreements to support their work/life balance.

R U OK Day?

The continued separation of our workforce during lockdowns impacted our usual face-to-face gatherings as well as the casual conversations that often happen in passing throughout the organisation. In these challenging times, we considered the recognition of R U OK? Day to be more important than ever and initiated some creative opportunities for staff to connect and share their experiences.

In a special video project, we interviewed some of our staff (remotely) and created an impactful video sharing the R U OK? Day message digitally across the organisation. Staff shared their personal 'looking after your mental health' tips and encouraged everyone to stay connected and start mental health conversations, growing the resilience of our people, and building a culture where checking in with colleagues should be a part of our normal working day.

DIVERSITY AND INCLUSION

Gender Equality Action Plan

On 14 June 2022, LMW's Gender Equality Action Plan was approved as compliant by the Victorian Commission of Gender Equality.

The action plan contains four key themes that are of focus to ensure LMW achieves a diverse, inclusive, and equal workforce.

The following themes represent our key priorities and anchor the action plan:

- **Employment practices** – ensuring employment practices champion gender equity whilst applying an intersectional lens.
- **Reporting** – implement reporting practices that are rich in content, inspire action and support accountability at all levels.
- **Culture** – foster a positive culture that supports a safe and respectful workplace that calls out discrimination and allows everyone to bring their authentic self to work.
- **Community engagement** – establishing LMW in the broader community as a champion of diversity and equity both internally and externally.

The Gender Equality Framework and Action Plan sets out the proposed actions and strategies that we intend to take as well as the monitoring and evaluation methods that will measure its success.

These measures include:

- achieve a 5% increase in women or those who identify as another gender (this is approx. 10 employees)
- achieve a 5% increase in employees aged 15-24 years of age (this is approx. 10 employees)
- achieve all ED&I targets currently set for:
 - Women in senior leadership – 50%
 - Employees identify as Aboriginal or Torres Strait Islander – 3%
 - Employees with caring responsibilities – 35%
 - Flexible Work Arrangements in place – 35%
 - Languages other than English spoken at home – 20%
 - Employees with a disability – 10%
- reporting is developed to monitor the success of actions implemented as a result of GEAP
- achieve greater equality across banding and contract gender segregation.

Our progress to date is as follows:

Diversity	Target	Jun-21	Jun-22	Yearly progress
*Percentage of women at LMW	>10%	31%	32%	↑
Women in senior leadership	50%	33%	33%	-
Identify as Aboriginal or Torres Strait Islander	3%	0.5%	2%	↑
Caring responsibilities	35%	41%	40%	↓
Flexible Work Arrangement in place	35%	42%	27%	↓
Main language spoken at home is not English	20%	7%	6%	↓
Employees with a disability	10%	2%	2%	-

* Percentage of women in the workforce is part of LMW's inclusion and diversity focus and not listed as a target in the Victoria Water Industry Strategy. Our aim is to increase our women in the workforce to 42% by 2023.

Vicwater diversity and inclusion (D&I) case study

The 2022 VicWater D&I Performance Report highlights how LMW has embraced flexible work arrangements beyond the COVID-19 pandemic and is reaping the benefits through retaining and attracting staff.

The flexibility is referenced in LMW job advertisements, on every staff member's email signature and is becoming embedded in the LMW culture.

For Jason Cass, Senior Manager Operations, it has meant being able to continue in the industry he enjoys while relocating for his wife to advance her career. Jason and his family moved to Ararat and technology, flexible arrangements and a supportive work environment has seen him continue to lead his team remotely for the majority.

Flexible work in Fiona Newbery's case has meant she can increase her hours. Fiona was working part-time hours in the office to be able to be home for her children. Now that she can work from home and work when it suits her and her family, Fiona has increased her hours and is still there for her family when they need her.

The flexibility has helped attract staff as well. The mention of flexibility in the job ad sparked Carly Gange's interest in working for the corporation. Juggling a young family and work commitments

can be tricky but for Carly, the supportive environment, and conditions mean she can do both.

For LMW, supporting flexible work arrangements reaps significant rewards as we have been able to retain and attract amazing staff who add to the depth and diversity of our workforce.

Staff driven initiatives

Throughout the year our staff celebrated several events to mark important causes which included:

- our 16 days of activism campaign 'Respect Women: Call It Out' was initiated in late 2021, with staff raising \$200 for local organisations Mallee Sexual Assault Unit and Domestic Violence Services and Mallee District Aboriginal Services Meminar Ngangg Gimba Accommodation Services
- International Women's Day was celebrated on 8 March 2021 with staff from across our sites participating in visual media projects to articulate what International Women's Day means to them
- NAIDOC Week was celebrated with a traditional smoking ceremony, culture workshops and a traditional bush tucker staff lunch
- Pride Month encouraged all to express themselves by wearing a colour of the pride flag rainbow.

Enterprise Agreement negotiations

We started the Enterprise Agreement bargaining process on 5 August 2020, reaching in-principle agreement with unions and employees on 5 October 2021. In November 2021, we received approval from the Victorian Government to progress the negotiated EBA to a staff vote. Voting opened 30 November 2021 and closed 2 December 2021 and for the first time was completed electronically. We achieved an 86% staff participation rate for the vote with 98.7% of those staff voting yes.

The Fair Work Commission approved our EBA on 5 January 2022 with no undertakings. The EBA is operational from 12 January 2022, backdated to be effective from 5 October 2021 and will run for four years.

We are proud of the agreement we have negotiated and believe it reflects the strategic direction of LMW. The changes are largely focused on gender equality and attract and retain strategies.

Key changes include:

- increased Parental Leave to support greater gender equality within our community
- top of band payment clause added into the agreement in conjunction with the inclusion of LMW's Leadership and Talent Management Framework confirming our commitment to the growth of our people
- workplace diversity wording has been added to reinforce our commitment to an inclusive workplace
- gender equality clause added into the agreement to support changes made under the *Gender Equality Act 2020*
- flexible work arrangement clause expanded to ensure employees have clear guidelines regarding working flexibly at LMW
- recognition of service and study leave policies
- Community Services Leave expanded to include every staff member being entitled to one day off per year to volunteer at a local charity.

Our workforce information

The following table discloses the head count and full-time equivalent (FTE) of LMW employees in the last full pay period in June of the current reporting period (2021-2022), and in the last full pay period in June 2021 of the previous reporting period (2020-2021).

Comparative workforce data

	June 2020							June 2021							June 2022						
	All employees		Ongoing			Fixed term and casual		All employees		Ongoing			Fixed term and casual		All employees		Ongoing			Fixed term and casual	
	Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE	Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE	Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
Gender																					
Man	140	140	137	1	138	2	2	142	142	139	1	140	2	2	154	153.74	145	1	145.9	8	7.84
Woman	66	62.81	45	13	54.97	8	7.84	63	61.21	47	12	57.21	4	4	72	68.77	51	15	63.17	6	5.6
Self-described	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Totals	206	202.81	182	14	192.97	10	9.84	205	203.21	186	13	197.21	6	6	226	222.51	196	16	209.07	14	13.44
Age																					
15-24	12	12	10	0	10	2	2	8	8	8	0	8	0	0	10	9.3	10	0	9.3	0	0
25-34	29	28.58	25	1	25.74	3	2.84	35	34.6	33	1	33.6	1	1	39	38.55	36	0	35.95	3	2.6
35-44	48	47.73	44	3	46.73	1	1	50	49.73	45	3	47.73	2	2	58	57.5	49	5	53.5	4	4
45-54	45	43.41	38	4	40.41	3	3	51	50.47	47	3	49.47	1	1	55	54.42	49	4	52.42	2	2
55-64	60	59.51	55	4	58.51	1	1	49	48.51	44	4	47.51	1	1	49	48	40	5	44	4	4
65+	12	11.58	10	2	11.58	0	0	12	11.9	9	2	10.9	1	1	15	14.74	12	2	13.9	1	0.84
Totals	206.0	202.8	182.0	14.0	193.0	10.0	9.8	205.0	203.2	186.0	13.0	197.2	6.0	6.0	226	222.51	196.00	16	209.07	14	13.44
Areas																					
Executives	7	7						6	6						6	6					
Adminstration	71	67.97						73	71.21						90	86.72					
Operations	90	90						87	87						89	88.84					
Engineering / Technical	38	37.84						39	39						41	40.95					
Sub-total	206.0	202.8						205.0	203.2						226	222.51					
Vacancies	14.0	14.0						11.0	11.0						13.0	12.6					
Totals	220.0	216.8	0.0	0.0	0.0	0.0	0.0	216.0	214.2	0.0	0.0	0.0	0.0	0.0	239	235.11	0.0	0.0	0.0	0.0	0.0

Classification level data

Classification level	June 2021						June 2022					
	A	B	C	D	E	Total	A	B	C	D	E	Total
Band 1	4	0	1	7	14	26	9	2	0	6	11	28
Band 2	12	8	9	36		65	7	11	11	38		67
Band 3	4	10	19			33	8	7	19			34
Band 4	6	2	14			22	12	5	16			33
Band 5	1	3	18			22	1	4	16			21
Band 6	0	1	3			4	2	0	5			7
Band 7	0	0	0			0	0	0	0			0
Contract staff						30						30
Award						3						6
Total	27	24	64	43	14	205	39	29	67	44	11	226

Executive Officer data

An Executive Officer (EO) is defined as an executive under Part 3 of the *Public Administration Act 2003*, 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.

2021-22								
FTE	Male		Female		Self-described		Total	
	Head count	FTE	Head count	FTE	Head count	FTE	Head count	FTE
6	4	4	2	2	0	0	6	6

OCCUPATIONAL HEALTH AND SAFETY

During 2021, multiple changes to the *Occupational Health and Safety (OHS) and Other Legislation Amendment Act 2021* sharpened LMW's focus on OHS in this reporting period. A new safety team was inducted to the organisation, bringing with them a wealth of experience and an innovative approach to safety. Together with a third-party review team, we completed an OHS Review to identify opportunities for LMW to improve its OHS systems and processes.

Throughout 2022-2023, we aim to create a new and improved safety framework to improve and simplify our safety technology, systems, and processes to address the evolving OHS changes, challenges and practises while ensuring compliance to relevant acts and standards.

Our executive and management teams took the lead in contributing to a strong safety culture through their participation in investigation training session which empowered our leaders to identify and understand root cause analysis. This training was instigated following an increase in our High Potential Incident Frequency Rate from 0-2.75 between July 2021 and June 2022 and built capacity across the organisation to enable a better understand the steps in managing incidents in their teams.

Our Total Recordable Injury Frequency Rate (TRIFR) at the end of the reporting period was 27.41.

The third Global Safety Index Survey was held with results showing continued growth in employee opinions, understanding, involvement and participation in safety. An improvement in scores which saw LMW move from 63.1 in 2017 to 69.5 in 2021 was welcomed and could be attributed to several initiatives specifically targeted to improve safety across the organisation as well as the ongoing continuous safety commitment by our teams.

A highlight from the survey was the significant increase of the 'safe behaviour is regularly recognised and rewarded' criteria which saw the score grow from a low 9.7 in 2017 to 57.8 in 2021. This result suggests that positive perception and continued growth is improving the safety culture within LMW.

Healthier process for injury management

The Workcover and Return to Work Procedure was reviewed, providing clear guidelines for reporting, streamlining our processes, improving our communications and creating an improved injury management system.

Statistics	2019-20	2020-21	2021-22
Reported hazards / incidents	11/36	10/35	23/93
Number of lost time standard claims	0	1	2
Average cost per claim	\$0	\$2,807	\$800

OUTCOMES FOR COMMUNITY

The 2021-2022 Corporate Plan addresses the approach and the proposed program of activities to meet the expectations set out by the Minister for Water. This reporting period provides an opportunity to reflect upon the activities that contribute to meeting these expectations.

The following expectations relating to customer and community outcomes were specifically identified as of focus area for LMW in the 2022 Letter of Expectations (LoE) include:

- *Eliminate the risk of unauthorised take of water through strategic, targeted and risk-based approach to compliance and enforcement.*
- *Continue supporting impacted communities and customers through existing hardship arrangements and encouraging efficient water use practices.*

The following section provides further detail regarding each LoE as provided to LMW.

CUSTOMER AND COMMUNITY OUTCOMES

LoE 2: 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.

Addressing KPIs:

- C1 Customer satisfaction
- C2 Customer and community engagement

Actions undertaken:

- implementation of an extensive engagement program aligned with LMW's Customer Communications and Engagement Strategy and the IAP2 Framework
- development of a new engagement framework, strategy, and toolkit to deliver consistent, targeted, and efficient engagement to customers and stakeholders across all areas of the business
- continued engagement with LMW customer committees, facilitating four Strategic Advisory Committee (SAC) and 13 Customer Service Advisory Committee (CSAC) meetings as well as three Special Meetings including Ministerial events and partner agency briefings
- conducted annual customer satisfaction surveys to our urban and rural customers
- continued engagement with approximately 16 irrigator representatives to seek input on the key drivers for future investment in irrigation infrastructure, as part of the LMW Irrigation Infrastructure Strategy

- engagement with urban and rural customers and the broader community through deliberative panels, community meetings, barbeques, online forums and shed meetings for the development of our Pricing Submission 5, including feedback sessions regarding levels of service, outcomes, and service standards
- consultation with urban customers for the 2022-2071 Urban Water Strategy, including online surveys, drop-in stalls and focus groups seeking input from urban customers on the quality, efficiency, and reliability of their service to inform future service delivery.
- consultation with irrigation customers about the need for a long-term vision for LMW infrastructure, and a renewal plan for each district through on-farm visits, focus groups and customer committee engagement
- hosted a community field day stall to promote local projects and services and provide a point of contact for customer enquiries
- delivery of educational programs and resources to our communities to raise awareness of local services and water efficiency measures through competitions, facility tours, school visits, employment pathway sessions and promotional materials
- increased awareness of water availability and market development through traditional and social media, departmental presentations to customer committees and the promotion of water market transparency projects in collaboration with partner agencies
- ongoing development of new Customer Relationship Management software and Customer Portal through the Business Transformation Program Horizon 1.

Customer satisfaction surveys

In November 2021, we conducted our annual Customer Satisfaction Surveys via an online survey sent to customers via email, SMS, and social media. We received a total of 976 responses made up of 807 urban customers and 169 rural customers representing a 20% increase on the 2020 response rate.

Customers were asked a range of questions regarding the efficiency and quality of our service, in addition to a request for feedback as to how they felt we could improve our services in the future.

Key highlights include from the survey include:

- nearly nine in ten urban LMW customers (89%) are satisfied with the overall quality of their water, particularly the reliability of supply (96%) and the colour
- more than nine in ten urban customers (93%) are satisfied with LMW's performance overall. Satisfaction is significantly

higher among customers aged 65 years and over (97%). Most customers (89%) also state that LMW meets their expectations as a water service provider

- more than eight in 10 rural customers (82%) are satisfied with LMW overall, and three quarters (75%) rate LMW positively for delivering 'value for money'
- rural customers report high levels of satisfaction with the ease of contacting LMW (83%).

Whilst these results are positive, the results of the survey did identify areas where we can improve our services to customers and our perception in the community. These results represent an opportunity to set new ratings targets across all the measures to create a shift from 'satisfactory' to 'excellent' in our customers' perceptions of service delivery and value for money.

Insights obtained from these Customer Satisfaction Surveys will also be used to inform our strategic approach to our customer and stakeholder engagement, and whilst we acknowledge that satisfactory ratings may be acceptable by industry standards, we continue to strive for exceptional service delivery.

The results and the subsequent analysis of our 2021 satisfaction survey results will also drive the identification and development of improvement areas for implementation over the period of our next water plan.

WATER FOR ABORIGINAL CULTURAL, SPIRITUAL AND ECONOMIC VALUES

LoE 3: Recognise and support self-determination of Aboriginal cultural values and economic inclusion in the water sector.

Addressing KPIs:

- AC1 Engagement of Aboriginal communities
- AC2 Engagement of Traditional Owners
- AC3 Aboriginal Inclusion Plan/Reconciliation Action Plan

Actions undertaken:

- developed the second 'Reflect' Reconciliation Action Plan (RAP)
- empowered the new Equality, Diversity, and Inclusion (ED&I) Committee to drive shared actions from the RAP and the Gender Equality Action Plan.

In 2019, LMW's first RAP was submitted and endorsed by Reconciliation Australia. Due to the impacts of the COVID 19 pandemic which saw many staff re-prioritise their workloads in different areas, not all deliverables set out in our RAP were completed.

Reconciliation Australia's RAP Framework supported the development of the LMW RAP with the framework setting out the four different stages of an organisation's reconciliation journey:

1. Reflect: Scoping capacity for reconciliation (1 year)
2. Innovate: Implementing reconciliation initiatives (2 years)
3. Stretch: Embedding reconciliation (2-3 years)
4. Elevate: Leadership in Reconciliation

In late 2021, our Communications and Engagement Team commenced the development of our next RAP. Working closely with Reconciliation Australia, it was decided that LMW would not progress to the next stage of an 'Innovate' RAP due to the momentum lost over the last two years and a 'Reflect' RAP would provide us with an opportunity to engage the whole organisation and re-establish links with our Aboriginal and Torres Strait Islander external stakeholders.

A 'Reflect' RAP provides LMW with an opportunity to prepare the organisation for reconciliation initiatives and provide a strong foundation to produce future RAPs that inspire and are sustainable.

The LMW ED&I Committee Terms of Reference demonstrate the commitment and responsibility to support the organisation in developing, implementing, and maintaining the LMW RAP. Our Gender Equity Framework and Action Plan shares several objectives and activities as our RAP and where it made sense, we have aligned them.

LMW's action criteria follow Reconciliation Australia's guided framework for a 'Reflect' RAP and include:

- Relationships
- Respect
- Opportunities
- Governance

These action criteria focus on several key areas, including:

- developing new relationships with local First Nations People and providing opportunities to local Aboriginal and Torres Strait Islander young people through art
- increasing the understanding of our staff through cultural learning and sharing, and access to Cultural Competency Training
- educating staff on how to perform an Acknowledgement of Country and its significance
- supporting staff to participate in internal and external National Reconciliation Week and NAIDOC week events
- outlining the importance of our RAP and involving every staff member in the delivery of our actions
- collaborating with local like-minded organisations who are also on their RAP journey.

We submitted our first draft of our revised 'Reflect' RAP to Reconciliation Australia for feedback which was incorporated into our draft and has been resubmitted to Reconciliation Australia for endorsement, which we anticipate will occur in July 2022.

RECOGNISING RECREATIONAL VALUES

LoE 4: Support the wellbeing of communities by considering recreational values in water management.

Addressing KPIs:

- Rec1 Recreational Values

Actions undertaken:

- conducted regular monitoring of BGA levels in the Murray River and Lake Cullulleraine and informed the community of warnings and advice relating to recreational water use, in collaboration with Victorian and NSW BGA coordinators
- collaborated with the Mallee Catchment Management Authority (CMA) and other stakeholders to support the provision of environmental water delivery in the region
- supported key land manager partnerships, including:
 - Sunraysia River Watch Inc.
 - Mallee CMA representative committees
 - Lake Hawthorn Management Plan.

Waterways managed by LMW provide many recreational opportunities for the community including canoeing, fishing, birdwatching, and camping. LMW worked with Parks Victoria to improve the access to canoe launchers and a bird hide at Kings Billabong. We engaged a contractor to clear Cumbungi growth and submerged aquatic vegetation around these recreational assets and worked with the Mallee CMA to upgrade the walking track around Lake Cullulleraine, a popular camping destination for the Sunraysia community.

RESILIENT AND LIVEABLE CITIES AND TOWNS

LoE 5: Contribute to healthy communities by supporting safe, affordable, high-quality services and resilient, liveable environments.

Addressing KPIs:

- L1 Integrated Water Management (Urban)
- L2 Water Efficiency (Urban)
- L3 Water Bills (Urban)
- L4 Payment Management and Hardship

Actions undertaken:

- developed and implemented our Urban Water Strategy 2022-2071, outlining short and long-term actions to balance water supply and demand in our region and responding to challenges including drought, climate change and population growth
- continued collaboration with regional partners to support the delivery of other Northern Mallee IWM projects to enhance urban waterway values and support resilient communities
- continued collaboration with DELWP and other water corporations to deliver the Victorian Water Efficiency Strategy
- delivered educational resources and programs to our communities focusing on water efficiency measures
- implemented payment instalment plans for 1,983 urban and 268 rural customers under the Financial Hardship Assistance Program

- conducted 14 water efficiency audits under the Community Rebate Program
- provided rebates to 14 urban customers under the Community Rebate Program
- conducted 39 audits and provided 38 rebates for not-for-profit organisations in our region under the Community Housing Retrofit Program.

Drought Response Report

A Drought Response Committee was convened in 2019 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 and ongoing evaluation continues to measure the effectiveness of our drought response so that necessary adjustments can be made for the future.

As drought conditions improved significantly within the reporting period, Stage 2 urban water restrictions remain lifted however Permanent Water Saving Rules were in place for all the 2021-2022 season. Information collected and the decisions made relating to drought response were documented for evaluation in the post-drought phase and will continue to be used in future drought planning.

Water Consumption Report 2021-2022										Water Consumption Report 2021-2022									
District name	Residential customers					Non-residential customers				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 consumption¹	Non-revenue water			13. Total non-revenue water (10+11+12)	Total water all sources (9+13)
	Note	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						10. Leakage	11. Firefighting	12. Other²		
Kerang		1,855	702			329	194		2184	896	0	896	1131	72		24	96	992	
Koondrook		480	178			58	27		538	205	0	205	262	24		6	30	235	
Lake Boga	1	457	223			51	63		508	286	0	286	0				0	286	
Mildura	2,3	20,017	9,760			2,156	2,426	2,574	22,173	12,187	2,574	14,761	13,496	610		327	937	15,698	
Murrabit		44	21			12	7		56	28	0	28	37	5		1	6	34	
Mystic Park	4	12	5			3	3		15	8	0	8	13				0	8	
Nyah	1	308	163			43	61		351	223	0	223	0				0	223	
Nyah West	1	264	124			32	30		296	153	0	153	0				0	153	
Piangil		106	46			16	65		122	112	0	112	140	22		3	25	137	
Red Cliffs		1,641	743			166	529		1,807	1,272	0	1,272	1,374	-34		35	1	1,273	
Robinvale		824	375			189	157	185	1013	532	185	717	625	37		15	52	769	
Swan Hill		5,073	1,969			860	777		5,933	2,746	0	2,746	3,986	43		93	136	2,882	
Woorinen Sth	1	157	89			18	20		175	109	0	109	0					109	
		31,238	14,399			3,933	4,360	2,759	35,171	18,759	2,759	21,519	21,065	779	0	504	1,283	22,802	

Note 1. Supplied from Swan Hill

Note 2. Includes Merbein and Irymple for water

Note 3. Includes Mildura, Koorlong and Merbein recycled wastewater

Note 4. Water supplied is raw, non potable

All figures have been rounded to the nearest whole numeral

1. Average annual consumption calculated between 2017-2018 and 2021-2022

2. Unavoidable losses

All figures have been rounded to the nearest whole numeral

Per capital daily residential drinking water consumption

LMW provides drinking water to a population of around 75,000. The total annual consumption of water was 14,399 megalitres across this population in our region. This equates to an average of 533 litres per person, per day. This calculation is based on the population figure provided by the 2021 Census – “average household population” multiplied by our water connections for each town.

Major non-residential water users

Volumetric range – ML per year	Customers	Participates in water efficiency program
100-200ML	Qualia Wine Company Pty Ltd	No known participation
	Mildura Fruit Juices Australia Pty Ltd	No known participation
200-300ML	Treasury Wine Estates	No known participation
Total number of customers	3	

Community service obligations

Our Hardship Program identifies and assists vulnerable customers to manage their water costs and usage with details as follows:

Community service obligations	2021-2022
Concessions to pensioners	\$2,205,618.72
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	\$206,055.92
Utility Relief Grants Scheme	\$51,372.59
Haemodialysis Life Support Machine Water Concessions	\$0.00
Hardship Relief Grant Scheme for Sewerage Connections	\$0.00
Total	\$2,463,047.23

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 a concession on water and sewerage charges up to an annual maximum. The annual maximum for 2021-2022 was \$345.50.

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 to a concession on the service tariff portion of their bill.

Utility Relief Grant Scheme

Residential customers unable to pay their bills because 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 the risk of restriction of supply or debt collection action.

Haemodialysis Life Support Concessions

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.

Bulk water entitlements

Given the unique nature of our business, in servicing both urban and rural customers, the effective management of water is integral to the liveability and resilience of our communities. We manage our bulk water entitlements to ensure that our urban customers receive quality drinking water, and our rural customers receive water for stock and domestic usage, and irrigation purposes.

The following tables represent the details relating to the management of our bulk water entitlement in 2021-2022:

Bulk Entitlement – Urban

Water supply system	Off-take point	Clause 20.1(b) Annual amount of water taken (ML)	Clause 20.1(d) Amount of water returned (ML)
Koondrook	Koondrook Pump Station	249.898	0
Murrabit	Metered Outlet No 4266A	36.042	0
Kerang	Kerang Pump Station Pump outlet 2542	532.132	0
Kerang	Koondrook-Kerang pipeline	551.929	0
Swan Hill	Swan Hill Pump Station	38,73.297	0
Woorinen	Linked to Swan Hill	*	0
Nyah West	Linked to Swan Hill	*	0
Nyah	Linked to Swan Hill	*	0
Piangil	Piangil Pump Station	149.183	0
Robinvale	Robinvale Pump Station	575.663	0
Redcliffs	Red Cliffs Pump Station	1,363.249	0
Mildura	Mildura Pump Station	10,190.848	0
Mildura West	Mildura West Pump Station	3,209.273	0
Mystic Park	Kangaroo Lake	10.991	0
Total		20,742.505	

* diverted through Swan Hill pumps

Source: Kendall Raw Water Pump Station figures (environment\kendall\excel\wtprpmflow)

Notes

- Urban Bulk Entitlement of 30,970.9ML Murray system high-reliability water shares
- No water restrictions were implemented during the 2020-2021 water year.
- 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 Mildura and Piangil off-takes and the Koondrook-Kerang pipeline 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 9,834 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) Annual amount of water taken (ML)	Clause 22.1 (d) Amount of water returned (ML)	Clause 22.1 (e) Amount of water supplied to VEWH (ML)	Clause 22.1 (f) Amount of water supplied to primary entitlement holders (ML)
Robinvale irrigation district	Robinvale pumping station	1,8124	0	0	17,605
Red Cliffs irrigation district, and remaining Carwarp area of Carwarp-Yelta waterworks district	Red Cliffs pumping station	3,2234	0	0	28,958
Merbein irrigation district, and Yelta part of Carwarp- Yelta waterworks district	Merbein pumping station	17,986	0	60	16,710
Millewa waterworks district and diversion licences	Millewa river pump	22,896	0	0	21,730
This is counted as the point where water is diverted from the River Murray	Central Main Pump Station, at King's Billabong	34,156	0	118	31,561
Used to replenish King's Billabong where River Murray flows are at insufficient level to do this (see clause 18.10)	Psyche Bend pumps	N/A	N/A	N/A	N/A
Along River Murray between the Nyah pumps and the South Australian border, and around King's Billabong	Private diversion points	449,132	0	0	0

Sung: Rural Usage Report 2021-2022

Notes

- Irrigation customers transacted water shares and allocation trades reported by the Victorian Water Register annually.
- Customers received a final seasonal determination of 100 per cent high-reliability water shares for the Murray system on 1 April 2021.
- Clause 22.1 (a) and (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.

LEADERSHIP AND CULTURE

LoE 6: Reflect the needs of our diverse communities and develop strategies and goals that will increase cultural diversity in the workforce and gender equity in both executive leadership and throughout the organisation.

Addressing KPIs:

- G1 Diversity and Inclusion
- G3 Health and Safety

Actions undertaken:

- development of a Gender Equality Action Plan (GEAP)
- staff driven events to support diversity and wellbeing across the organisation including Respect Women campaigns, International Womens' Day, NAIDOC Week, Pride Month, and R U Ok? Day
- implementation of the LMW 4C Safety First Strategy and delivery of an organisation-wide safety review
- recommencement of Proteus Leadership training for 34 people leaders across the organisation
- embedding and empowering of the ED&I Committee.

On 31 March 2021, the *Gender Equality Act* came into effect requiring defined entities (public sector organisations, Councils and Universities) to take positive action towards achieving workplace gender equality and promote gender equality in their policies, programs, and services.

LMW is required to develop and implement a GEAP every four years, which includes:

- Results of a workplace gender audit
- strategies for achieving workplace gender equality

A workplace gender audit was completed based on data as of 30 June 2021 and was submitted to the Commission in December 2021. Key questions were included in the 2021 People Matter Survey (PMS) to identify critical gaps and assess capacity for change to advance gender equality and the results will form baseline data for all future audits.

The Act outlines that gender inequality may be compounded by other forms of disadvantage or discrimination that a person may experience based on Aboriginality, age, disability, ethnicity, gender identity, race, religion, sexual orientation, and other attributes. Applying an intersectional lens will support LMW to achieve equity for all and ensuring the voices of all are heard including those that are most marginalised. Listening, learning, and understanding the views of all will help ensure LMW reflects and considers the impact of discrimination, acts with respect, and bases actions on lived experience rather than defining all women as one catchall category.

STRENGTHENING COMPLIANCE

LoE 8: Apply a zero-tolerance approach to unauthorised water take and adopt a consistent risk-based approach to manage compliance and enforcement with improved oversight and reporting.

Addressing KPIs:

- CE1 Apply an effective zero-tolerance approach to unauthorised take
- CE2 Demonstration of continuous improvement toward implementation of compliance and enforcement strategies, frameworks, and reporting.

Actions undertaken:

- implementation of Penalty Infringement Notices (PINs) for unauthorised take and developing processes for the implementation of PINs for Take Without an Order in the 2022-2023 season
- strengthening of internal systems to streamline compliance and enforcement efforts
- continual refinement of risk-based approach to consider learnings and reflections
- expansion of focus to include all offences under the *Water Act 1989* (Act) and not just unauthorised take through an update of LMW's Compliance and Enforcement Strategy 2022
- increase in education of rural customers, including Stock and Domestic
- support to teams that have a role in managing non-compliance of the Act including metering, water quality and civil teams.

The recruitment of a new Compliance and Enforcement Team Leader halfway through the year has seen renewed and refreshed efforts to effectively manage the non-compliance of irrigators using a risk-based and results-driven approach. Weekly compliance updates submitted to DELWP have enabled us to clearly articulate improvements and the evolution of process development, positioning LMW as a leader in contributing to and developing best practice across the state. This approach has helped further strengthen our working relationship with DELWP.

The 2021-2022 irrigation season saw the implementation of PINs for unauthorised take and after a rigorous education campaign, LMW was the first water corporation to begin issuing PINs in Victoria. Repeat offenders of unauthorised take were targeted and we have been able to demonstrate the effectiveness of PINs as a tool in deterring unauthorised take by irrigators for small volumes.

As PINs are not a tool that can be used to manage more significant cases of unauthorised take, LMW proceeded to prosecute five irrigators in the local Magistrates Court for the 2021-2022 season, as well as finalising a case that began in 2019. Guilty verdicts were awarded in all cases with convictions recorded against four of them sending a clear message to the rural irrigation community that non-compliance is an unacceptable practice in alignment to the Minister for Water's zero-tolerance directive, and as such, it can no longer continue.

The following tables represent the progress across the reporting period:

Unauthorised take key performance indicators

Year	ABAs (of licences)				Volume			
	Number of ABAs	Number of negative ABAs	ABAs %	ABAs % (excluding <1ML)	Volume (ML) of water taken under corporation issued shares/licences	Volume (ML) of unauthorised take	Volume %	Volume % (excluding previous FY)
2019-2020		271			530,208.23	1,370.18		
2020-2021		221			534,159.04	957.83		
2021-2022 Q1 (30 Sept)	6363	142	2.23	1.9	47,806.93	1268.97	2.65	1.72
2021-2022 Q2 (31 Dec)	6406	133	2.08	1.76	261,186.75	1826.27	0.70	0.5
2021-2022 Q3 (31 March)	6440	180	2.8	2.17	603,203.90	1889.73	0.37	0.28
2021-2022 Q4 (30 June)	6489	124	1.90	1.54	573,576.42	538.23	0.10	0.016

Compliance actions urban and rural table

Compliance actions – rural			
Total	2019-20	2020-21	2021-22
Total no. of breaches	548	1,782	1,502
No further action required	N/A	1,782	599
Formal Warning	302	275	943
Penalty Infringement Notices	N/A	N/A	18
Notice of Contravention	349	62	230
Notice of Entry	349	47	230
Lockdown	12	5	2
Prosecutions commenced	3	2	5
Prosecutions finalised	3	1	6

Licence applications – rural

Take and Use Licence	1 new licence issued 1 new application in progress Final outcome near completion
Works Licence	130 new licences issued 478 licences renewed No licences overdue for renewal

OUTCOMES FOR THE ENVIRONMENT

The 2021-2022 Corporate Plan addresses the approach and the proposed program of activities to meet the expectations set out by the Minister for Water. This reporting period provides an opportunity to reflect upon the activities that contribute to meeting these expectations.

The following expectations relating to environmental outcomes were specifically identified as of focus area for LMW in the 2022 Letter of Expectations (LoE) and include:

- The expectation that LMW continue to have a significant role in the successful delivery of the Basin Plan projects were reinforced including:
 - as lead agency in the VMFRP
 - identifying and delivery potential efficiency programs
 - assisting in addressing deliverability and constraint issues.

Progress of these initiatives and actions identified under the relevant Letter of Expectations (LoE) as outlined by the Minister, are as follows:

CLIMATE CHANGE

LoE 1: Water corporations are required to 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.

Addressing KPIs:

- E2 Emission reductions
- E3 Climate adaptation

Actions undertaken:

- adaptation of processes associated with the requirement to closely monitor variable raw water quality resulting from climate change to enable the appropriate use of chemicals and optimise the water treatment process

- installation of UV disinfection systems in treatment plants across our district which will address concerns regarding chlorine tolerant pathogens and allow for multiple barrier protection as stipulated in the Australian Drinking Water Guidelines
- proactive and collaborative partnerships with various local and state-based organisations to progress flora and fauna maintenance and protection, monitoring and data collection projects
- a successful trial of a weed harvester called Mobitrac to address weed growth as an alternative to chemicals
- continued development of biosolids trials and the formalisation of a long-term agreement with a local irrigator to apply biosolids to their farm to improve productivity and quality of plants
- preliminary in-house feasibility assessment has been carried out to assess the establishment of carbon sequestration sites at various LMW's locations.

Climate adaptation

It's widely recognised that climate change has significant impact on water quality via changes such as warmer temperatures, drought, bushfires, and floods, which can eventuate in developing Blue Green Algae (BGA) blooms and blackwater events that have become more frequent, resulting in significant negative impact on the raw water quality. The deterioration in raw water quality poses significant operational challenges for our water treatment plants and can result in substantial increases, not only in the operational costs, but also costs for chemicals to treat the water.

These challenges have been recognised in the Department of Health (DoH) guidance for the 2023 Water Price Review, where emphasis is placed on water authorities to undertake measures to minimise impact on water quality associated with weather events and improve the resilience of water supply systems. DoH also advocates the need for water authorities to address the aesthetic characteristics of water and ensure that relevant water quality parameters such as taste, odour, colour, turbidity, and appearance meet customers' expectations of receiving high quality drinking water standards at minimal cost.

The requirements to meet the above standards, taking into account the challenges posed due to poor and variable raw water quality, may have significant financial implications resulting in increased costs for supplementary water quality monitoring, higher chemical dose rates, and additional temporary chemicals such as Powdered Activated Carbon (PAC), Calgon-T, and Potassium Permanganate; chemicals that are not normally used in the treatment processes.

The consequences of climate change and the variation in the raw water quality has required LMW to invest in technology to monitor source water quality to measure specific water quality parameters, quantify the type and amount of organics in the raw water to enable calculating the chemical dose rate. In addition to this, we must provide the operational staff with the required training to ensure that operational teams are equipped with the required skills and knowledge to monitor and assess the raw water source for risks associated with BGA blooms and other contaminants.

LMW is currently in the process of retrofitting all water treatment plants with UV disinfection systems to address concerns regarding chlorine tolerant pathogens and allow for multiple barriers appropriate to the level of risk as stipulated in the Australian Drinking Water Guidelines (ADWG).

It's anticipated that the operation and maintenance of the UV disinfection systems will considerably increase the operational cost due to high energy consumption, maintenance requirements, and to address carbon emissions.

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.

The following projects and activities have contributed to this in 2021-2022:

- LMW has a pledge to reduce Greenhouse Gas (GHG) emissions by 39% at the end of 2024. While we have seen a drop in our GHG emissions for the rural sector, we did not see a drop in urban GHG emissions. LMW have not met the 39% reduction target or our yearly targets, this is due to delays in project implementation. A significant source of our emissions is from purchased electricity, which is produced using non-renewable energy such as coal. Purchasing renewable electricity is the focus for LMW to achieve our 39% pledge.
- We maintain and protect two important native vegetation offset sites, located adjacent to the Koorlong State Forest. The two sites provide important terrestrial habitat with a significant range of

flora and fauna species listed as vulnerable under both the *Flora and Fauna Guarantee Act 1988* and the *Environmental Protection Biodiversity Conservation Act 1999*. Works undertaken over the last twelve months to protect these sites include fence maintenance, rubbish removal, and weed and rabbit control.

- We remain an active partner in the state-wide program that collects water and groundwater data, called the Regional Water Monitoring Partnership which monitors 28 of our irrigation drains for trends that may contribute to the assessment of drain impacts on the Murray River and floodplain.
- We continue to work closely with the Mallee CMA on a range of projects from irrigation and drainage projects, delivering environmental water and monitoring the vegetation, fish, birds, and frogs at three LMW waterways: Cardross, Lake Hawthorn and Lake Koorlong. This partnership enables monitoring and protection of significant biodiversity as well as creates an important green space for nearby urban development.
- Lower Murray Water worked with several organisations to remove more than 100 native fish from LMW's irrigation channels. Partner organisations included OzFish Unlimited, the Victorian Fisheries Authority, Goulburn Broken CMA, North Central CMA, the Arthur Rylah Institute and Austral Research. The fish rescued included Murray Cod, Carp Gudgeon, Smelt, Speckled Hardyhead, Yabbies and Freshwater Mussels, all of which went back to Kings Billabong. Many catfish were also rescued and relocated to two locations. The first was a hatchery in Snobs Creek operated by the Victorian Fisheries Department where these fish will spawn the next generation of catfish in Victorian waters and help save this species from extinction. The other site was Broken Creek, an important creek for the Yorta Yorta indigenous community, who want to return catfish to this waterway.
- A successful trial of a weed harvester called Mobitrac was conducted at Kings Billabong and Lake Cullulleraine in May. The Mobitrac has attachments that cut submerged vegetation and a second attachment that collects the weeds. This equipment was selected to control weed growth at these two sites as an alternative to using chemicals. The trial was a success and LMW will seek to develop an ongoing maintenance program for these two waterbodies to prevent the accumulation of Cumbungi and Common Hornwort.

Sustainable and resilient water service systems

We continue to encourage schemes 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 treated meets

Environmental Protection Agency (EPA) legislation and 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 to a primary producer for use in horticulture.
- Mildura Wastewater Treatment Plant — this plant treats wastewater from the remaining part of Mildura to Class C standards. It is then used onsite for the production of pastures, fodder and for irrigating tree lots.
- Robinvale Wastewater Treatment Plant — wastewater from the Robinvale area is treated to Class C standards and then used for the production of high-grade fodder.
- Mildura Water Treatment Plant — water used in the backwashing and treatment operations is diverted to a separate storage lagoon and then supplied to Mildura Rural City Council for irrigation of the Aerodrome Ovals Sporting Complex.
- West Mildura Water Treatment Plant — reclaimed water from the backwashing and treatment operations is supplied to Mildura Golf Club for the irrigation of its fairways and greens.
- Irrigation drainage — water collected by our irrigation drainage system is utilised by a number of individuals for irrigation of turf.

Other statutory obligations

Environmental flows

We work with the Mallee CMA to provide environmental water delivery under the Victorian Environmental Water Holders (VEWH). Under the direction of Mallee CMA, we use our irrigation and drainage assets to provide water to regional wetlands and floodplains that are under LMW management which includes Lake Hawthorn and the Koorlong Lake.

Environmental water is used to achieve environmental outcomes including the protection of the endangered Murray Hardyhead and migratory water birds. While we aim to ensure that the environmental water targets are met, the needs of our irrigators are number one priority, and this ensures that their access to water is not compromised.

Victorian Biodiversity Strategy

Within our managed land parcels portfolio, there are several sites that are located in areas that have high conservation values. These sites are subject to ongoing works aimed at controlling the pests and weeds to ensure that the native species populations remain viable and resilient. Sites that are currently being managed include:

- Benetook Offset Site – Located near Lake Koorlong, this 25-hectare site has been subject to intensive conservation over the last decade. The site remains under ongoing management to ensure its conservation values are retained and is currently showing signs of significant native species re-establishment.
- Koorlong Wastewater Treatment Plant – a 21-hectare section of old-growth Mallee located within the grounds of the Koorlong Wastewater Treatment Plant and secured as a native vegetation offset site, this site is managed by us to ensure it remains free of weeds and animal pest species – this site also has an additional 14 hectare that has been assessed and can be added to the offset pool.
- West Mildura Water Treatment Plant – a 15-hectare area to the south of the plant provides important habitat for the Eastern Hooded Scaly-foot lizard. This population of lizards is one of only six locations in Victoria. The species is listed as threatened under the *Flora and Fauna Guarantee Act* and as ‘critically endangered’ in Victoria under DELWP’s Advisory List of Threatened Fauna. We have undertaken pest and weed control at the site and are in the process of upgrading the existing fence to be make it predator proof. Predation from foxes and rabbits has been identified as the main threat to the Eastern Hooded Scaly-foot lizard population.

Victorian Waterway Management Strategy (VWMS)

We strive to achieve healthy rivers, streams and floodplains through our own 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 2014–2022, of which we are a partner in the delivery of the works program.

Regional Catchment Strategy

The Mallee Regional Catchment Strategy (RCS) 2013–2019 is prepared under the provisions of the *Catchment and Land Protection Act 1994*, 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. It's the key regional planning instrument that provides guidance on works and developments impacting land and water values across the Mallee.

We will continue to assist in the implementation of the Mallee RCS, working with the Mallee CMA:

- participating in workshops for the development of the new Mallee RCS
- salinity management and environmental projects
- ongoing participation in the Victorian Regional Water Monitoring Partnership (VRWMP) and associated upgrades
- participating 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 raise water industry related issues and concerns to both the EPA and the wider water industry. This group also enables the EPA to seek early input from the water industry on new or amended EPA programs, policies and guidance.

We have ongoing meetings with the EPA to ensure they understand how we are managing our environmental risks. We also use the meetings to keep abreast of the new information or technologies that may assist us in managing environmental risk.

Greenhouse gas and energy reporting

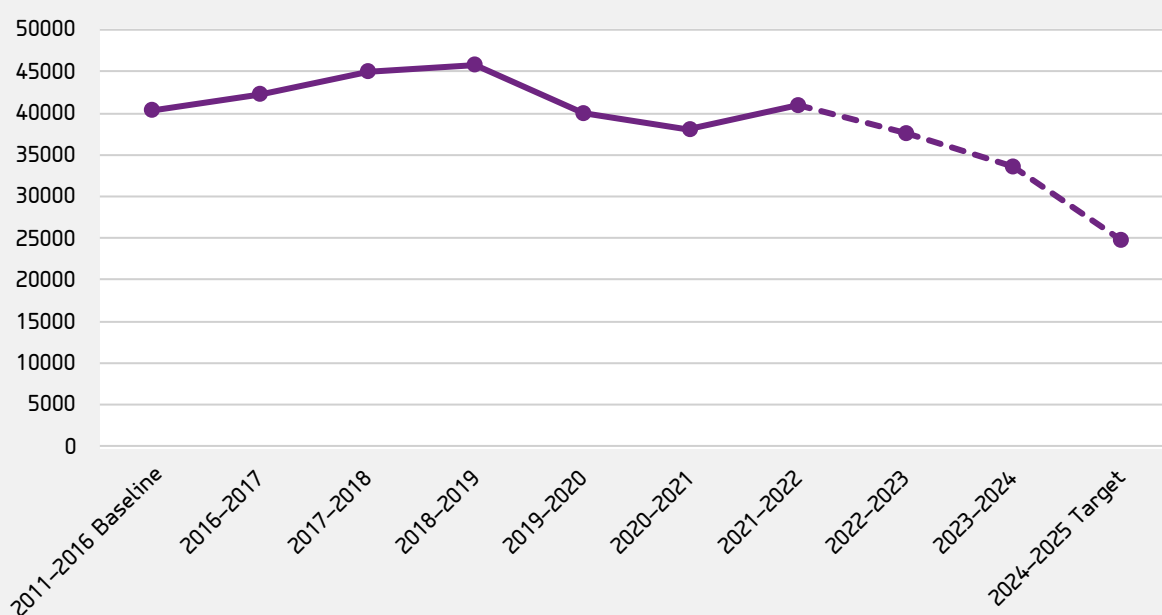
Greenhouse gas emissions

We continue our commitment to reduce our carbon emissions to reduced GHG emissions by 39% by 2024.

Our pledge for 2021-2022 was for 37,529 CO₂-e, our final GHG emissions this financial year was 40,888 CO₂-e, which means we have not met our pledge amount. We plan to implement additional GHG reducing projects over the next financial year which will see us getting closer to our pledge amount. These projects will include additional pressure control optimisation for our irrigation pumps, eliminating unscheduled irrigation water use and over deliveries, exploring the use of incentives for growers to smooth their demand profile for irrigation water and purchasing 100% renewable energy.

Our total greenhouse emissions for 2021-2022 result were 7% more than 2020-2021.

Net Greenhouse Gas Emissions (tonnes CO₂-e)



Performance indicator	FY 2021-2022 Greenhouse gas emissions (tonnes CO ₂ -e)			Variance (%)	Comments
	Projected	2020-2021	2021-2022		
Irrigation supply and drainage	NA	19,567.75	18,098.52	-7.51	LMW had a 5.8% reduction in electricity use for irrigation supply which had a significant variance of greenhouse gas emissions. This was due to a decrease in water pumped for 2021-22 season. The electricity use for drainage is always a small component of the 'irrigation and drainage' electricity use however, it is worth noting that whilst it had minimal impact on the overall electricity used, drainage saw a 60% increase in electricity from previous year due to the large rain event the region experienced in January.
Water treatment and supply (urban)		6,155.73	6,319.03	2.65	Minimal change in the water treatment supply and treatment for 2021-2022.
Sewerage/wastewater collection and treatment		11,852.20	12,082.46	1.94	A small increase in GHG emissions resulting from a rise in trade waste going to Mildura and Koorlong WWTp.
Transport and stationary fuel		830.41	789.70	-4.90	A 5% decrease in emissions for transport, due to less kms travelled in 2021-2022 which can also be attributed to staff leave due to COVID-19 restrictions.
Corporate offices		467.34	469.42	0.45	A 3% decrease in emissions for corporate offices.
Solar panels		-1,486.90	-515.42	-65.34	A significant decrease in solar panels offsetting GHG emissions, due to issues with the metering of the panels which will be resolved in 2022.
Total emissions	36,743	37,387	37,243.71	-0.38	Future projects to meet our GHG pledge include: (1) continue to undertake pressure control optimisation including dynamic pressure control and district pressure control that reduces wasted energy through the irrigation network (2) eliminating unscheduled irrigation water use and other over-deliveries of flow rate including losses (3) use of tariffs to regulate use, including incentivisation for growers to smooth their demand profile (4) introduction of additional renewable energy options including a mix of behind and front of meter solar and remote renewable offtakes via a power purchase agreement.

Biosolids

Biosolids is a nutrient-rich organic material produced during the processing of wastewater. With a combination of water and organic material, biosolids contain valuable nutrients such as nitrogen and phosphorus. Biosolids has a soil-like consistency and is a viable alternative fertiliser solution when applied under the right conditions.

LMW sought expressions of interest from farmers in the region this year to enter into a long-term agreement to apply biosolids to their farm. We have identified a suitable farmer and we look forward to supplying the biosolids to the farm, ensuring long term sustainability and compliance with Victorian EPA guidelines.

Energy consumption and generation reporting

We are committed to reducing our carbon emissions and report the following Total Electricity Consumption as follows:

Performance indicator	Total energy use (MWh)		Variance	Comments
	2020-2021	2021-2022		
Irrigation supply and drainage	19,967.09	18,852.63	-5.58	There was a decrease in energy usage for irrigation pumps.
Water treatment and supply (urban)	6,281.35	6,319.03	0.60	No noticeable difference this financial year to last.
Sewerage/wastewater collection and treatment	3,728.83	3,650.92	-2.09	No noticeable difference this financial year to last.
Corporate offices	476.88	450.65	-5.50	There was a decrease in energy usage for corporate offices.
Net total	30,454.15	29,273.23	-3.88	We used slightly less electricity for the 2021-2022 financial year.

Our renewable streams are focused on solar due to our geographic location and other accessibility issues. The Total Renewable Electricity Consumption reporting table provides further details below:

Performance indicator	Total renewable energy generated (MWh)	
	2020-2021	2021-2022
Solar	1,517.20	536.90
Hydroelectric	0	0
Wind	0	0
Biogas	0	0
Greenpower	0	0
Total	1,517.20	536.90
Percentage renewable electricity (%)	8.20	1.80

Office based environmental impacts

Energy usage

Performance indicator energy use	2021-2022 Megajoules	Tonnes CO ₂ -e
Corporate offices (total electricity)	469,424,69	450.7
Mildura solar (generated)	0	0
Green power (purchased)		
Total use (including Mildura solar)	0.00	450.65

In 2021-2022, energy used from electricity in our Kerang, Swan Hill and Mildura offices (Corporate) was 2t CO₂-e or 8,243MJ per full time employee (FTE).

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 2021-2022 was 26,789kg, the equivalent of 130.678kg 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 40.7t CO₂-e, this was a small drop from 2020-2021 figure of 42.4t CO₂-e all other waste goes to recycling streams that do not require GHG emissions reporting.

Recycled waste	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Commingled (kg)	1,709	1,657	1,634	1,267	747	393	516	679
Paper (kg)	4,301	4,798	8,629	5,430	10,731	3,015	6,001	7,201
Printer cart. (kg)	70.12	66.68	28.42	30.44	25.10	15.36	33.11	34.20
Batteries (kg)	3,867	3,380	6,035	3,670	705	3053	870	982
Scrap metal (kg)	58,973	35,560	24,262	18,542	29,187	9,018	13,613	12,671
Styrofoam (m ³)	14.25	7.5	8	11	13	2	12	10
Fluorescent lamps (kg)	~120*	~180*	~240*	~300*	~180*	~180*	200	120
							21,245.11	21,697.20

We are committed to the principle of “reduce, reuse and recycle” and our waste procedure is continuously updated to represent the new opportunities for recycling that are adopted as and when they arise. At our Fourteenth Street Office in Mildura, 21,697kg of waste was sent for recycling, this is slight increase on 2020-2021 where 21,245kg was sent to recycling.

We recycle all used fluorescent tubes and lamps across our sites which removes our used fluorescent products from the general waste stream, therefore 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.

Paper use

All copy paper purchased for the year was manufactured from 100% recycled paper, in line with our environmental aims. During the 2021-2022 year, we purchased 700 reams of A4 copy paper which represents 3.41 reams per FTE, up from 3.02 reams per FTE in 2020-2021.

Water consumption

Water consumption at our Kerang, Swan Hill and Mildura offices for the 2021-2022 year was 10,698Kl, this equates to 43 Kl per FTE, which is down from last financial year when it was 52.2Kl per FTE.

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.

Transportation

Fuel usage for 2021-2022, for the diesel fleet was 10,302,066 and 615.075MJ for the unleaded fleet, giving a total of 768.07 CO₂-e.

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.

Given the new ways of working because of COVID-19, we have embraced technology more in 2021-2022 and continue to encourage the use of technologies such as video conferencing across our organisation as a part of our flexible and mobile workforce.

Greenhouse gas emissions

We continue with our investigation and investment into renewables and other technologies to meet our pledge of 24,708t CO₂-e by 2024-2025. Currently we have not purchased any GHG emissions offsets or renewable energy.

Performance indicator	2019-2020 Tonnes CO ₂ -e	2020-2021 Tonnes CO ₂ -e	2021-2022 Tonnes CO ₂ -e
Energy use (corporate)	473.40	467.30	450.65
Vehicle transport	742.70	820.00	768.07
Air travel (approx)	28.16	9.23	21.63
Waste disposal	37.72	42.40	40.70
Purchased GHG offsets	0	0	0
Total	1,381.27	1,338.92	1,281.05

Procurement

LMW has a commitment to environmental sustainability and protection and seek to achieve this by promoting purchasing practices that conserve resources, save energy, minimise waste, protect the environment and human health and maintain environmental safety and quality. Environmentally sustainable business practices are a priority objective in our Social Procurement Strategy which ensure that suppliers are engaged through a tender process that requires them to be compliant with the standards set in the LMW Environmental Policy. When tendering for a project, responses require the inclusion of information regarding 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 six tenders that were conducted during 2021-2022, all successful suppliers had an Environmental Management System, three of which were compliant with ISO 14001:2004 or other industry standards.

Victorian Murray Floodplain Restoration Project (VMFRP)

LMW is the lead agency for the VMFRP in partnership with Goulburn Murray Water, Mallee Catchment Management Authority, North Central Catchment Management Authority, Parks Victoria and the Department of Environment, Land, Water and Planning. VMFRP will get much needed water

back onto nine high-value floodplains along the Murray River. Without this water, these iconic landscapes will continue to decline – along with the many native trees, animals and plants that depend on them.

VMFRP is a focus area of the Minister for Water's 2022 Letter of Expectations and further detailed and current information on the projects, status and upcoming activities/news can be found on the project website, www.vmfrp.com.au

Planning and approvals

In the last 12 months and following on from the Minister for Planning in late 2020 having determined that the floodplain restoration work proposed at:

- Lindsay and Wallpolla Islands and at Hattah Lakes North and Belsar-Yungera would each be assessed under a joint environment effects statement (EES)
- the remaining five sites are being assessed under two environment reports (ER); one for the work proposed at Nyah and Vinifera Forests and Burra Creek and one for Guttrum and Benwell State Forests and the Gunbower National Park.

The project has been progressing with specialist assessments and documentation as required to address the Minister for Planning published scoping requirements. It is planned for these documents will be exhibited publicly commencing in late 2022 and into early 2023.

For background and context, in summary the EES process is Victoria's most rigorous, transparent, and comprehensive process for assessing the potential environmental impacts of large-scale projects, and how those effects will be managed during construction and operation.

An environment report (ER) is a targeted assessment that can be used if an EES is not deemed necessary and where the elements that require further assessment are well defined. The need and scope for the ER is set out in the conditions of the Minister's decision of a referral. This process allows for specific investigations and/or consultations be carried out but is not as complex as an EES.

Cultural heritage management plans

Over 12 months we have completed cultural heritage surveys for 7 out of 9 project sites. These surveys have been able to identify the location of artifacts and culturally sensitive landmarks that influence the cultural heritage management plans that are being prepared with Traditional Owners. These plans assess the potential impact of projects on aboriginal cultural heritage and outline ways to protect cultural heritage before, during and after construction.

Raise floodplain health awareness with Isaiah Firebrace

In March 2022, singer, songwriter, X Factor winner and Eurovision Song Contest entrant Isaiah Firebrace worked with VMFRP to talk about his connection to Country and the importance of being involved in projects like VMFRP. See his voices for country video on the VMFRP Facebook page.

Community awareness

Throughout the year we attended numerous community events and conferences covering the VMFRP project area. We attended market events like Sunraysia Farmers Market and Good Earth Fare, community events like the Nangiloc Fishing Classic and World Fish Migration Day and attended the Murray Darling Basin Authority Conference.

To help community awareness we also held online webinars including a series of technical presentations on project effects, surface water, groundwater, geology, biodiversity, land use, community, and business. All presentations are available on the VMFRP website.

In June 2022, a project to make project information more accessible was completed which saw VMFRP factsheets (which can be found on our website), translated into eight languages so that local culturally and linguistically diverse communities can also access project information.

The VMFRP Facebook, Instagram and Twitter pages provide regular updated information relating to the project and community engagement opportunities.

GROUNDWATER MANAGEMENT REFORM

LoE 9: Improve Victoria's ability to sustainably manage groundwater resources to support all users into the future.

Addressing KPIs:

- These performance indicators are yet to be developed and will be done so with input from LMW.

Actions undertaken:

- participation in the Sustainable Yields Technical Assessment Working Group and the Groundwater Management Strategy Community of Practice
- completion of LMW's first groundwater licence application assessment with support from DELWP technical staff and Goulburn-Murray Water
- development of a suite of templates, forms, and procedures to guide the effective management of groundwater licencing and water use
- completion of an internal audit review to ensure LMW had adequate controls and governance across all water licencing activities
- implementation of staff training to embed best practice and inclusion of staff KPIs in professional development plans for 2022.

LMW has worked closely with DELWP to develop and implement agreed actions and policy directions, including the development of Groundwater Management 2030 (GM2030), an agreed statement of priorities for the next seven years for DELWP and rural water corporations including Lower Murray Water, Goulburn Murray Water, Grampians Wimmera Mallee Water and Southern Rural Water.

Groundwater is a new and emerging area of business for LMW with the first groundwater take and use licence assessment completed and subsequent licence issued in April 2022 with the valued support of DELWP and the Goulburn-Murray Water Groundwater Team.

Through this assessment, LMW developed a Groundwater Licencing Framework to ensure compliance to the requirements of the *Water Act 1989* and ensure due process for LMW as the regulator and the customer containing a suite of procedures based on the Ministers policies to ensure strong governance across all LMW's water licencing activities.

This consists of 13 individual groundwater templates, forms, and procedures to guide LMW operators in the ongoing management of groundwater licencing and water use and embeds best practice as we mature this service within our standard operations.

It is the Victorian water sector's commitment to strong groundwater management that can adjust to meet opportunities and challenges as water use and industry transform in the future.

LMW continues to:

- contribute to state-wide policy and management issues by participation and advocacy at state policy groups and the Victorian State-wide Licencing Committee
- assess and determine new applications for groundwater use and the assessment of resource capabilities

- monitor and report on groundwater use within the LMW service region
- engage and educate customers on groundwater use and the regulatory requirements of use Groundwater Licences 2021-2022.

Groundwater resource	Number of licences	Total licence volume issued (ML)	Total volume extracted (ML)
Lower Tertiary – Outside GMU	1	5,000	823
Total	1	5,000	823

CORPORATE INFORMATION AND OTHER DISCLOSURES

Government advertising expenditure

Our expenditure in the 2021–2022 reporting period on government advertising campaigns did not exceed \$100,000.

Consultancy expenditure

Consultancies under \$10,000

In 2021–2022, there were 21 consultancies engaged during the year, where the total fees payable to the consultants was less than \$10,000. The total expenditure incurred during the 2021–2022 in relation to these consultancies was \$216,819.13 (excluding GST).

Consultancies over \$10,000

In 2021–2022, there were 18 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2021–2022 in relation to these consultancies was \$1,843,422.42 (excluding GST). Details of the consultancies are shown in Appendix 3.

ICT expenditure

For the 2021–2022 reporting period, we had a total ICT expenditure of \$4,932,442 as detailed in the table below:

All operational ICT expenditure	ICT expenditure relating to projects to create or enhance ICT capabilities		
	Non-business as usual (non-BAU) ICT expenditure	Operational expenditure (OPEX)	Capital expenditure (CAPEX)
Business as usual (BAU) ICT expenditure			
\$4,932,442	\$1,819,887	\$1,485,943	\$333,944

ICT expenditure refers to our costs in providing business-enabling ICT services, including 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.

Application and operation of *Freedom of Information Act 1982*

During 2021–2022, we received three requests under the *Freedom of Information Act 1982*.

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 LMW, 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.

The *Freedom of Information Act 1982* allows LMW 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 LMW in-confidence. From July 2022, the application fee will be \$30.60.

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 is time-consuming. Access to documents can also be obtained through a written request to LMW's Freedom of Information officer, as detailed in s17 of the *Freedom of Information Act 1982*.

Requests for documents in the possession of LMW should be addressed to:

Freedom of Information Officer
PO Box 1438
Mildura Vic 3502
Email: foi@lmw.vic.gov.au

Further information regarding the operation and scope of FOI can be obtained from the Act, regulations made under the Act, and www.foi.vic.gov.au

Energy and Water Ombudsman

LMW 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 2021-2022 financial year, EWOV assisted in 21 complaints. Of those 21 complaints, five were escalated to an investigation and successfully resolved.

The Energy and Water Ombudsman (Victoria) may be contacted by writing via the following address:

The Energy and Water Ombudsman (Victoria)
Reply Paid 469
Melbourne VIC 8060
Or by Telephone on 1800 500 509

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 public interest disclosure about LMW or its Board members, officers, or employees by contacting the Independent Board-based Anti-Corruption Commission (IBAC) in writing via the following address:

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

LMW is not able to receive public interest disclosures directly but have an established procedure setting out how we will protect people against detrimental action in reprisal for making a public interest disclosure about LMW, its Board members, officers, or employees. You can access our procedure on our website www.lmw.vic.gov.au/contact-us/

Local Jobs First

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

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

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

Projects commenced - During 2021-2022, LMW commenced Six Local Jobs First Standard projects totalling \$17.5 million. Of those projects, all are in regional Victoria, with an average commitment of 93% of local content. No projects were

commenced that occurred in metropolitan Melbourne or state-wide. MPSG did not apply to any of the six 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 93% of local content commitment was made
- a total of 35 jobs (annualised employee equivalent (AEE)) were committed, including the creation of 12.5 new jobs and the retention of 22.7 existing jobs (AEE)
- a total of 6.8 positions (AEE) for apprentices, trainees and cadets were committed, including the creation of 4.3 new apprenticeships, traineeships, and cadets and the retention of the 2.5 existing apprenticeships, traineeships, and cadets.

There were three small to medium enterprises that prepared a Local Industry Development Plan (LIDP) for contracts, successfully appointed principal contractor. There are 281 small to medium-sized businesses to be engaged through the supply chain on commenced Standard Projects.

Projects completed – During 2021–2022, LMW completed two Local Jobs First Standard projects, totalling \$15.7 million. LMW also received a report from a project completed in the last financial year that was outstanding. Of those projects, all were in regional Victoria, with an average commitment of 90% local content. No projects were completed that occurred in metropolitan Melbourne or state-wide. MPSG did not apply to any of the three projects.

The outcomes from the implementation of the Local Jobs First policy to the three projects where information was provided, were as follows:

- an average of 91% of local content commitment was made
- a total of 82.5 jobs (annualised employee equivalent (AEE)) were supported, including the creation of 7.6 new jobs and the retention of 74.5 existing jobs (AEE)
- a total of 9.4 positions for apprentices, trainees and cadets were committed, including the creation of 1.4 new apprenticeships, traineeships and cadets and the retention of the remaining eight existing apprenticeships, traineeships, and cadets
- there were two small to medium enterprises that prepared a Local Industry Development Plan (LIDP) for completed contracts, successfully appointed principal contractor and 25 small to medium-sized businesses were engaged through the supply chain on completed Standard Projects.

Major contracts

Lower Murray Water had no contracts over the \$10 million threshold.

Building and maintenance provisions of the *Building Act 1993*

We own government buildings located across our service region and are consequently required to include a statement on compliance with the building and maintenance provisions of the *Building Act 1993* (Vic) in relation to the buildings. We require appropriately qualified consultants and contractors be engaged for all proposed works and we require their work and services to comply with current building standards.

All consultants and contractors are expected to have appropriate mechanisms in place to ensure compliance with the *Building Act 1993*, *Building Regulations 2018* and the *National Construction Code*.

Our Corporate Services Team is responsible for mandatory testing of essential safety measures. These inspections inform a works program which is delivered through existing maintenance schedules.

In 2021–2022	Number
Number of major works projects undertaken by Lower Murray Water (greater than \$50,000)	Nil
Number of building permits, occupancy permits, or certificates of final inspection issued in relation to buildings	Nil
Number of emergency orders and building orders issued in relation to buildings	Nil
Number of buildings that have been brought into conformity with building standards during the reporting period	Nil

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. The 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.

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 2021-2022).
- Details of major research and development activities undertaken by the agency.
- 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 2021-2022).
- Details of major promotional, public relations and marketing activities undertaken by the agency to develop community awareness of LMW 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.

3

FINANCIAL REPORTING



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PERFORMANCE REPORTING - FINANCIAL

The 2021-2022 Corporate Plan addressed the expectations set out by the Minister for Water which identified the following expectations relating to financial outcomes:

FINANCIAL SUSTAINABILITY

LoE 7: Delivering safe and cost-effective water and wastewater services in a financially sustainable manner.

Addressing KPIs:

- F1-F8 Financial Indicators

Five-year financial summary

Financial Results	2021-22 \$'000	2020-21 \$'000	2019-20 \$'000	2018-19 \$'000	2017-18 \$'000
Core business revenue	63,756	63,838	65,208	66,545	64,335
Capital contributions	7,264	5,584	7,249	3,594	3,538
Government contributions	58	81	5	910	-
VMFRP funding	25,541	27,761	14,039	1,402	-
Other revenue	4,240	3,990	1,557	2,424	1,432
Total Revenue	100,859	101,254	88,057	74,874	69,305
Depreciation expenses	35,994	29,157	28,324	27,490	27,433
Borrowing cost expenses	2,695	2,794	2,958	3,047	3,265
VMFRP expenses	34,549	16,588	16,062	1,203	-
Other expenses	50,883	48,914	47,807	48,171	46,447
Total Expenditure	124,121	97,453	95,151	79,911	77,145
Other Economic Flows included in Net Result	-358	-241	-	-	-
Net Result before tax	-23,620	3,560	-7,094	-5,037	-7,840
Current assets	31,811	35,611	19,883	22,139	21,506
Non-current assets	967,506	967,504	882,140	885,324	884,131
Total Assets	999,317	1,003,115	902,023	907,463	905,637
Current liabilities	27,500	23,080	19,740	20,509	15,657
Non-current liabilities	185,221	176,551	153,195	156,274	156,566
Total Liabilities	212,721	199,631	172,935	176,783	172,223
Net cash from operations	9,072	33,773	18,853	26,544	21,270
Payments for infrastructure property, plant and equipment	19,064	16,419	24,411	28,622	23,031

Note: Comprehensive financial statements can be found on pages 79-82

Performance Indicators	2021-22	2020-21	2019-20	2018-19	2017-18
Internal Financing Ratio	30.62%	190.94%	76.70%	92.74%	92.35%
Gearing Ratio	5.49%	4.46%	5.17%	5.23%	5.11%
Interest Cover (EBIT) times	-7.76	2.24	-1.45	-0.71	-1.46
Interest Cover (Cash) times	4.49	13.53	7.70	10.23	7.92
Return on Assets	-2.1%	0.66%	-0.47%	-0.24%	-0.52%
Return on Equity	-2.43%	0.76%	-0.76%	-0.48%	-0.76%

Current year financial review

The Corporation recorded a net result before tax loss of \$23.6M. The loss includes revenue and expenditure associated with the VMFRP that recorded a cash loss of \$9.0M. Excluding VMFRP from the financial results, net result before tax would be a loss of \$14.6M.

Whilst the net result (excluding VMFRP) shows a deficit, the result is consistent with the prior year variance loss of \$7.6M (excluding VMFRP). The material variance being the increase of \$6.8M in depreciation expense, arising from the 30 June 2021 Victorian Valuer General revaluation, that resulted in an increase of \$97.9M in the carrying value of our Infrastructure assets.

Our cash position remains strong, and our financial viability is sound, as shown by net cash in operating surplus in the cash flow statement and our financial performance indicators. Our Interest Cover (Cash) 4.5times, which is well above the VAGO low risk reference point of 2.5 times, demonstrates LMW can service debt with sufficient coverage to manage increase in debt requirements for future investments.

We continue to see strong urban and rural growth with Capital Contributions increasing \$1.7M to \$7.3M, especially from residential development contributions making up 73% (\$5.3M) of total contributions. Core business revenue has marginally decreased from the previous year, which again is principally associated with reduced source water for our rural irrigation customers due to increased rainfall across all districts.

Operating expenditure for 2021-2022 (excluding VMFRP) exceeded by 2020-2021 by \$8.7M. Depreciation in 2022 increased \$6.8M due to the valuation increase of \$97.9M in the carrying value of our Infrastructure assets. Other expenses increased by \$2.0M in 2022 included IT expenses associated with our SaaS business transformation to cloud based software, bulk water charges and employee benefits.

LMW made a tax profit of \$5.98M in 2021-2022 which is principally due to tax reporting using actual cost depreciation method and exclusion of VMFRP project transactions resulting in the following adjustments:

- reduction of depreciation expense by \$19.0M
- non-deductible VMFRP loss of \$9M.

Cash generated from operating activities was \$9.1M. Capital investment of \$25.2M included \$19.1M for infrastructure property, plant, and equipment and \$6.1M for the purchase of permanent water entitlements (\$5.66M) and additional software licences (\$0.47M) which was partially funded by an increase in borrowings of \$10.0M.

Significant changes or factors affecting performance

We experienced higher other expenses arising from increased expenditure in ICT due to increases in software licences as well as additional labour, consultants and contractors, of which the latter two relate to Business Transformation Program expenditure.

As experienced in 2020-2021 continual poor raw river water quality and Blue Green Algae outbreaks requiring high chemical dosing rates to provide the community with continual safe drinking water. Urban Filtration costs remain high due to poor water which has resulted in additional chemical costs.

Capital projects

During 2021-2022 there were no projects completed that 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	61,499	64,801	-3,302	-5%
Government grants and contributions	2,315	1,449	866	60%
Developer contributions	7,264	5,574	1,690	30%
Other revenue	4,240	3,898	342	9%
Total Revenue	75,318	75,722	-404	-1%
Depreciation expenses	35,994	35,704	-290	-1%
Borrowing cost expenses	2,695	2,227	-468	-21%
Environmental contribution	2,251	2,251	0	0%
Operating, maintenance and administration expenses	48,632	46,587	-2,045	-4%
Total Expenditure	89,572	86,769	-2,803	-3%
Other Economic Flows	-404	-	-	-
Net Result before tax	-14,658	-11,047	-3,611	-33%

Operating results and financial position

We recorded a net result before tax loss of \$23.6M, which includes revenue and expenditure associated with the VMFRP. Timing differences for VMFRP milestone payments and project expenditure at 30 June resulted in the project reporting a loss of \$9.0M (2021 profit \$11.2M). In 2020-2021, funding of \$14.8M was received in the month of June that predominantly related to 2021-2022 milestone expenditures. When VMFRP is excluded from the financial results, the net result before tax is a loss of \$14.6M.

The net result before tax (excluding VMFRP) \$14.6M exceeds the 2020-2021 result by a loss of \$7.0M predominantly due to the \$6.8M increase in depreciation expense arising from the 30 June 2021 Victorian Valuer General revaluation that resulted in an increase of \$97.9M in the carrying value of our Infrastructure assets is considered. There is a current year budget variance of \$3.6M to the Corporate Plan budget net result before tax loss of \$11.1M which is illustrated in more detail below.

Revenue

Core business service and usage charges are under Corporate Plan budgets by \$3.3M which is principally due the service regions of LMW receiving good spring rainfall events which has reduced the usage demand of both the urban and irrigation customers.

Predominately, other revenue raised throughout 2021-2022 was favourable to budget, with developer contributions above budget by \$1.7M primarily due to the urban growth and strong urban residential developer contributions

Expenditure

Operating expenditure for 2021-2022 (excluding VMFRP) exceeded the Corporate Plan target of \$86.8M by \$2.8M, which represents an increase of 3 per cent. Material variance was due to increased operational and maintenance costs.

ICT costs are higher due to increase in software licences \$0.6M and \$0.7M for additional labour, consultants and contractor's costs which relate to our Business Transformation Program. Urban Filtration costs remain high due to poor water which has resulted in an additional \$0.3M in chemical costs.

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 the construction phase.

Throughout 2021-2022, LMW received Stage 1 funding

\$25.5M (2020-2021 \$27.8M) towards work for the nine business cases which has a total project budget of \$84.5M. The expenses incurred and accrued for the project work for 2021-2022 are \$34.6M (2020-2021 \$16.6M) and it 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 is 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.

Infrastructure, Land and Buildings, Property, Plant and Equipment

LMW operations have a significant impact on the region's economy and liveability. The corporation has a Net \$967M of non-current assets and made the following cash payments during the 2021-2022 year:

- \$19.1M capital and related infrastructure works
- \$5.7M permanent water entitlements (intangibles)
- \$90.7M in operating payments to suppliers and employees.

Summary of Carrying Value by Asset Class

Asset Class	2021-22 \$'000	2020-21 \$'000	2019-20 \$'000	2018-19 \$'000	2017-18 \$'000
Land	18,019	14,565	14,664	14,589	13,861
Buildings	9,460	9,500	10,420	9,355	9,025
Infrastructure	896,636	917,353	826,501	830,792	839,600
Plant and Equipment	7,454	7,039	6,576	6,265	6,415
Works in Progress	24,398	13,382	17,999	18,099	9,259
Total Assets Carrying Value	955,967	961,839	876,160	879,100	878,160

In accordance with FRD 103 we conducted an annual review of the fair value carrying value of each asset class and have only revalued our Land by \$3.4M due to a greater than 10% increase against issued Valuer-General Victoria vacant land indexation factors for the Calendar Year 2022. The full revaluation of all tangible non-current assets was recently conducted by an independent valuer in 2020-2021 and resulted in an increase in Asset Carrying Value of \$97.9M as at 30 June 2021.

No projects completed during the reporting period exceeded the disclosure threshold of \$10M.

Agreed outcomes with customers were set for the 2018-2023 pricing submission period and has seen the following key projects progress or be completed in 2021-2022:

Works	Outcome	2021-22 Investment \$'000
Water of Purchases	Reliable drinking water supply	5,661
Swan Hill North WTP 6 ML Ground Level Storage	Safe drinking water	2,975
Millewa Replace River Pump Station	Reliable drinking water supply	2,161
Mildura WTP Power Supply Upgrade	Reliable drinking water supply	2,059
UV Treatment Upgrade Kerang WTP	Safe drinking water	1,784
Merbein WWTTP Divert to Koorlong	Reliable sewerage services	820
UV Treatment Upgrade Robinvale WTP	Safe drinking water	817
Mildura – Redcliffe Upgrade 17th St HPPS	Supply water when I need it	750
UV Treatment Upgrade Swan Hill WTP	Safe drinking water	686
UV Treatment Upgrade Mildura WTP	Safe drinking water	622

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/state-budget/2022-23-state-budget>).

PROCUREMENT

LMW has a three year Social Procurement Strategy in place for 2021-2023 developed in accordance with the Victorian Government Social Procurement Framework.

Social procurement creates an opportunity to use buying power to generate social benefits beyond the products and services required and contribute to the economic, social and cultural development of our region.

The LMW Social Procurement Strategy targeted four priority objectives from the Social Procurement Framework:

1. Sustainable Victoria regions
2. Opportunities for Victorian Aboriginal people
3. Supporting safe, inclusive and fair workplaces
4. Environmentally sustainable business practices.

The following activities/initiatives were undertaken during the reporting period to build both staff and supplier capability and to support the Social Procurement Strategy:

- staff were provided with information on how to implement social procurement into purchases based on value
- procurements that meet the tender threshold included criteria for social and sustainable practices or commitments
- all notification of tender opportunities highlighted the need to respond to schedules relating to social procurement and indicate if a weighting will be applied
- suppliers were provided information on social procurement, targeted objectives and how to respond when bidding for tenders.

The following outcomes were achieved during the reporting period.

- supported our region to grow by engaging 244 suppliers that have a business registered in the LMW region that are categorised by the Socio-Economic Indexes for Areas (SEIFA) as an area of Socio-Economic disadvantage, with a total spend of \$9.9 Million
- directly engaged 12 Social Benefit Suppliers, 10 of which were located in the LMW region
- directly engaged four Victorian Aboriginal businesses with a total spend of \$0.27M
- all suppliers that entered into contracts made a commitment to the Victorian Supplier Code of Conduct which specifies the minimum expectations in the areas of: integrity, ethics and conduct; conflict of interest, gifts, benefits and hospitality; corporate governance; labour and human rights; health and safety; and environmental management
- all successful suppliers for construction tenders had an Environmental Management System which complied with the standards set in the LMW Environmental Policy, three of which were certified by a third-party industry standard.

PERFORMANCE REPORTING TABLES

Financial Performance Indicators

KPI Number	Key Performance Indicator	2020-21 Result	2021-22 Result	2021-22 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)	13.53	4.49	8.68	-66.8%	1a	-48.3%	1b
F2	Gearing Ratio Total debt (including finance leases) / total assets x 100	4.46%	5.49%	5.92%	23.1%	2a	-7.3%	
F3	Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure x 100	190.94%	30.62%	59.84%	-84.0%	3a	-48.8%	3b
F4	Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	2.42	1.45	1.60	-40.1%	4a	-9.6%	
F5	Return on Assets Earnings before net interest and tax / average assets x 100	0.66%	-2.10%	-0.88%	-418.2%	5a	-140.0%	5b
F6	Return on Equity Net profit after tax / average total equity x 100	0.76%	-2.43%	-0.98%	-419.7%	6a	-147.6%	6c
F7	EBITDA Margin Earnings before interest, tax, depreciation and amortisation / total revenue x 100	35.07%	14.94%	35.50%	-57.4%	7a	-57.9%	7b

Notes

Variances greater than 10% described below

- 1a The unfavourable variance compared to the prior year is predominantly due to timing of Victorian Murray Floodplain Restoration Project (VMFRP) funding receipts of \$25.5M against VMFRP outgoing payments of \$35.7M in 2021-2022 which were \$19M higher than the VMFRP payments of \$16.6M processed in 2020-21. Lower Murray Water (LMW) remains in a strong position to meet ongoing interest expense and service debt with 4.49 times cash interest cover.
- 1b The cash interest cover of 4.49 times did not achieve the target of 8.68 times again due to the timing of the VMFRP receipts and payments materially impacting this ratio. The Corporate Plan and its target ratios exclude VMFRP activities from calculations as this is not part of core LMW activities and is reported separately.
- 2a Unfavourable gearing ratio variance compared to 2020-2021 can be attributed to increased borrowings of \$10M to fund new capital projects whilst total assets decreased marginally by \$3.8M from 2020-2021. LMW actual gearing ratio of 5.49% confirms our ability to fund a proportion of assets using debt.

Notes continued next page

Continued from page 67

Notes

Variances greater than 10% described below

- 3a Unfavourable internal financing ratio compared to 2020-2021 due to decrease in net operating cash flows of \$24.7M, with the majority attributed to timing of additional \$19M payments made for VMFRP, as well as an additional \$2.4M for other supplier and employees and a decrease of \$2.5M in total receipts. Despite the decrease, LMW remains in a strong position to finance capital works from cash flow.
- 3b Unfavourable internal financing ratio compared to target due to decrease in net operating cash flows of \$11.8M which is primarily attributed to additional VMFRP net outflows of \$10.2M. The Corporate Plan and its target ratios exclude VMFRP activities from calculations as this is not part of core LMW activities and is reported separately.
- 4a Unfavourable current ratio compared to 2020-2021 due to current assets, specifically cash and deposits, being \$5.7M lower than the prior year. Decrease attributed to cash at bank for VMFRP being \$7.7M in FY 22 compared to \$13.7M in FY 21. This \$6M decrease is due to the timing of grant monies received as money was received in advance of disbursements made in FY 21. Despite the decrease, LMW remains in a strong position with ability to meet existing liabilities in the short term (12 months).
- 5a Unfavourable Return on Assets compared to 2020-2021 due to \$27.3M decrease in EBIT from the prior year EBIT profit of \$6.3M to current year EBIT loss of \$21.0M. The majority of the movement is due to EBIT loss of \$9M associated with VMFRP in 2021-2022 compared to prior year VMFRP surplus of \$11.2M, resulting in a negative EBIT movement of \$20.2M. Also depreciation increase of \$6.8M arising from the 30 June 2021 Victorian Valuer General revaluation, that resulted in an increase of \$97.9M in the carrying value of our Infrastructure assets.
- 5b Unfavourable Return on Assets compared to target due to unfavourable EBIT loss from the target loss of \$12.2M. The movement is primarily due to increased EBIT loss of \$9M associated with VMFRP. The Corporate Plan and its target ratios exclude VMFRP activities from calculations as this is not part of core LMW activities and is reported separately.
- 6a Unfavourable Return on Equity compared to 2020-2021 due to \$25.2M decrease in net profit after tax from the prior year profit of \$5.8M to current year loss of \$19.3M. The majority of the movement is due to Net loss of \$9M associated with VMFRP in 2021-2022 compared to prior year VMFRP surplus of \$11.2M, resulting in a negative movement of \$20.2M. Also depreciation increase of \$6.8M arising from the 30 June 2021 Victorian Valuer General revaluation, that resulted in an increase of \$97.9M in the carrying value of our Infrastructure assets.
- 6b Unfavourable Return on Equity compared to target due to negative variance of \$11.6M from net profit after tax from the target loss of \$7.7M to current year loss of \$19.3M. The movement is primarily due to increased loss associated with VMFRP, with the current year resulting in a loss of \$9M. The Corporate Plan and its target ratios exclude VMFRP activities from calculations as this is not part of core LMW activities and is reported separately.
- 7a Unfavourable EBITDA Margin compared to 2020-2021 due to \$20.4M decrease in EBITDA from the prior year EBITDA of \$35.5M to current year EBITDA of \$15.1M. The majority of the movement is due to Net loss of \$9M associated with VMFRP in 2021-2022 compared to prior year VMFRP surplus of \$11.2M, a negative movement of \$20.2M.
- 7b Unfavourable EBITDA Margin compared to target due to a \$11.8M decrease in EBITDA from the target EBITDA of \$26.9M to current year EBITDA \$15.1M. The movement is due to current year \$9M loss associated with VMFRP, total revenue decreasing by 0.4M and \$2.1M increase in operating, maintenance and administration expenses. The Corporate Plan and its target ratios exclude VMFRP activities from calculations as this is not part of core LMW activities and is reported separately.

Urban Water and Sewerage Service Performance Indicators

KPI Number	Key Performance Indicator	2020-21 Result	2021-22 Result	2021-22 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	0.0%	0.34%	0.0%	100.0%	1a	100.0%	1b
WS2	Interruption Time Average duration of unplanned water supply interruptions (minutes)	58.98	52.43	60.0	-11.1%	2a	-12.6%	2b
WS3	Restoration of Unplanned Water Supply Unplanned water supply interruptions restored within 5 hours / total unplanned water supply interruptions x 100	100.0%	97.97%	99.4%	-2.0%		-1.4%	
SS1	Containment of Sewer Spills Sewer spills from reticulation and branch sewers contained within 5 hours / total sewer spills from reticulation and branch sewers	100.0%	100.0%	97.0%	0.0%		3.1%	
SS2	Sewer Spills Interruptions No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	100.0%	99.0%	97.0%	-0.8%		2.2%	

Notes

Variances greater than 5% described below

- 1a Unfavourable variance to prior year and target is attributed to twelve (12) of our customers experiencing unplanned interruptions due to a faulty water main installation. The water main was scheduled for replacement in 2020-2021 however no faults were recorded so LMW postponed the project pending previous repairs resolving the issues. Unfortunately the repairs were not successful and as such the water main is now considered for the replacement program in 2022-2023.
- 2a/b Favourable variance to prior year and target is attributed to a reduction in the number of customers experiencing unplanned interruptions across our network along with a general reduction in interruption times. Our Service Delivery teams continue to deliver and focus on proactive maintenance programs and investment in asset renewals to reduce the frequency and interruptions to our customers.

Rural Water Service Performance Indicators

KPI Number	Key Performance Indicator	2020-21 Result	2021-22 Result	2021-22 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	99.76%	99.90%	98.0%	0.1%		1.9%	
C1.5	Applications completed within agreed timeframes Number of applications completed/ total number of applications	98.0%	98.0%	85.0%	0.0%		15.3%	2a
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	0.0%	0.0%	0.0%	N/A		N/A	

Notes

Variances greater than 5% described below

2a Favourable variance to target is a result of our Customer Team processing 514 water share transfers in the current year whereby 98% of transfers were approved within 20 business days, exceeding our projected target.

Urban Customer Responsiveness Performance Indicators

KPI Number	Key Performance Indicator	2020-21 Result	2021-22 Result	2021-22 Target	Variance to Prior Year	Notes	Variance to Target	Notes
CR1	Water Quality Complaints No. of complaints per 1000 customers	0.804	0.768	1.370	-4.5%		-43.9%	3b
CR4	Billing Complaints No. of complaints per 1000 customers	0.172	0.142	0.360	-17.4%	4a	-60.6%	4b

Notes

Variances greater than 5% described below

3b Favourable variance to target is a result of complaints received being less than the five year average.

4a Favourable variance to prior year is a result of receiving five (5) billing complaints compared to six (6) in the previous year. These consisted of a direct debit payment interval, high usage, pension concession and tenancy movements, our Customer Service Team work with our customers to resolve their complaints in a timely manner. LMW continues to implement improvement initiatives to deliver customer outcomes through engagement and service delivery.

4b Favourable variance to target is a result of complaints received being less than the five (5) year average.

Urban Residential Customer Water Bill Indicators

KPI Number	Key Performance Indicator	2021-22 Result	2021-22 Target	2020-21 Result
L3.A	Total urban residential billed based on average consumption (477kl)	\$990.49	N/A*	\$981.70
L3.B	Total residential urban bill based on 200kl consumption	\$790.44	N/A*	\$790.70

N/A* No target required to be set in corporate plan.

Rural Customer Responsiveness Performance Indicators

KPI Number	Key Performance Indicator	2020-21 Result	2021-22 Result	2021-22 Target	Variance to Prior Year	Notes	Variance to Target	Notes
CRR4	Billing Complaints No. of complaints per 1000 customers	0.810	0.319	0.260	-60.6%	5a	22.7%	5b

Notes Variances greater than 5% described below

5a Favourable variance compared to prior year is a result of receiving two (2) billing complaints compared to five (5) in the previous year. Our Customer Service Team resolved our customers' complaints pertaining to a drainage reuse charge and a direct debit payment method. LMW continues to implement improvement initiatives to deliver customer outcomes through engagement and service delivery.

5b Favourable variance to target is a result of complaints received in the current year being less than the five year average.

Rural Customer Bill Indicators

KPI Number	Key Performance Indicator	2021-22 Result	2021-22 Target	2020-21 Result
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**	N/A**
C.1.6.2	Total rural bill pumped irrigation Total bill for a 100 M customer with high reliability and one service point. (include other associated fees (e.g. drainage, usage) and report by district) Mildura Mildura High Pressure Merbein Red Cliffs Robinvale High Pressure Private Diverters	\$14,709.05 \$22,596.53 \$11,214.01 \$11,836.37 \$22,159.05 \$1,343.41	N/A** N/A** N/A** N/A** N/A** N/A**	\$14,785.73 \$21,797.01 \$11,905.53 \$12,845.05 \$22,061.45 \$1,311.21
C.1.6.3	Total rural bill domestic and stock Total bill for a 1 or 2 ML customer (as applicable) Mildura Mildura High Pressure Merbein Red Cliffs Robinvale High Pressure Private Diverters Total bill for water work districts Total bill for a 1 or 2 ML customer (as applicable) Millewa - Township 1 ML Millewa - Rural 2 ML Wargan 2 ML	\$367.87 \$510.65 \$298.91 \$310.54 \$495.61 \$151.12 \$1,320.60 \$7,716.46 \$1,209.78	N/A** N/A** N/A** N/A** N/A** N/A** N/A** N/A** N/A**	\$368.23 \$497.60 \$309.95 \$326.34 \$493.03 \$149.48 \$1,356.56 \$7,917.90 \$1,252.61

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

N/A** No target required to be set in corporate plan.

Urban Environmental Performance Indicators

KPI Number	Key Performance Indicator	2020-21 Result	2021-22 Result	2021-22 Target	Variance to Prior Year	Notes	Variance to Target	Notes
E1	Effluent Re-Use Volume (End Use) % recycled	59.34%	52.47%	60.0%	-11.6%	6a	-12.6%	6b
E2	Total Net CO ₂ Emissions Net tonnes CO ₂ equivalent	17,876	22,318	15,779	24.8%	7a	41.4%	7b

Notes

Variances greater than 5% described below

- 6a The unfavourable variance to target is due to the recycling target being based on the total water available at the Wastewater Treatment Plants (5,259ML) with recycling schemes relative to the total treated waste water (6,029ML) at all Wastewater Treatment Plants.
- 6b The unfavourable variance (reduction) to prior year is due to reduced effluent reuse volumes attributed to a wetter year compared to the previous, and less water lost due to evaporation (735ML) compared to the previous year (1,255ML).
- 7a Unfavourable variance to prior year is due to LMW using slightly more electricity compared to last financial year, however the increase was mostly due to increased trade waste which resulted in increased GHG emissions.
- 7b Unfavourable variance to target is a result of LMW not meeting its CO₂ emissions target due to delays in implementation of GHG emission reduction projects. LMW has a GHG reduction strategy which ensures we deliver projects that promote power savings and reduction in emissions. LMW is working towards the development of a dashboard reporting system to allow real time monitoring of carbon emissions. There are a suite of projects being considered that are aimed at reducing scope 2 emissions by targeting higher operational efficiencies for process, water pumping, water quality and safety, transport, generation, life energy costs and environmental best practice for any new equipment.

Rural Environmental Performance Indicators

KPI Number	Key Performance Indicator	2020-21 Result	2021-22 Result	2021-22 Target	Variance to Prior Year	Notes	Variance to Target	Notes
E2	Total Net CO ₂ Emissions Net tonnes CO ₂ equivalent	20,216	18,570	20,916	-8.1%	8a	-11.2%	8b

Notes

Variances greater than 5% described below

- 8a Favourable variance to prior year is attributed to LMW having a 5.6% reduction in electricity use for irrigation supply which had a significant impact on greenhouse gas emissions for rural
- 8b Favourable variance to target is due to LMW meeting its CO₂ emissions target due to a decrease in irrigation pumping for the 2021-2022 season. Significant rain events in Spring 2021 and Summer 2022 saw demand decrease for the whole season.

FINANCIAL MANAGEMENT COMPLIANCE ATTESTATION STATEMENT

I, Maxwell 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.



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

Dated this day, Monday, 10 October 2022

CERTIFICATE OF PERFORMANCE REPORT 2021-2022

We certify that the accompanying Performance Report of Lower Murray Urban and Rural Water Corporation in respect to the 2021-2022 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 2021-2022 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.



Sharyon Peart
Chair



Anthony Couroupis
Managing Director



Karen Hensgen
General Manager Business Services and
Performance

Dated this day, Monday, 10 October 2022

INDEPENDENT AUDITOR'S REPORT – PERFORMANCE



Independent Auditor's Report

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

Opinion	<p>I have audited the performance report of the Lower Murray Urban and Rural Water Corporation (the corporation) for the year ended 30 June 2022 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 bill indicators • urban environmental performance indicators • rural environmental performance indicators • certificate of performance report. <p>In my opinion, the performance report of the Lower Murray Urban and Rural Water Corporation for the year ended 30 June 2022 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the <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>

Level 31 / 35 Collins Street, Melbourne Vic 3000
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT – PERFORMANCE

Auditor's responsibilities for the audit of the performance report

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

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

- identify and assess the risks of material misstatement of the performance report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control
- evaluate the overall presentation, structure and content of the performance report, including the disclosures, and whether the performance report represents the underlying events and results in a manner that achieves fair presentation.

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

MELBOURNE
14 October 2022



Paul Martin
as delegate for the Auditor-General of Victoria

DECLARATION IN THE FINANCIAL STATEMENTS

The attached financial statements for Lower Murray Urban & Rural Water Corporation have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the 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 2022 and financial position of Lower Murray Water at 30 June 2022.

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

We authorise the attached financial statements for issue on 10 October 2022.



Karen Hensgen
General Manager Business Services
and Performance
Lower Murray Urban & Rural Water
Corporation
Mildura



Anthony Couroupis
Managing Director
Lower Murray Urban & Rural Water
Corporation
Mildura



Sharyon Peart
Board Chair
Lower Murray Urban & Rural Water
Corporation
Mildura

Dated this day, 10 October 2022.

VICTORIAN AUDITOR-GENERAL'S REPORT



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 2022 • 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 the 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 2022 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 is responsible for the "other information" included in the corporation's Annual Report for the year ended 30 June 2022. The other information in the Annual Report does not include the financial report, the 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.</p> <p>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>

VICTORIAN AUDITOR-GENERAL'S REPORT

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
14 October 2022



Paul Martin
as delegate for the Auditor-General of Victoria

COMPREHENSIVE OPERATING STATEMENT

For the year ended 30 June 2022

		2022 \$'000	2021 \$'000
Revenue and income from transactions	Notes		
Revenue from service, usage and trade waste charges	2.1.1	61,499	61,602
Victorian Murray Floodplain Restoration Project funding	10.2	25,541	27,761
Government grants and contributions	2.2	2,315	2,317
Developer contributions	2.1.2	7,264	5,584
Other income	2.3	4,240	3,990
Total revenue and income from transactions		100,859	101,254
Expenses from transactions			
Depreciation and impairment	4.1.1	35,731	28,811
Amortisation	4.2	263	346
Employee benefits	3.1.1	23,075	19,744
Direct operating expenses	3.2	12,861	13,414
Repairs and maintenance	3.3	7,955	6,923
Victorian Murray Floodplain Restoration Project funding	10.2	34,549	16,588
Environmental contribution	8.2	2,251	2,251
Interest expense	6.1.2	2,695	2,794
Other expenses	3.4	4,741	6,582
Total expenses from transactions		124,121	97,453
Net result from transactions (net operating balance)		(23,262)	3,801
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	4.1.5	(404)	(241)
Net gain/(loss) on financial instruments	9.2	46	-
Total other economic flow included in net result		(358)	(241)
Net result before income tax		(23,620)	3,560
Income tax (expense)/revenue	8.1.1	4,314	2,280
Net result		(19,306)	5,840
Other economic flows - other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Changes in physical asset revaluation surplus	9.1.2	3,454	97,936
Deferred income tax relating to components of other comprehensive income	8.1.1	(1,036)	(29,380)
Total other economic flows - other comprehensive income		2,418	68,556
Comprehensive result		(16,888)	74,396

The accompanying notes form part of these financial statements.

BALANCE SHEET

For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Assets			
Current assets			
Cash and deposits	6.2	15,691	21,400
Receivables	5.1	10,409	9,257
Inventories	5.4	4,668	4,293
Other non-financial assets	5.6	1,043	648
Other financial assets	5.5	-	13
Total current assets		31,811	35,611
Non-current assets			
Receivables	5.1	138	145
Infrastructure, property, plant and equipment	4.1.1	955,967	961,839
Intangibles	4.2	11,396	5,515
Other financial assets	5.5	5	5
Total non-current assets		967,506	967,504
Total assets		999,317	1,003,115
Liabilities			
Current liabilities			
Trade and other payables	5.2	14,767	9,340
Contract liabilities	5.3	1,954	1,902
Employee benefits provision	3.1.2	6,791	5,905
Interest bearing liabilities	6.1	3,988	5,933
Total current liabilities		27,500	23,080
Non-current liabilities			
Other financial liabilities	5.5	146	193
Employee benefits provision	3.1.2	144	159
Interest bearing liabilities	6.1	50,830	38,820
Net deferred tax liabilities	8.1.2	134,101	137,379
Total non-current liabilities		185,221	176,551
Total liabilities		212,721	199,631
Net assets		786,596	803,484
Equity			
Contributed capital	9.1.3	633,524	633,524
Physical asset revaluation reserve	9.1.2	272,472	270,054
Accumulated surplus / (deficit)	9.1.3	(119,400)	(100,094)
Total equity		786,596	803,484

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts			
Service and usage charges / Revenue from contracts with customers		60,065	63,127
Receipts from Government		27,856	30,078
Interest received		94	98
Developer contribution fees		1,837	1,288
Income for capital purposes		1,757	4,296
Goods and Services Tax received from the ATO		7,067	5,010
Other customer revenue		4,116	2,083
Total receipts		102,792	105,980
Payments			
Payments to suppliers and employees		(90,744)	(69,133)
Interest and other cost of finance paid		(2,695)	(2,794)
Goods and Services Tax paid to the ATO		(281)	(280)
Total payments		(93,720)	(72,207)
Net cash flows from/(used in) operating activities	6.2.1	9,072	33,773
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(19,064)	(16,419)
Proceeds from sale of infrastructure, property, plant & equipment		250	139
Proceeds from sale of assets held for sale		99	55
Payments for intangible assets		(6,144)	(34)
Payment of loan to ZEW Ltd		-	(5)
Payment of other financial assets		13	(13)
Net cash flows from/(used in) investing activities		(24,846)	(16,277)
Cash flows from financing activities			
Proceeds from borrowings		13,000	2,000
Repayment of borrowings		(2,935)	(3,879)
Net cash flows from/(used in) financing activities		10,065	(1,879)
Net increase/(decrease) in cash and deposits		(5,709)	15,617
Cash and deposits at the beginning of the financial year		21,400	5,783
Cash and deposits at the end of the financial year	6.2	15,691	21,400

The accompanying notes form part of these financial statements.

STATEMENT IN CHANGES IN EQUITY

For the year ended 30 June 2022

	Contributed capital \$'000	Physical asset revaluation reserve \$'000	Accumulated surplus/ (deficit) \$'000	Total equity \$'000
Balance at 1 July 2020	633,524	201,498	(105,934)	729,088
Net result for the year	-	-	5,840	5,840
Other comprehensive income	-	68,556	-	68,556
Total comprehensive income	-	68,556	5,840	74,396
Balance at 30 June 2021	633,524	270,054	(100,094)	803,484
Balance at 1 July 2022	633,524	270,054	(100,094)	803,484
Net result for the year	-	-	(19,306)	(19,306)
Other comprehensive income	-	2,418	-	2,418
Balance at 30 June 2022	633,524	272,472	(119,400)	786,596

The accompanying notes form part of these financial statements.

NOTES ACCOMPANYING FINANCIAL STATEMENTS

1. ABOUT THIS REPORT

1.1 Basis of Preparation

A description of the nature of its operations and Lower Murray Urban & Rural Water Corporation's (LMW) principal activities is included in the Report of operations, which does not form part of these financial statements.

The financial report includes separate financial statements for LMW 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 2022. LMW is a not-for-profit entity for the purpose of preparing the financial statements.

The financial report has been prepared on an accrual and going concern basis and under the historical cost convention, except for infrastructure, property, plant and equipment, derivative financial instruments and the defined benefit obligation, which have been measured at fair value.

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

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

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

The annual financial statements were authorised for issue by the Board on the 10 October 2022.

The principal address is:

Lower Murray Water
741-759 Fourteenth Street
Mildura VIC 3500

The financial information has been prepared based on LMW's main functions which gives a more detailed understanding of the different areas of the business. LMW provides 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 LMW to ensure LMW customers are not affected. Refer to Note 10.1 for further detail.

Functional and presentation currency

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

Classification between current and non-current

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

Rounding

Unless otherwise stated, amounts shown in the financial statements are expressed to the nearest thousand dollars (\$'000).

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.

Comparative information

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

Accounting estimates

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

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

Significant judgement and estimation area	Note number
Accrued water usage charges	2.1.1
Estimated fair value of derivative financial instrument	7.3
The fair value of land, buildings, infrastructure, plant and equipment	7.3
Estimation of useful life	4.1.4
Estimated fair value of derivative financial instrument	5.5 & 7.3
Impairment of assets	4.1.4
Employee benefit provisions	3.1.2
Actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates	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 <i>Revenue from Contracts with Customers (AASB 15)</i> or AASB 1058 <i>Income of not-for-profit entities (AASB 1058)</i>	2.1.1
The timing of satisfaction of performance obligations	2.1.3
Determining transaction price and amounts allocated to performance obligations	2.1.1
Recognition and measurement of Software as-a-Service (SaaS) arrangements	4.2

COVID-19

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

The consequential impacts on LMW have included, but are not limited to:

- ensuring a strong response and putting provisions in place to continue to provide essential water and sewerage services for Lower Murray Water customers
- support for employees transitioning to working from home
- uplifting our IT network capability to support remote working
- supporting customers experiencing financial difficulties through arrangements such as our hardship program, more time to pay arrangements and payment plans
- providing waivers to our trade waste customers and commercial tenants who are experiencing financial hardship.

The following financial statement areas have been affected by COVID-19:

- Note 2.1.1 Revenue from service, usage and trade waste charges
- Note 3.1.3 Superannuation
- Note 4.1.4 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 and balances
- Note 7.1.3 Financial risk management objectives and policies
- Note 7.3 Fair value determination
- Note 9.3 Events occurring after the balance date

For the year ended 30 June 2022, LMW recognised a net loss of \$19.31 million. LMW's net current assets as at 30 June 2022 were \$4.31 million. LMW has \$15.69 million of resources comprising cash and cash equivalents, other highly liquid assets and unused credit lines available at the date of authorisation of these financial statements.

Management is continuously reviewing budgets and forecasts while monitoring cash flow requirements and customer payment trends during this period of uncertainty and conclude that the going concern assumption still remains appropriate.

These financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

Compliance information

These general-purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable *Australian Accounting Standards* (AASs), which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of *AASB 1049 Whole of Government and General Government Sector Financial Reporting* (AASB 1049). Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied.

2. FUNDING DELIVERY OF OUR SERVICES

Introduction

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

LMW provides water services, wastewater 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. LMW'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 Revenue from service, usage and trade waste charges
 - 2.1.2 Developer contributions
 - 2.1.3 Timing of recognition of revenue from customers
- 2.2 Government grants and contributions
- 2.3 Other income

2.1 Revenue from contracts with customers

	Notes	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Revenue from service, usage and trade waste charges	2.1.1	61,499	61,602	36,142	36,152	25,357	25,450
Developer contributions	2.1.2	7,264	5,584	5,274	5,048	1,990	536
Total revenue from contracts with customers		68,763	67,186	41,416	41,200	27,347	25,986

2.1.1 Revenue from service, usage and trade waste charges

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Service charges						
Water	24,091	23,983	6,047	6,015	18,044	17,968
Sewerage	15,809	15,670	15,809	15,670	-	-
Trade waste	712	660	712	660	-	-
Recycled water	120	86	120	86	-	-
Irrigation drainage service charges	1,409	1,398	-	-	1,409	1,398
Usage charges						
Water	19,068	19,548	13,164	13,464	5,904	6,084
Recycled water	290	257	290	257	-	-
Total revenue from service usage and trade waste charges	61,499	61,602	36,142	36,152	25,357	25,450

Revenue from service, usage and trade waste charges is determined to be in accordance with AASB 15 *Revenue from Contracts with Customers* (AASB 15).

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Service charges (trade waste and recycled water, water and sewerage)	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 2022 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.	Revenue is recognised over time as service is provided.
Usage charges, Disposal charges - sewerage	Usage charges are billed quarterly in arrears and revenue is recognised over time as LMW 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.	Revenue is recognised over time as service is provided.
Trade waste disposal charges	Revenue related to trade waste disposal is based on the volume of waste disposed by customers.	Revenue is recognised at a point in time.
Recycled water charges	Recycled water charges are all recognised as revenue over time as the performance obligation is satisfied. Lower Murray Water measures these charges based on the regulated prices and the volume of water consumed by customers, and sewage and trade waste disposed by customers.	Revenue is recognised over time as service is provided
Water trading revenue	Water trading revenue is recognised at a point in time when the trade occurs. This is when the performance obligation is satisfied. The charges are payable at the point of the trade.	Revenue is recognised at a point in time.

Contract assets and liabilities have been disclosed in notes 5.1 and 5.3.

2.1.2 Developer contributions

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Developer contributed assets						
Fees paid by developers	3,594	4,296	1,897	3,813	1,699	483
Assets or services received from developers	3,670	1,288	3,378	1,235	292	53
Total developer contributions	7,264	5,584	5,275	5,048	1,991	536

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Developer contributed assets	<p>Developer contributed assets arise 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.</p> <p>Revenue from developer contributed assets is recognised at a point in time when LMW has satisfied its performance obligation. Depending on the type of developer application, this can result in the performance obligation being satisfied:</p> <ul style="list-style-type: none"> • when the Statement of Compliance is issued to the customer, or • when the customer is connected to Lower Murray Water's infrastructure network for the provision of water and sewerage services when no Statement of Compliance is required to be issued. <p>Developer contributions for construction of assets received by LMW that have not satisfied these obligations are reported as Contract Liabilities as per AASB 15.</p> <p>Revenue is recognised at the fair value of the gifted assets by assessing the value of the works using schedule of rates</p>	Revenue is recognised at a point in time.
Fees paid by developers	<p>New customer contributions are paid by developers to connect new housing developments to existing water supply and wastewater systems. The charges contribute towards the cost of augmenting LMW, water supply distribution systems and sewerage disposal systems.</p> <p>Depending on the type of new customer contribution application, this can result in the performance obligation being satisfied at a point in time when Lower Murray Water satisfies its performance obligation. This will vary depending on the type of application submitted by the customer. As a result, a performance obligation can be satisfied when:</p> <ul style="list-style-type: none"> • the Statement of Compliance is issued to the customer; or • the customer is connected to LMW'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 LMW to proceed with their application. <p>The rates applied to calculate the new customer contributions are regulated by the Essential Services Commission.</p>	Revenue is recognised at a point in time.

2.1.3 Timing of recognition of revenue from customers

LMW derives revenue from the transfer of goods and services over time and at a point in time for the following charges.

Service charges	Water \$'000	Sewerage \$'000	Trade waste \$'000	Recycled water \$'000	Irrigation drainage service chargers \$'000	Total revenue from service charges \$'000
2021						
At a point in time	-	-	660	-	-	660
Over time	23,983	15,670	-	86	1,398	41,137
Total	23,983	15,670	660	86	1,398	41,797
2022						
At a point in time	-	-	712	-	-	712
Over time	24,091	15,809	-	120	1,409	41,429
Total	24,091	15,809	712	120	1,409	42,141

Usage charges	Water \$'000	Recycled water \$'000	Total revenue from service charges \$'000
2021			
At a point in time	-	-	-
Over time	19,548	257	19,805
Total	19,548	257	19,805
2022			
At a point in time	-	-	-
Over time	19,068	290	19,358
Total	19,068	290	19,358

Developer contributions	Fees paid by developers \$'000	Assets or services received from developers \$'000	Total revenue from developer contributions \$'000
2021			
At a point in time	4,296	1,288	5,584
Over time	-	-	-
Total	4,296	1,288	5,584
2022			
At a point in time	3,594	3,670	7,264
Over time	-	-	-
Total	3,594	3,670	7,264

2.2 Government grants and contributions

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Income recognised as income of not-for-profit entities						
Government contributions (non-capital)	58	81	58	81	-	-
Government pensioner concession reimbursement	2,257	2,236	2,206	2,175	51	61
Total government grants and contributions	2,315	2,317	2,264	2,256	51	61

LMW has determined that all grant income is recognised as income of not-for-profit entities in accordance with AASB 1058, except for grants that are enforceable and with sufficiently specific performance obligations and accounted for as revenue from contracts with customers in accordance with AASB 15.

Government pensioner concession reimbursement relates to funds reimbursed to LMW, by government for concessions attributed to customer accounts and recognised in accordance with AASB 15.

Income from grants that are enforceable and with sufficiently specific performance obligations are accounted for as revenue from contracts with customers. This is recognised based on the consideration specified in the funding agreement and to the extent that it is highly probable a significant reversal of the revenue will not occur. The funding payments are normally received in advance or shortly after the relevant obligation is satisfied.

Grants and contributions received from the Victorian State Government are accounted for as Equity – Contributions by Owners in accordance with FRD 119 Transfers through contributed capital (refer to Note 9.1.1).

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when LMW has an unconditional right to receive cash which usually coincides with receipt of cash. On initial recognition of the asset, LMW recognises any related contributions by owners, increases in liabilities, decreases in assets, and revenue ('related amounts') in accordance with other Australian Accounting Standards. Related amounts may take the form of:

- contributions by owners, in accordance with AASB 1004 *Contributions* (AASB 1004);
- revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15;
- a lease liability in accordance with AASB 16 *Leases* (AASB 16);
- a financial instrument, in accordance with AASB 9 *Financial Instruments* (AASB 9); or
- a provision, in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* (AASB 137).

A government grant is not recognised until there is reasonable assurance that LMW will comply with the conditions attaching to it, and that the grant will be received.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.3 Other income

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Other income	38	-	20	-	18	-
Income from fees	1,429	1,573	1,126	1,292	303	281
Annual water trade income	714	1,292	706	1,177	8	115
Customer service obligations	-	1	-	1	-	-
Interest income	94	98	11	11	83	87
Sundry income	1,065	1,026	307	376	758	650
Capital Charge Groundwater	900	-	-	-	900	-
Total other income	4,240	3,990	2,170	2,857	2,070	1,133

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 LMW.

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

Interest income includes interest received on bank term deposits and other investments and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method, which allocates the interest over the relevant period.

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 Expenses incurred in delivery of services
 - 3.1.1 Employee benefits – comprehensive operating statement
 - 3.1.2 Employee benefits – balance sheet
 - 3.1.3 Superannuation
- 3.2 Direct operating expenses
- 3.3 Repairs and maintenance
- 3.4 Other expenses

3.1 Expenses incurred in delivery of services

		TOTAL	
	Notes	2022 \$'000	2021 \$'000
Employee benefit expenses	3.1.1	23,075	19,744
Direct operating expenses	3.2	12,861	13,414
Repairs and maintenance	3.3	7,955	6,923
Operating expenses	3.4	4,741	6,582
VMFRP expenses	10.2	34,549	16,588
Total expenses incurred in delivery of services		83,181	63,251

3.1.1 Employee benefits – comprehensive operating statement

		TOTAL	
	Notes	2022 \$'000	2021 \$'000
Employee Benefits			
Salaries and wages, annual leave, long service leave and termination payments		20,680	17,737
Employer superannuation contributions		2,162	1,774
Directors and chair remuneration and allowance		233	233
Total employee benefit costs		23,075	19,744

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

Directly attributable costs for bringing an asset to the location and condition necessary for operation, such as costs of employee benefits arising directly from the construction or acquisition of the item of infrastructure, property, plant and equipment are capitalised.

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period (see note 3.1.3).

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when LMW 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.

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.

	2022 \$'000	2021 \$'000
Current provisions:		
<i>Annual leave</i>		
Unconditional and expected to settle within 12 months	1,229	1,072
Unconditional and expected to settle after 12 months	1,119	969
<i>Long service leave</i>		
Unconditional and expected to settle within 12 months	131	145
Unconditional and expected to settle after 12 months	3,227	2,817
<i>Provisions for on-costs</i>		
Unconditional and expected to settle within 12 months	206	174
Unconditional and expected to settle after 12 months	544	455
Accumulated RDO, sick leave & accrued bonus	335	273
Total current provisions for employee benefits	6,791	5,905
Non-current provisions:		
Employee benefits	128	142
On-costs	16	17
Total non-current provisions for employee benefits	144	159
Total provisions for employee benefits	6,935	6,064

Reconciliation of movements in on-cost provisions

	2022 \$'000
Opening balance	646
Additional provisions recognised	117
Amounts utilised during the period	(1)
Effect of changes in the discount rate	4
Closing balance	766
Current	750
Non-current	16

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.

A provision has been made for sick leave when the average sick leave taken over a five-year period exceeds the employee's yearly entitlement. In all other instances as sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income as it is taken.

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 as an other economic flows included in the net result within the operating statement.

Performance payments

LMW ceased to pay performance based bonus in the 2019-2020 financial year in accordance with the Premier's decision to remove performance bonuses from Executive Contracts from 1 July 2020.

The performance payment program was discontinued effective 30 June 2020. Previously, performance payments for LMW's Executive Officers were based on a percentage of the annual salary package provided under their contract(s) of employment. The remaining performance payments arrangements were discontinued effective 30 June 2020. There are no outstanding residual performance payments as at 30 June 2022.

3.1.3 Superannuation [Vision Super]

Superannuation contributions

LMW's obligations for contributions to the fund are recognised as an expense in Comprehensive operating statement when they are made or due.

LMW 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 become due.

Contributions by LMW (excluding unfunded liability payments) to the superannuation plans for the financial year ended 30 June 2022 and 30 June 2021 are detailed below:

Scheme	Type of scheme	Rate (%)	2022 \$'000	2021 \$'000
Vision Super	Accumulation	10.0%	821	797
Vision Super	Defined benefits	10.0%	115	137
Super Trust of Australia	Accumulation	10.0%	292	185
Other Superannuation Funds	Accumulation	10.0%	898	638
Other Superannuation Funds	Defined benefits	10.0%	17	17
Total contributions to all funds			2,143	1,774
			2022	2021
			\$	\$
Contributions outstanding to Vision Super			2	4
Expected contributions to be paid to Vision Super			110,239	99,027

Accumulation

The Fund's accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2022, this was 10% as required under Superannuation Guarantee (SG) legislation) (2021: 9.5%). Contributions to the accumulation plans are expensed as the contributions are paid or become payable.

Defined benefit fund

LMW does not use defined benefit accounting because sufficient information is not available. There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of the group in the new 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 *Employee Benefits* (AASB 119).

Funding arrangements

LMW 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, LMW 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 triennial actuarial investigation

A full actuarial review in 2020 for the Defined Benefit category as at 30 June 2020 was conducted and completed by the due date of 31 December 2020. The vested benefit index (VBI) was 104.6%. Because the VBI was above 100%, the full 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. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year.

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

	2022	2021
Net investment returns	5.5% p.a.	5.6% p.a.
Salary information	2.5% p.a. for two years 3.5% p.a. thereafter	2.5% p.a. for two years 2.75% p.a. thereafter
Price inflation (CPI)	3.0% p.a.	2.0% p.a.

The Fund's full actuarial investigation as at 30 June 2020 identified the following:

	2022	2021
	\$m	\$m
VBI surplus/(deficit)	214.7	100.0
Total service liability surplus/(deficit)	270.3	200.0
A discounted accrued benefits surplus	285.2	217.8

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 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 as at 30 June 2020.

The 2021 interim actuarial investigation

An interim actuarial investigation was conducted for the Fund's position as at 30 June 2021 as the Fund provides lifetime pensions in the Defined Benefit category. The actual VBI was above the 100%, being 109.8% indicating that the Fund is in a satisfactory financial position. As at 30 June 2022, an interim actuarial investigation is underway as the Fund provides lifetime pensions in the Defined benefit category. It is expected to be completed by 31 October 2022. Vision Super has advised that the estimated VBI at 30 June 2022 was 102.2%.

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 Prudential Standard SPS 160 *Defined Benefit Matters* (SPS160) 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 LMW) 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.

3.2 Direct operating expenses

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bulk water charge	3,771	3,300	662	627	3,109	2,673
Electricity	6,035	6,994	2,166	2,389	3,869	4,605
Chemicals	1,481	1,561	1,385	1,441	96	120
Consultants	1,574	1,559	815	874	759	685
Total direct operating expenses	12,861	13,414	5,028	5,331	7,833	8,083

The bulk water charge relates to LMW's entitlement to access bulk water and are recognised as expenses in the period in which they are incurred.

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

3.3 Repairs and maintenance

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Infrastructure	4,793	3,777	2,865	2,235	1,928	1,542
Consumables	2,455	2,416	1,504	1,371	951	1,045
Other	707	730	397	441	310	289
Total repairs and maintenance	7,955	6,923	4,766	4,047	3,189	2,876

Routine maintenance, repair costs and minor renewal costs that do not enhance the performance of the asset 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 and are expensed as incurred.

3.4 Other expenses

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
IT Expenses	1,973	1,547	1,775	1,392	198	155
Administrative expenses	1,317	1,407	755	810	562	597
Bad debt expense	103	245	65	214	38	31
Write off of assets	-	799	-	390	-	409
Staff related expenses	298	335	157	176	141	159
Travel	152	93	86	54	66	39
Subscriptions	224	225	142	142	82	83
Rates	204	191	165	152	39	39
Other	470	1,740	(44)	909	514	831
Total other expenses	4,741	6,582	3,101	4,239	1,640	2,343

Other 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.

Expense from derivative financial instruments relates to the investment in Zero Emissions Water Limited (ZEW) has been included in other expense category. Refer Note 5.5.1 for further details on the arrangement between LMW and ZEW.

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

LMW has initially recognised the CfD derivative financial instrument and is measured at fair value based on the best available information. The initial recognition expense represents the fair value of the expected future settlements at the initial recognition, currently in a liability position.

The initial recognition of the CfD derivative is treated as a “transaction” for the purposes of annual financial statements on the basis that it is an interaction between two entities by mutual agreement in respect to which no cash flows take place on effective date.

Refer to Note 7.3 for more information about the judgements and assumptions used in measuring fair value determination of derivative financial instruments.

Gain/Loss on the fair value of derivative financial instrument represents the movement in the fair value of the financial instrument compared to initial recognition. This net gain/loss reflects a positive/negative fair value movement in LMW's electricity derivative in the PPA as a result of lower floating electricity prices. Any gain/loss is recognised as another economic flow included in net result.

4. KEY ASSETS AVAILABLE TO SUPPORT DELIVERY OF OUR SERVICES

Introduction

LMW 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 LMW to be utilised for delivery of those outputs.

Structure

- 4.1 Infrastructure, property, plant and equipment
 - 4.1.1 Reconciliation of movements in carrying values of infrastructure, property, plant and equipment
 - 4.1.2 Initial recognition and subsequent measurement
 - 4.1.3 Accounting for revaluation movements
 - 4.1.4 Depreciation and impairment
 - 4.1.5 Net gain/loss on disposal of non-current assets
- 4.2 Intangible assets

4.1 Infrastructure, property, plant and equipment

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

	Land	Buildings	Infrastructure assets	Plant equipment and vehicles	Works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2022						
Opening net book amount	14,565	9,500	917,353	7,039	13,382	961,839
Fair value of asset received free of charge	-	292	3,379	-	-	3,671
Additions including developer contributions	-	31	15	1,644	21,974	23,664
Transfer between asset classes	-	58	10,256	466	(10,958)	(178)
Disposals	-	-	(519)	(233)	-	(752)
Depreciation charge	-	(421)	(33,848)	(1,462)	-	(35,731)
Revaluation	3,454	-	-	-	-	3,454
Closing net book amount	18,019	9,460	896,636	7,454	24,398	955,967
Total as of year ended 30 June 2022 represented by:						
Gross book value	18,019	9,947	930,671	22,288	24,398	1,005,323
Accumulated depreciation	-	(487)	(34,035)	(14,834)	-	(49,356)
Net book value as at 30 June 2022	18,019	9,460	896,636	7,454	24,398	955,967

	Land	Buildings	Infrastructure assets	Plant equipment and vehicles	Works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2021						
Opening net book amount - 1 July 2020	14,664	10,420	826,501	6,576	17,999	876,160
Fair value of asset received free of charge	64	-	-	-	-	64
Additions including developer contributions	-	6	1,231	1,487	14,938	17,662
Transfer between asset classes	30	481	18,631	405	(19,555)	(8)
Disposals	(30)	(216)	(797)	(121)	-	(1,164)
Depreciation charge	-	(317)	(27,149)	(1,345)	-	(28,811)
Revaluation	(163)	(874)	98,936	37	-	97,936
Closing net book amount	14,565	9,500	917,353	7,039	13,382	961,839
Total as at 30 June 2021 represented by:						
Gross book value	14,565	9,567	917,581	20,879	13,382	975,974
Accumulated depreciation	-	(67)	(228)	(13,840)	-	(14,135)
Net book value as at 30 June 2022	14,565	9,500	917,353	7,039	13,382	961,839

4.1.2 Initial recognition and subsequent measurement

Infrastructure, property, plant and equipment

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 (2021: \$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. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Motor Vehicles

Vehicles are valued using the current replacement cost method. LMW acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in LMW. Management review and set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Revaluation of infrastructure, property, plant and equipment

Non-financial physical assets are revalued at fair value every five years in accordance with the Government purpose classifications defined in Financial Reporting Direction 103 Non-Financial Physical Assets (FRD 103).

The Valuer-General Victoria (VGV) is the Government's independent valuation agency and is used by LMW to conduct these scheduled revaluations. Certain infrastructure assets are revalued using specialised advisors under the direction of the VGV.

Revaluations may occur more frequently if fair value assessments indicate material changes in values. In such instances, interim managerial revaluations are undertaken in accordance with the requirements of FRD 103.

LMW in conjunction with VGV, monitors changes in the fair value of each asset class through relevant data sources, in order to determine whether a revaluation is required.

LMW assets relating to land, buildings, infrastructure and service concession assets were independently valued by the VGV as at 30 June 2022. The market that the assets are valued in is being impacted by the uncertainty that the coronavirus (COVID-19) outbreak has caused. The valuer has advised that the current market environment, impacted by coronavirus (COVID-19), creates significant valuation uncertainty. The value assessed at the valuation date may therefore change over a relatively short time period.

Refer to Note 7.3 Fair value determination for further information on the revaluation methods used for the asset classes.

4.1.3 Accounting for revaluation movements

Infrastructure, property, plant and equipment

Fair value is determined 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).

Revaluation increases or decreases arise from differences between an asset's carrying value and its fair value.

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.

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).

The last full revaluation was conducted in June 2021 and the next full revaluation for LMW is scheduled for June 2026.

4.1.4 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:

Asset class	Useful life (years)
Water, irrigation and drainage infrastructure	
Buildings	50 – 80 years
Plant and machinery	8 – 20 years
Storage tanks / channels / pipelines	60 – 250 years
Pumping stations	10 – 80 years
Sewerage infrastructure	10 – 80 years
Plant and equipment	8 – 20 years
Motor vehicles	8 – 10 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate. The impacts of COVID-19 and climate-related emerging risks were taken into account when estimating the useful life of these assets.

Land, earthworks, land under declared roads, and core cultural assets, which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

Impairment

Non-financial assets, including items of infrastructure, 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 impact of climate risk is not a key assumption in the current replacement cost and fair value less costs to sell. The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business.

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.

Whilst the potential risks and related opportunities from climate related change are considered as part of Lower Murray Water's asset impairment review methodology and processes, based on what is currently known, it is not expected that climate risks will have a significant impact on LMW's principal activities, particularly from an asset impairment standpoint.

4.1.5 Net gain/loss on disposal of non-current assets

The surplus/(deficit) from ordinary activities includes the following specific net gains and expenses:

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Proceeds from sale of non-financial assets	-	135		71		64
Proceeds from sale of assets held for sale	-	59		31		28
Disposal of non-financial assets other than assets	(404)	(366)	(294)	(65)	(110)	(301)
Disposal of non-financial assets - assets held for sale	-	(69)		(36)		(33)
Net gain/(loss) on disposal	(404)	(241)	(294)	1	(110)	(242)

4.2 Intangible assets

	Water shares \$'000	Software development costs \$'000	ZEW – Large-scale generator certificates \$'000	Total \$'000
Year ended 30 June 2021				
Opening net book amount - 1 July 2020	4,797	1,030	-	5,827
Additions	-	15	11	26
Transfer between asset classes	-	8	-	8
Amortisation	-	(346)	-	(346)
Closing net book amount	4,797	707	11	5,515
Total as at 30 June 2021 represented by:				
Cost of fair value	4,797	8,354	11	13,162
Accumulated amortisation	-	(7,647)	-	(7,647)
Net book value as at 30 June 2021	4,797	707	11	5,515
Year ended 30 June 2022				
Opening net book amount - 1 July 2021	4,797	707	11	5,515
Additions	5,661	291	14	5,966
Disposals	-	-	-	-
Transfer between asset classes	5,661	178	-	178
Impairment of assets	-	-	-	-
Amortisation	-	(263)	-	(263)
Closing net book amount	10,458	913	25	11,396
Total as of year ended 30 June 2022 represented by:				
Cost of fair value	10,458	8,823	25	19,306
Accumulated amortisation	-	(7,910)	-	(7,910)
Net book value as at 30 June 2022	10,458	913	25	11,396

Recognition and measurement

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

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets is met, internally generated intangible assets are recognised at cost.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- an intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with finite useful lives are amortised as an expense on a systematic basis (typically straight-line), commencing from the time the asset is available for use (when it is in the location and condition necessary for it to be capable of operating in the manner intended by management). The amortisation periods are reviewed and adjusted 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.

A summary of the policies applied to LMW's intangible assets is as follows:

	Water Share Entitlements	Software development costs	Large-scale generation certificates
Useful lives	Indefinite	Finite	Indefinite
Amortisation method used	Not amortised or revalued	3 years – straight line	Not amortised or revalued
Internally generated/acquired	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	Tested annually and where an indicator of impairment exists

Water shares are treated as an intangible asset on the balance sheet at cost (in accordance with AASB 138 Intangible Assets and FRD 109 Intangible Assets), and will not be subject to amortisation, as they have an indefinite life. LMW 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 Lower Murray Water in trust, for the Victorian State Government. These entitlements enable the organisation to carry out its core business operations.

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.

The policy in connection with testing for impairment is outlined in section 4.1.4.

Software costs

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

Software as-a-Service (SaaS) arrangements [include if cloud computing costs have been significant]

SaaS arrangements are service contracts providing LMW with the right to access the cloud provider's application software over the contract period. As such LMW does not receive a software intangible asset at the contract commencement date. [A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.]

The following outlines the accounting treatment (see Note 3.4) of costs incurred in relation to SaaS arrangements:

Recognise as an other expense (Note over the term of the service contract)	<ul style="list-style-type: none"> • Fee for use of application software • Customisation costs
Recognise as an other expense (Note 3.4) as the service is received	<ul style="list-style-type: none"> • Configuration costs • Data conversion and migration costs • Testing costs • Training costs

LMW made the following key judgements that may have the most significant effect on the amounts recognised in the financial statements.

Determination whether configuration and customisation services are distinct from the SaaS access

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

Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised (i.e., upfront). Non-distinct configuration and customisation costs are expensed over the SaaS contract term.

Non-distinct customisation activities significantly enhance or modify a SaaS cloud-based application. Judgement has been applied in determining whether the degree of customisation and modification of the SaaS cloud-based application is significant or not.

During the financial year, LMW recognised \$0 (2021: \$0) as prepayments in respect of configuration and customisation activities undertaken in implementing SaaS arrangements which are considered not to be distinct from the access to the SaaS application software over the contract term.

Capitalisation of configuration and customisation costs in SaaS arrangements

In implementing SaaS arrangements, LMW has not developed any software codes that either enhances, modifies or creates additional capability to the existing owned software.

Judgement has been applied in determining whether the changes to the owned software meets the definition of and recognition criteria for an intangible asset in accordance with AASB 138 Intangible Assets. During the financial year, LMW recognised \$0 (2021: \$0) as intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements.

Large-scale Generation Certificates

Large-scale Generation Certificates are recognised as an intangible asset on the Balance Sheet at cost (in accordance with AASB 138 *Intangible Assets* and FRD 109 *Intangible Assets*), and will not be subject to amortisation, as the Large-scale Generation Certificates have an indefinite life.

5. OTHER ASSETS AND LIABILITIES

Introduction

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 Impairment of contractual receivables
 - 5.1.2 Ageing analysis of contractual receivables
 - 5.1.3 Reconciliation of the expected credit loss allowance
- 5.2 Payables
 - 5.2.1 Ageing analysis of contractual payables
- 5.3 Contract liabilities
- 5.4 Inventories
- 5.5 Other financial assets and liabilities
 - 5.5.1 Investment in ZEW Ltd
- 5.6 Other non-financial assets

5.1 Receivables

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Current Contractual						
Trade receivables	7,557	6,426	4,405	4,531	3,152	1,895
Sundry debtors	2,511	2,269	1,318	1,191	1,193	1,078
Allowance for expected credit losses	(656)	(553)	(436)	(382)	(220)	(171)
	9,412	8,142	5,287	5,340	4,125	2,802
Non contractual other receivables						
Trade receivables non contractual	997	796	568	204	429	592
Statutory						
GST Receivables	-	319	-	167	-	152
Total current receivables	10,409	9,257	5,855	5,711	4,554	3,546
Non-current Contractual						
Sundry debtors	138	145	138	145	-	-
Total non-current receivables	138	145	138	145	-	-
Total receivables	10,547	9,402	5,993	5,856	4,554	3,546

Receivables consist of:

Receivable	Initial measurement	Subsequent measurement
Contractual receivables (service and usage charges)	Measured at transaction price, unless they contain a significant financing component, when they are recognised at fair value. LMW does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year.	Classified as financial instrument and measured at amortised cost less any expected credit loss.
Statutory receivables	Measured similarly to contractual receivables (except for impairment).	Not classified as a financial instrument and measured at amortised cost less any expected credit loss.

The carrying amount at amortised cost is the reasonable approximation of fair value.

5.1.1 Impairment of contractual receivables

LMW applies the AASB 9 simplified approach to measure 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). LMW has grouped contractual receivables – service and usage charges on shared credit risk characteristics and days past due and select the expected credit loss rate based on LMW's past history, existing market conditions, as well as forward-looking estimates at the end of the financial year, including consideration of the impact coronavirus might have on the impact of customers to make payments of their water bills.

LMW has established an Expected Credit Loss (ECL) percentage rate using analysis of actual Tenant and Sundry receivables aged trial balances extracted from Lower Murray Water's property and metering enterprise software (PAM) and the aging profiles of the debtors with balances of tenant and sundry aged debtor categories. On that basis, the loss allowance as at 30 June 2022 was determined as follows for receivables – service and usage charges and other receivables:

30 June 2022	Current	30 to 90 days past due	90 to 365 days past due	1-2 year	2-3 year	3+ year	Total
Expected loss rate	5.00%	5.00%	10.00%	50.00%	80.00%	100.00%	
Gross carrying amount – tenant receivables	278	-	298	197	114	190	1,077
Gross carrying amount – sundry debtors	48	176	296	238	51	32	841
Loss allowance	16	9	59	218	132	222	656
30 June 2021	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	345	78	57	14	892		1,386
Gross carrying amount – sundry debtors	56	54	32	51	198		391
Loss allowance	20	56	40	45	392		553

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.

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

5.1.2 Ageing analysis of contractual receivables

	Carrying amount \$'000	Not past due and not impaired \$'000	Past due but not impaired		
			1 - 3 months \$'000	3 months - 1 year \$'000	1 year + \$'000
30 June 2022					
Receivables	10,206	1,984	1,700	3,908	2,614
Total	10,206	1,984	1,700	3,908	2,614
30 June 2021					
Receivables	8,840	3,773	1,391	1,549	2,127
Total	8,840	3,773	1,391	1,549	2,127

No interest is charged for the first 30 days from the invoice date. Thereafter, interest is charged at 2.9% per cent for 2022 (2021: 3.9%) for irrigation and drainage customers on the outstanding balance. The average credit period for sales of goods / services and for other receivables is 38 days (2021: 38 days). There are no material financial assets that are individually determined to be impaired.

5.1.3 Reconciliation of the expected credit loss allowance

	2022 \$'000	2021 \$'000
Opening balance 1 July	553	379
Increase in provision recognised in the net result	103	174
Balance as at 30 June	656	553

The expected credit loss allowance is calculated based on debtor days and we then apply an expected default rate based on historical expected credit losses and forward looking estimates. As a result of increasing the allowance for doubtful debts by \$0.174 million in 2021, upon reflecting the debtor payment evidence without guesstimating the risks and uncertainties brought about by the COVID-19 pandemic using macroeconomic assumptions we have made a further increased the provision by \$0.103 million in 2022. If the pandemic endures the debtor payment ability in the future may change, it could have a material impact on our allowance for doubtful debts in the subsequent years.

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

5.2 Payables

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Current Contractual						
Trade creditors and accrued expenses	6,307	4,340	2,875	2,251	3,432	2,089
Deposits	1,584	785	1,143	734	441	51
VMFRP creditors and accrued expenses	6,483	4,173	-	-	-	-
Statutory						
Statutory	393	42	223	22	170	20
Total current payables	14,767	9,340	4,241	3,007	4,043	2,160
Non-current Contractual						
Total non-current payables	-	-	-	-	-	-
Total trade and other payables	14,767	9,340	4,241	3,007	4,043	2,160

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 LMW 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 include payroll tax, superannuation charges payable and the Financial Accommodation Levy.

The terms and conditions of amounts payable to the government and agencies vary according to the particular agreements and as they are not legislative payables, statutory payables are not classified as financial instruments.

Due to COVID-19, there was a ministerial direction issued to LMW to ensure all creditors are paid within 10 working days rather than the terms of the creditor agreement. There has been no significant impact on LMW's cash flow as creditors are usually paid on a weekly basis, given the unpredictability of COVID-19 situation this may change in the future.

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

5.2.1 Ageing analysis of contractual payables

	Carrying amount \$'000	Past due but not impaired		
		Less than 1 month \$'000	1 - 3 months \$'000	3 months - 1 year \$'000
30 June 2022				
Supplies and services	13,183	12,759	424	
Other payables	1,584	4	26	1,554
Total	14,767	12,763	450	1,554
30 June 2021				
Supplies and services	8,513	7,846	-	667
Other payables	785	-	196	589
Total	9,298	7,846	196	1,256

5.3 Contract liabilities

	2022 \$'000	2021 \$'000
Customers paid in advance	1,954	1,902
Total contract liabilities	1,954	1,902
<i>Represented by</i> Current contract liabilities	1,954	1,902

	Service usage charges - customer paid in advance \$'000	Developer contributions - unearned income \$'000	Total \$'000
Carrying amount as at 1 July 2020	100	1,779	1,879
Add: Payments received in advance for provision of goods and services	380	1,500	1,880
Less: Revenue recognised in the reporting period for the completion of performance obligations	(81)	(1,776)	(1,857)
Closing balance at 30 June 2021	399	1,503	1,902
Add: Payments received in advance for provision of goods and services	145	1,456	1,601
Less: Revenue recognised in the reporting period for the completion of performance obligations	(42)	(1,507)	(1,549)
Total contract liabilities at 30 June 2022	502	1,452	1,954

Contract liabilities	Description	Recognition
Contract liabilities relating to service usage charges - Customers paid in advance	Payments received in advance of the provision of goods or services or performance obligation yet to be performed by LMW to settle the terms of receipt of income.	Recognised as revenue, once it has performed the performance obligations associated with the payments.
Contract liabilities relating to developer contributions - Unearned Income	Payments received for developer contributed assets, new customer contributions and application fees in the reporting period, where the performance obligations are outstanding at balance date.	Recognised as revenue, once it has performed the performance obligations associated with the payments
Contract liabilities relating to other income	Payments received for other goods and services (e.g., rental), where the performance obligations are outstanding at balance date.	Recognised as revenue, once it has performed the performance obligations associated with the payments

5.4 Inventories

Current

Stores and consumables - at cost

Inventories and consumables

Biological assets

Total inventories

2022 \$'000	2021 \$'000
4,540	4,164
128	129
4,668	4,293

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.

5.5 Other financial assets and liabilities

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Current						
Other	-	13	-	7	-	6
Non-current						
Investment in Zero Emissions Water (ZEW) Ltd	5	5	3	3	2	2
Total other financial assets	5	18	3	10	2	8

Amounts held by LMW with a maturity of three months or more are disclosed as 'Other financial assets'.

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Non-current						
Derivative financial instrument Ltd	146	193	76	9	70	184
Total other financial assets	146	193	76	9	70	184

5.5.1 Investment in ZEW Ltd

LMW is one of 12 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 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, LMW as a member is limited to \$10 in the event of a wind up. As required by Australian Accounting Standards, LMW 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. LMW 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 LMW.

The Members' Agreement specifies that ZEW may call on LMW to make a loan available to ZEW amounting to \$36,000. The loan, if requested by ZEW, would meet the definition of a financial asset as it gives rise to a contractual right for us to receive cash from ZEW at the end of the loan term. At 30 June 2022, ZEW had requested and received a loan payment of \$5,000. As this loan is concessional, it has been treated as an investment in ZEW and measured at amortised cost.

On 30 October 2018, ZEW entered into an 11-year Power Purchasing Agreement (PPA) with a solar farm energy generator. 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 solar farm energy generator experienced a construction delay due to the redesign of electrical infrastructure and a connection delay relating to generator restrictions and revised connection procedures advised by the Australian Electricity Market Operator (AEMO).

Further extensions were granted until 31 January 2021 as a result of delays in commissioning ZEW's section of the solar farm which delayed the meeting of the conditions precedents. LMW's share of the settlement for these further delays was \$25,829 which was recognised in the Statement of Comprehensive Income as other income in the 2020-21 financial year.

Along with the settlement funds, LMW was also able to purchase an additional 972 replacement LGCs at the PPA price which have been recognised as intangible assets (refer note 4.2).

On 22 January 2021, the conditions precedent in the PPA was completed and the CfD derivative was recognised as a financial liability measured at its fair value. Subsequent changes in the derivative's fair value have been recognised as an other economic flow included in the net result. Refer to Note 7.3 for more information about the judgements and assumptions used in measuring fair value determination of derivative financial instruments.

LMW now has an obligation to purchase its percentage of energy allocation under the Members' Agreement, via the CfD derivative. The financial impact of the Members' Agreement with ZEW has resulted in increased revenue and expenses, and the recognition of a derivative financial instruments and LGCs as intangible assets.

5.6 Other non-financial assets

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Current						
Prepayments	1,043	648	548	340	495	308
Total other non-financial assets	1,043	648	548	340	495	308

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

6. HOW WE FINANCED OUR OPERATIONS

Introduction

This section provides information on the sources of finance utilised by LMW 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 and balances
 - 6.2.1 Reconciliation of net result for the period to cash flow from operating activities
 - 6.2.2 Financing facilities
- 6.3 Commitments for expenditure
 - 6.3.1 Total commitments payable

6.1 Interest bearing liabilities

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Current interest-bearing liabilities						
Loans from Treasury Corporation of Victoria (TCV)	3,988	5,933	494	467	3,494	5,466
Total current interest-bearing liabilities	3,988	5,933	494	467	3,494	5,466
Non-current interest-bearing liabilities						
Loans from Treasury Corporation of Victoria (TCV)	50,830	38,820	16,415	16,910	34,415	21,910
Total non-current interest-bearing liabilities	50,830	38,820	16,415	16,910	34,415	21,910
Total interest-bearing liabilities	54,818	44,753	16,909	17,377	37,909	27,376

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.

LMW has classified borrowings which mature within 12 months as non-current liabilities on the basis that Lower Murray Water will and has discretion to refinance or rollover these loans with the Treasury Corporation of Victoria (TCV), pursuant to section 8 of the *Borrowings and Investment Powers Act 1987*.

6.1.1 Maturity analysis of interest-bearing liabilities

	TOTAL		CURRENT (12 MONTHS)		NON-CURRENT		NON-CURRENT (OVER 5 YEARS)	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Loans from TCV	54,818	44,753	3,988	2,933	8,000	13,321	42,830	28,499
Total	54,818	44,753	3,988	2,933	8,000	13,321	42,830	28,499

6.1.2 Interest expense

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Interest on loans from Treasury Corporation of Victoria (TCV)	2,227	2,316	951	1,018	1,276	1,298
Financial accommodation levy	468	478	184	192	284	286
Total interest expense	2,695	2,794	1,135	1,210	1,560	1,584

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 and measured at fair value.

When LMW 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 LMW's credit rating, a FAL of 49 basis points is applied to all new financial accommodation in 2022 (2021 – 58 basis points) assessed from Treasury Corporation of Victoria (TCV). FAL incurred by LMW is accounted for as a borrowing cost for the purpose of presentation in the general purpose financial statements.

6.2 Cash flow information and balances

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

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

	2022 \$'000	2021 \$'000
Cash on hand	1	1
Cash at bank	15,690	21,399
Balance as per cash flow statement	15,691	21,400

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

	2022 \$'000	2021 \$'000
Net result for the period	(19,306)	5,840
Non-cash movements		
Depreciation and amortisation	35,994	29,157
Income tax (expense)/benefit	4,314	2,280
Assets written off	-	799
Net (profit)/loss on disposal of non-current physical assets	-	241
Gifted Assets	(7,341)	(1,352)
	13,661	36,965
Movements in assets and liabilities		
(Increase)/decrease in receivables	(1,145)	(102)
(Increase)/decrease in inventories	(376)	(85)
(Increase)/decrease in prepayments	(395)	(19)
Increase/(decrease) in payables and provisions	(3,544)	(2,748)
Increase/(decrease) in employee benefits	871	(238)
Net cash provided by/(used in) operating activities	9,072	33,773

6.2.2 Financing facilities

	2022 \$'000	2021 \$'000
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. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

6.3.1 Total commitments payable

	2022 \$'000	2021 \$'000
Nominal Amounts 2022		
Capital commitments payable	18,015	18,015
Operating commitments payable	10,289	10,289
Total commitments (inclusive of GST)	28,304	28,304
Less GST recoverable	2,562	2,562
Total commitments (exclusive of GST)	25,742	25,742
Nominal Amounts 2021		
Capital commitments payable	7,030	7,030
Operating commitments payable	13,899	13,899
Total commitments (inclusive of GST)	20,929	20,929
Less GST recoverable	1,880	1,880
Total commitments (exclusive of GST)	19,049	19,049

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

LMW 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 LMW related mainly to fair value determination.

Structure

- 7.1 Financial instruments specific disclosures
 - 7.1.1 Financial instruments: categorisation
 - 7.1.2 Financial instruments: Net holding gain/(loss) on financial instruments by category
 - 7.1.3 Financial risk management objectives and policies
- 7.2 Contingent assets and contingent liabilities
 - 7.2.1 Contingent assets
 - 7.2.2 Contingent liabilities
- 7.3 Fair value determination
 - 7.3.1 Fair value of financial instruments measured at amortised cost
 - 7.3.2 Fair value determination – Non-financial physical assets
 - 7.3.3 Fair value determination – Financial instruments

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:

Financial assets	Financial liabilities
<ul style="list-style-type: none"> • Cash and deposits • Receivables: <ul style="list-style-type: none"> – Sale of goods and services – Other receivables – Term deposits • Investment in Zero Emission Water (ZEW) • Derivative financial asset 	<ul style="list-style-type: none"> • Payables: <ul style="list-style-type: none"> – contractual payables (e.g. trade creditors, sundry creditors, accrued expenses, and other expenses) – Amounts payable to government and agencies – Other payables • Interest bearing liabilities: <ul style="list-style-type: none"> – Bank overdraft – Loans • Derivative financial liability

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

Financial assets and liabilities at fair value through profit or loss

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

Derivative financial instruments are classified as held for trading financial assets and liabilities. They are initially recognised at fair value on the date on which all contractual obligations under Conditions Precent are met and on subsequent measurement. The initial expense recognised represents the fair value of the expected future settlements at initial recognition (refer note 3.4).

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in fair value of derivatives after initial recognition are recognised in consolidated comprehensive operating statement as an 'other economic flow' included in the net result.

Financial instruments: Credit risk

Derivative

LMW's other credit risk arises from in-the-money receipts due from the Contracts for Difference derivative under the ZEW PPA. LMW determines its maximum exposure to credit risk relating to the derivative financial instrument at reporting date as the sum of the nominal values of all forecasted net cash receipts where the floating price due by the proponent exceeds the fixed price payable by LMW over the remaining PPA term.

At 30 June 2022, LMW has no other significant credit risk. There has been no material change to LMW's credit risk profile in 2021–22.

Financial instruments: price risk

LMW uses the Contract for Difference (CfD) derivative financial instrument to manage energy related commodities purchased in the normal course of business, and therefore entered into this PPA to minimise a portion of the price risk to LMW. LMW's sensitivity to price risk is set out in Note 7.1.3.

Categories of financial instruments

Financial instrument	Initial measurement	Subsequent measurement
Financial assets at amortised cost		
Financial assets include: • Loans and receivables • cash and deposits; • receivables; • term deposits; and • certain debt securities. • Investment in ZEW	Fair value plus or minus any directly attributable transaction costs	Amortised cost only using the effective interest rate method less impairment if both of the following criteria are met: • the asset is held within a business model whose objective is to collect the • the contractual terms give rise to cash flows that are solely payments of principal and interest.
Financial assets at fair value through net results		
Investments in ZEW	Fair value through net result.	Fair value through net result.
Financial liabilities at amortised cost		
Financial liabilities include: • payables (excluding statutory payables); and • borrowings	Fair value, plus or minus any directly attributable transaction costs subsequent to initial recognition.	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.
Derivative financial instruments		
Derivative financial instruments	Fair value on the date on which a derivative contract is entered into.	Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the consolidated comprehensive operating statement as an 'other economic flow' included in the net result.

Offsetting financial instruments

Financial instrument assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, LMW 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 LMW 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 and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- LMW 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
- LMW 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 LMW has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of LMW's continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

Impairment of financial assets

At the end of each reporting period, LMW assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Climate-related matters may be relevant in the calculation of expected credit losses if, for example, they impact the range of potential future economic scenarios or assessment of significant increases in credit risk. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

LMW records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's Expected Credit Loss approach. Subject to AASB 9's impairment assessment includes LMW's contractual receivables, statutory receivables and its investment in debt instruments. Although not a financial asset, contract assets recognised applying AASB 15 (refer to Note 5.2) are also subject to impairment. Equity instruments are not subject to impairment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

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

7.1.1 Financial instruments: categorisation

		Cash and deposits	Financial assets / liabilities designated at fair value through profit/ loss (FVTPL)	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
2022	Notes	\$'000	\$'000	\$'000	\$'000	\$'000
Contractual financial assets						
Cash and deposits	6.2	15,691	-	-	-	15,691
Receivables^(a)						
Trade receivables	5.1	-	-	9,550	-	9,550
Derivative financial assets						
Investment in Zero Emissions Water (ZEW) Ltd	5.5	-	-	5	-	5
Investments and other contractual financial assets						
Investment in Zero Emissions Water (ZEW) Ltd	5.5	-	3	-	-	3
Other	5.5	-	-	7	-	7
Total contractual financial assets		15,691	3	9,562	-	25,256
Contractual financial liabilities						
Payables						
Trade creditors and accrued expenses	5.2	-	-	-	14,767	14,767
Contract liabilities	5.3	-	-	-	1,954	1,954
Borrowings						
Loans from Treasury Corporation of Victoria (TCV)	6.1	-	-	-	54,818	54,818
Derivative financial liabilities						
Financial liabilities designated at fair value through profit or loss	5.5	-	146	-	-	146
Total contractual financial liabilities		-	146	-	71,539	71,539
2021						
Contractual financial assets						
Cash and deposits	6.2	21,400	-	-	-	21,400
Receivables						
Trade receivables	5.1	-	-	8,287	-	8,287
Derivative financial assets						
Investment in Zero Emissions Water (ZEW) Ltd	5.5	-	-	5	-	5
Total contractual financial assets		21,400	-	8,287	-	29,687
Contractual financial liabilities						
Payables						
Trade creditors and accrued expenses	5.2	-	-	-	9,340	9,340
Borrowings						
Loans from Treasury Corporation of Victoria (TCV)	6.1	-	-	-	44,753	44,753
Derivative financial liabilities						
Financial liabilities designated at fair value through profit or loss	5.5	-	193	-	-	193
Total contractual financial liabilities		-	193	-	54,093	54,286

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

	Net holding gain / (loss)	Total interest income / (expense)	Fee income / (expense)	Impairment loss	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2022					
Contractual financial liabilities					
Financial liabilities at amortised cost	-	2,695	-	-	2,695
Total contractual financial liabilities	-	2,695	-	-	2,695
2021					
Contractual financial liabilities					
Financial liabilities at amortised cost	-	2,794	-	-	2,794
Total contractual financial liabilities	-	2,794	-	-	2,794

7.1.3 Financial risk management objectives and policies

LMW'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 LMW's financial risks within the government policy parameters. LMW'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 LMW as a result of a customer or counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises principally from LMW's receivables.

LMW'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 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables (refer to section 5.1).

Financial assets (e.g., receivables) are written off against the carrying amount when there is no reasonable expectation of recovery. Impairment loss is written off by mutual consent is classified as a transaction expense. Credit losses following a unilateral decision is recognised as other economic flows in the net result.

At 30 June 2022, LMW has no other significant credit risk. There has been no material change to LMW's credit risk profile in 2021-22.

Except as otherwise detailed in section 5.1.3, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents LMW's maximum exposure to credit risk without taking account of the value of any collateral obtained.

LMW is continuously monitoring and assessing its credit risk profile due to the current economic impacts affecting customers. As a result, LMW has adjusted the credit risk profile in assessing the expected loss allowance in 2021-22 (refer to Note 5.1.3).

LMW's other credit risk arises from in-the-money receipts due from the Contracts for Difference derivative under the ZEW PPA. LMW determines its maximum exposure to credit risk relating to the derivative financial instrument at reporting date as the sum of the nominal values of all forecasted net cash receipts where the floating price due by the proponent exceeds the fixed price payable by LMW over the remaining PPA term.

At 30 June 2022, LMW has no other significant credit risk. There has been no material change to LMW's credit risk profile in 2021-2022.

Credit quality of financial assets

	Financial institutions (A-1+)	Government agencies (AAA)	Other	Total
	\$'000	\$'000	\$'000	\$'000
2022				
Financial assets				
Cash and cash equivalents	15,691			15,691
Receivables (excl. statutory receivables)			9,550	9,550
Total financial assets	15,691	-	9,550	25,241
2021				
Financial assets				
Cash and cash equivalents	21,400	-	-	21,400
Receivables (excl. statutory receivables)	-	-	8,287	8,287
Total financial assets	21,400	-	8,287	29,687

Climate related risk

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

LMW has stringent regulatory requirements under the Safe Drinking Water Act 2003. Climate change and its effect on the scarcity or availability of water will impact on the raw water quality in the Murray River, LMW's main raw water source. Poor raw water quality reflected by Blue Green Algae blooms and varying levels of organic compounds reduce water treatment efficiency. The quantity of treated water to safe drinking standards is reduced with the risks of drinking water shortfalls, increased treatment costs and expensive infrastructure upgrades to new technologies and second barrier systems.

LMW has a drought response plan within our urban water supply strategy and is also working across the water sector which has allowed us to put in place additional adaptive measures for climate change across all our systems.

The drought response plan set triggers and actions for how LMW manages and communicates with key stakeholders during a drought and sets out way to reduce the impact on customers and the community. LMW has also invested in additional water bulk entitlement to minimise the likelihood and impact of water restrictions and has invested in additional measures to make water supply more resilient during such as providing systems with backup power supplies, additional water treatment measures and increased utilisation of recycled water.

LMW will further enhance the understanding of exposure of climate change risk in the process of LMW's climate change action plan over the next five years. As at 30 June 2022, LMW considered climate-related risk in the preparation of the financial statements.

Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. LMW'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.

LMW 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.

LMW manages its liquidity risk by:

- close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements
- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations
- careful maturity planning of its financial obligations based on forecasts of future cash flows
- a high credit rating for the State of Victoria (Moody's Investor Services and Standard & Poor's triple-A, which assists in accessing debt market at a lower interest rate).

LMW's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from liquidation of available-for-sale financial investments and the use of Treasury Corporation of Victoria's 11am (on call) loan facility. The loan facility allows funds to be called upon and receipted into LMW's bank the next day.

The table below illustrates the maturity analysis of the derivative financial liabilities

	Carrying amount	Nominal amount	Maturity dates				
			Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	5+ years
2022	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Derivative liability	(146)	-	-	-	-	-	(146)
Total	(146)	-	-	-	-	-	(146)
2021							
Derivative liability	(193)	-	-	-	-	-	(193)
Total	(193)	-	-	-	-	-	(193)

Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of LMW's financial instruments. Market risk comprises of interest rate risk, foreign exchange risk and other price risk. LMW'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

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

The interest rate on LMW's long-term loans is fixed. LMW 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 LMW to any material interest rate risk.

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

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

	Interest rate exposure				
	Carrying amount	Weighted average interest rate	Fixed interest rate	Variable interest rate	Non-interest bearing
	\$'000	%	\$'000	\$'000	\$'000
2022					
Contractual Financial assets					
Cash and deposits	15,691	0.27%	-	15,691	-
Contractual financial receivables	2,695	1.19%	-	2,695	-
Total financial assets	18,386		-	18,386	-
Contractual financial liabilities					
Loans from Treasury Corporation of Victoria (TCV)	54,818	5.00%	54,818	-	-
Total financial liabilities	54,818		54,818	-	-
2021					
Financial assets					
Cash and deposits	21,400	0.55%	-	21,399	1
Contractual financial receivables	8,287	1.28%	-	2,722	5,565
Total financial assets	29,687		-	24,121	5,566
Contractual financial liabilities					
Loans from Treasury Corporation of Victoria (TCV)	44,753	5.00%	44,753	-	-
Total financial liabilities	44,753		44,753	-	-

Interest rate sensitivity

Sensitivity disclosure analysis and assumptions

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. LMW 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. LMW has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

LMW's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five-year period, with all variables other than the primary risk variable held constant. LMW cannot be expected to predict movements in market rates and prices. Sensitivity analyses shown are for illustrative purposes only. A movement of 100 basis points up and down (100 basis points up and down) in market interest rates (AUD) is 'reasonably possible'.

The tables that follow show the impact on LMW's net result and equity for each category of financial instrument held by LMW at the end of the reporting period, if the above movements were to occur

		-100 basis points		+100 basis points	
	Carrying amount	Net Result	Equity	Net Result	Equity
2022	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and deposits	15,691	(157)	(157)	157	157
Contractual financial receivables	2,695	(9)	(9)	9	9
Loans from Treasury Corporation of Victoria (TCV)	54,818	-	-	-	-
Total	73,204	(166)	(166)	166	166
2021					
Cash and deposits	21,400	(214)	(214)	214	214
Contractual financial receivables	8,287	(27)	(27)	27	27
Loans from Treasury Corporation of Victoria (TCV)	44,753	-	-	-	-
Total	74,440	(241)	(241)	241	241

(ii) Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. LMW has no exposure to changes in the foreign exchange rate.

(iii) Other Price Risk

LMW uses the Contract for Difference derivative financial instrument to manage energy related commodities purchased in the normal course of business, and therefore entered into this PPA to minimise a portion of the price risk to the LMW.

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.

7.2.1 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 LMW at no cost.

As at 30 June 2022, various developers have agreed to construct assets. These assets are under construction or have not yet commenced construction.

7.2.2 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 2022, there are no known potential contingent liabilities.

7.3 Fair value determination

This section sets out information on how LMW determined fair value for financial reporting purposes.

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 LMW.

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, LMW 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.

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through operating result or OCI;
- land, buildings, infrastructure, plant and equipment;
- investment properties; and
- biological assets.

In addition, the fair values of other assets and liabilities that are carried at amortised cost, also need to be determined for disclosure purposes.

Derivative financial liabilities

The fair value of derivative instruments is based on the discounted cash flow technique. The selection of variables requires significant judgement and assumptions in estimating the fair value of derivatives. In the absence of an active market, the fair value of LMW's CFD derivative is valued using unobservable inputs such as future wholesale electricity prices provided by DELWP's independent advisor and comparable risk free rates of zero coupon government bonds obtained from the Reserve Bank of Australia. The assumptions underpinning the estimate of future wholesale electricity prices included factors influencing supply and demand fluctuations, and the economic impact of COVID-19. In addition, assumptions are applied to forecast the renewable energy generation volumes over the life of the derivative instrument.

To the extent that the significant inputs are unobservable, LMW categorises these derivatives as Level 3 within the fair value hierarchy.

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

Fair value hierarchy

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

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

For the purpose of fair value disclosures, LMW 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.

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

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 103 Non-financial physical assets.

How this section is structured

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

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

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

7.3.1 Fair value of financial instruments measured at amortised cost

	Carrying amount	Fair value	Carrying amount	Fair value
	2022	2022	2021	2021
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Receivables				
Loans to third parties	5	5	5	5
Financial liabilities				
Loans from TCV	54,818	54,818	44,753	57,792

7.3.2 Fair value determination – Non-financial physical assets

	Carrying amount as at 30 June 2022 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<i>Land at fair value</i>				
Non-specialised land	5,818	-	5,818	-
Specialised land	12,201	-	-	12,201
Total Land at fair value	18,019	-	5,818	12,201
<i>Buildings at fair value</i>				
Non-specialised buildings	6,146	-	6,146	-
Specialised buildings	3,314	-	-	3,314
Total Buildings at fair value	9,460	-	6,146	3,314
<i>Plant and equipment at fair value</i>				
Vehicles	4,438	-	-	4,438
Plant and equipment	3,016	-	-	3,016
Total Plant and equipment at fair value	7,454	-	-	7,454
<i>Infrastructure assets at fair value</i>				
Water storage	21,183	-	-	21,183
Water pumping stations	24,170	-	-	24,170
Sewer pumping stations	17,379	-	-	17,379
Irrigation pumping stations	48,605	-	-	48,605
Water treatment plants	66,841	-	-	66,841
Waste water treatment plants	26,481	-	-	26,481
Water pipeline infrastructure	133,942	-	-	133,942
Sewer pipeline infrastructure	159,097	-	-	159,097
Irrigation pipeline infrastructure	381,200	-	-	381,200
Other structures	17,738	-	-	17,738
Total Infrastructure assets at fair value	896,636	-	-	896,636
Total assets at fair value (excluding works in progress)	931,569	-	11,964	919,605

7.3.2 Fair value determination – Non-financial physical assets

	Carrying amount as at 30 June 2021 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land at fair value				
Non-specialised land	4,138	-	4,138	-
Specialised land	10,427	-		10,427
Total Land at fair value	14,565	-	4,138	10,427
Buildings at fair value				
Non-specialised buildings	6,154	-	-	6,154
Specialised buildings	3,346	-	-	3,346
Total Buildings at fair value	9,500	-	-	9,500
Plant and equipment at fair value				
Vehicles	4,445	-	-	4,445
Plant and equipment	2,594	-	-	2,594
Total Plant and equipment at fair value	7,039	-	-	7,039
Infrastructure assets at fair value				
Water storage	22,128	-	-	22,128
Water pumping stations	23,860	-	-	23,860
Sewer pumping stations	17,868	-	-	17,868
Irrigation pumping stations	49,928	-	-	49,928
Water treatment plants	70,339	-	-	70,339
Waste water treatment plants	28,268	-	-	28,268
Water pipeline infrastructure	133,703	-	-	133,703
Sewer pipeline infrastructure	159,967	-	-	159,967
Irrigation pipeline infrastructure	393,207	-	-	393,207
Other structures	18,085	-	-	18,085
Total Infrastructure assets at fair value	917,353	-	-	917,353
Total assets at fair value (excluding works in progress)	948,457	-	4,138	944,319

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2022.

There may be occasions when LMW utilises the services of other external third-party valuers to determine fair value of infrastructure. An independent valuation was performed in conjunction with VGV and PricewaterhouseCoopers Australia (PwC) effective date of the valuation is 30 June 2021.

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

Although it is intended that asset valuations will be based on a five year cycle, FRD 103 Non financial physical assets requires entities to perform annual fair value assessments for each class of non financial physical assets to determine whether additional revaluations need to be undertaken between revaluation cycles. Management perform interim valuations when the triggers of FRD103 are met. In accordance with the VGV Land indexation values as at 30 April 2022 we have revalued all Land asset classes by 24% (\$3.454 million) for year ending 30 June 2022.

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. An independent valuation was performed by WBP Group to determine fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From this analysis, an appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2022.

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

Specialised land specialised and non-specialised buildings

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

For the majority of LMW's specialised and non-specialised buildings, the current replacement cost method is used, adjusting for the 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 independent valuation of LMW's specialised land and specialised buildings was performed by the Valuer General Victoria via agents WBP Group for year ending 30 June 2021. The valuation was performed using the market approach adjusted for individually assessed CSO impacts where appropriate. The CSO adjustment methodology element varied from the 2016 revaluation which used a uniform 20% CSO adjustment where assessed appropriate. The 2021 revaluation CSO methodology adjustment was assessed individually whereby individual adjustments ranged from 0% - 45%. The CSO adjustment to the market approach value was a reduction of \$6.3 million. The effective date of the valuation was 30 June 2022.

Plant, equipment and vehicles

Plant, equipment and vehicles are held at fair value. When plant, equipment and vehicles is specialised in use, such that it is 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 2022.

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

Water and sewer infrastructure assets

Water and sewer infrastructure assets are valued using the current replacement cost method less all forms of obsolescence and depreciation. This cost represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the current replacement cost calculation. However, for some heritage and iconic assets, the cost may be the reproduction cost rather than the replacement cost if those assets' service potential could only be replaced by reproducing them with the same materials.

Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction includes structure services and finishes as applicable.

An independent valuation of LMW's water and sewer infrastructure was carried out by PwC on behalf of the VGV. These assets are classified as level 3 fair value as the lowest level input, the absence of an active market, has a significant impact on the fair value which is unobservable. The valuation was performed based on the current replacement costs of the assets. The effective date of the valuation is 30 June 2021.

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

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

Biological assets

The fair value of a biological asset is based on its present location and condition. If an active market exists for a biological asset in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. Where access exists to different markets then the most relevant market is referenced.

In the event that market-determined prices or values are not available for a biological asset in its present condition, the present value of the expected net cash flows from the asset, discounted at a current market determined rate is utilised to determine fair value.

Livestock

For livestock, fair value is based on relevant market indicators, which include store sheep prices, abattoir market prices, and sheep prices received/quoted for LMW's sheep at the reporting date. Prices for sheep generally reflect the shorter-term spot prices available in the marketplace and vary depending on the weight and condition of the animal.

7.3.3 Fair value determination – Financial instruments

	Carrying amount as at 30 June 2022	Fair value measurement at end of reporting period using:		
	\$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<i>Derivative financial liabilities at fair value</i>				
Derivative instrument – Zero Emissions Water	146	-	146	-
Total Derivative financial liabilities at fair value	146	-	146	-

	Carrying amount as at 30 June 2021	Fair value measurement at end of reporting period using:		
	\$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<i>Derivative financial liabilities at fair value</i>				
Derivative instrument – Zero Emissions Water	193	-	193	-
Total Derivative financial liabilities at fair value	193	-	193	-

Derivative financial liabilities

The fair value of derivative instruments is based on the discounted cash flow technique. The selection of variables requires significant judgement and assumptions in estimating the fair value of derivatives. In the absence of an active market, the fair value of LMW's CfD derivative is valued using unobservable inputs such as future wholesale electricity prices provided by DELWP's independent advisor and comparable risk-free rates of zero-coupon government bonds obtained from the Reserve Bank of Australia. The assumptions underpinning the estimate of future wholesale electricity prices included factors influencing supply and demand fluctuations, and the economic impact of COVID-19. In addition, assumptions are applied to forecast the renewable energy generation volumes over the life of the derivative instrument.

To the extent that the significant inputs are unobservable, LMW categorises these derivatives as Level 3 within the fair value hierarchy. A reconciliation from the opening balances to the closing balances for fair value measurements is set out within the following table categorised within Level 3 of the fair value hierarchy for financial instruments, disclosing separately changes during the period.

	Derivative financial instruments
	\$'000
2022	
Opening balance	(193)
Initial recognition of derivative financial instruments	-
Gains/(losses) recognised in profit or loss	
Net cash settlements paid/(received)	-
Disposals	
Depreciation charge	
Impairment loss	
Net revaluation increments / decrements	47
Closing balance	(146)
2021	
Opening balance	-
Initial recognition of derivative financial instruments	(193)
Gains/(losses) recognised in profit or loss	-
Net cash settlements paid/(received)	-
Closing balance	(193)

7.3.4 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.

	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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2022									
Land									
Specialised land	10,427	-	-	-	-	-	-	1,774	12,201
Buildings									
Non-specialised buildings	6,154	292	31	(3)	(6,148)	-	(326)		-
Specialised building	3,346	-		63			(95)		3,314
Plant, equipment and vehicles									
Vehicles	4,445	-	994	1	-	(434)	(495)	(73)	4,438
Equipment	2,594	-	644	509	-	(262)	(469)	-	3,016
Infrastructure									
Water storage tanks	22,128	-	-	20	-	-	(965)	-	21,183
Water pumping stations	23,860	-	-	1,342	-	-	(1,032)	-	24,170
Sewer pumping stations	17,868	-	-	407	-	-	(896)	-	17,379
Irrigation pumping stations	49,928	-	-	1,412	-	-	(2,735)	-	48,605
Water treatment plants	70,339	-	-	841	-	-	(4,339)	-	66,841
Waste water treatment plants	28,268	-	-	137	-	-	(1,924)	-	26,481
Water pipeline infrastructure	133,703	1,087	-	2,689	-	(126)	(3,411)	-	133,942
Sewer pipeline infrastructure	159,967	2,290	-	973	-	(138)	(3,995)	-	159,097
Irrigation pipeline infrastructure	393,207	-	11	2,450	-	(290)	(14,178)	-	381,200
Other structures	18,085	-	-	-	-	-	(347)	-	17,738
Closing balance	944,319	3,669	1,680	10,841	(6,148)	(1,250)	(35,207)	1,701	919,605

7.3.4 Reconciliation of Level 3 fair value movements

	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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2021									
Land									
Specialised land	11,434	-	-	-	-	-	-	(1,007)	10,427
Buildings									
Non-specialised buildings	6,296	-	6	327	-	(220)	(219)	(36)	6,154
Specialised building	4,124	-	-	154	-	-	(93)	(839)	3,346
Plant, equipment and vehicles									
Vehicles	4,319	-	640	301	-	(257)	(558)	-	4,445
Equipment	2,257	-	848	104	-	(2)	(650)	37	2,594
Infrastructure									
Water storage tanks	12,474	-	-	529	-	-	(511)	9,636	22,128
Water pumping stations	19,429	-	3	407	-	-	(918)	4,939	23,860
Sewer pumping stations	17,718	-	-	569	-	-	(1,207)	788	17,868
Irrigation pumping stations	45,231	-	-	1,376	-	(15)	(3,282)	6,618	49,928
Water treatment plants	75,928	-	-	3,446	-	-	(4,520)	(4,515)	70,339
Waste water treatment plants	31,300	-	-	4,528	-	(252)	(2,077)	(5,231)	28,268
Water pipeline infrastructure	142,912	485	-	1,194	-	(75)	(2,450)	(8,363)	133,703
Sewer pipeline infrastructure	148,004	740	(2)	3,038	-	-	(3,119)	11,306	159,967
Irrigation pipeline infrastructure	315,697	-	-	3,387	-	(356)	(8,691)	83,170	393,207
Other structures	17,808	-	-	154	-	(174)	(297)	594	18,085
Closing balance	854,931	1,225	1,495	19,514	-	(1,351)	(28,592)	97,097	944,319

Description of significant unobservable inputs to Level 3 valuations

2022 and 2021	Valuation technique	Significant unobservable inputs
Specialised land	Market approach	Community Service Obligations (CSO) adjustment VGV provided
Non-Specialised Buildings	Current replacement cost	Direct cost per sqm Useful life of specialised buildings
Specialised buildings	Current replacement cost	Direct cost per sqm Useful life of specialised buildings
Vehicles	Current replacement cost	Cost per unit Useful life of vehicles
Plant and equipment	Current replacement cost	Cost per unit Useful life of plant & equipment
Water storage	Current replacement cost	Cost per unit Useful life of water storages
Water pumping stations	Current replacement cost	Cost per unit Useful life of water pumping stations
Sewer pumping stations	Current replacement cost	Cost per unit Useful life of sewer pumping stations
Irrigation pumping stations	Current replacement cost	Cost per unit Useful life of irrigation pumping stations
Water treatment plans	Current replacement cost	Cost per unit Useful life of water treatment plants
Wastewater treatment plans	Current replacement cost	Cost per unit Useful life of wastewater treatment plants
Water pipeline infrastructure	Current replacement cost	Cost per metre Useful life of wastewater pipeline infrastructure
Sewer pipeline infrastructure	Current replacement cost	Cost per metre Useful life of sewer pipeline infrastructure
Irrigation pipeline infrastructure	Current replacement cost	Cost per metre Useful life of irrigation pipeline infrastructure
Other structures	Current replacement cost	Cost per unit Useful life of other structures
ZEW Derivative financial instrument	Income approach (discounted cash flow)	Wholesale electricity price forecast Discount rate – risk free rates of zero coupon government bonds Credit value adjustment – Australian Corporate Bond Spreads and Yields FNF5BBB10M
Biological assets Breeding livestock	Current replacement cost	Average cost per head Useful life of the sheep

8. STATUTORY OBLIGATIONS

Introduction

This section included disclosures in relation to LMW'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 contribution expense

8.1 Tax

8.1.1 Income tax

LMW is subject to the National Tax Equivalent Regime (NTER), pursuant to section 88(1) of the *State Owned Enterprises Act 1992*, which is administered by the Australian Taxation Office. 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:

	Carrying amount	Fair value
	2022	2021
	\$'000	\$'000
Income statement		
Current income tax expense (paid or payable)	-	-
Adjustment for prior years	-	-
Deferred income tax expense		
Temporary differences	4,314	2,280
Adjustment for prior years	-	-
Income tax reported in the Income Statement	4,314	2,280
Statement of changes in equity		
Current tax - credited/(debited)	-	-
Net deferred tax - debited/(credited) directly to equity	1,036	29,380
Income tax reported in equity	1,036	29,380
Tax reconciliation		
Net result before income tax expense	(23,620)	3,560
Tax at the Australian tax rate of 30.0% (2021 - 30.0%)	(7,086)	1,068
Adjustment in respect of income tax of previous year	-	-
Non-deductible items	2,772	(3,348)
Income tax on profit before tax	(4,314)	(2,280)

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.

LMW'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

	2022 \$'000	2021 \$'000
Amounts recognised in Comprehensive Operating Statement		
Doubtful debts	197	166
Employee benefits	1,969	1,730
Tax losses	15,996	17,789
Other	194	185
Total deferred tax assets	18,356	19,870
Movements:		
Opening balance at 1 July	19,870	21,583
Credited/(debited) to the Comprehensive Operating Statement	(1,514)	(1,713)
Closing balance at 30 June	18,356	19,870
Deferred tax asset to be recovered after more than 12 months	2,322	2,032
Deferred tax asset to be recovered within 12 months	38	49
Tax losses	15,996	17,789
Closing balance at 30 June	18,356	19,870

Deferred tax liabilities

	2022 \$'000	2021 \$'000
Amounts recognised in Comprehensive Operating Statement		
Prepayments	1	2
Other deferred tax liabilities	17	29
Amounts recognised directly in equity	18	31
Revaluation of infrastructure, property, plant and equipment	152,439	157,218
Total deferred tax liabilities	152,457	157,249
Movements:		
Opening balance at 1 July	157,249	131,859
Credited/(debited) to the net result	(5,828)	(3,990)
Credited/(debited) to other comprehensive income	1,036	29,380
Closing balance at 30 June	152,457	157,249
Deferred tax asset to be recovered after more than 12 months	152,456	157,247
Deferred tax asset to be recovered within 12 months	1	2
Closing balance at 30 June	152,457	157,249
Total net deferred tax asset/(liability)	(134,101)	(137,379)

8.2 Environmental contribution

The *Water Industry (Environmental Contributions) Act 2004* (the Act) amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water corporations. The Act establishes an obligation for corporations to pay into a consolidated fund annual contribution 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 to 30 June 2024. The new environmental contribution (tranche 5) is \$2,251,300 annually which commenced in 1 July 2020 and finishes 30 June 2024. .

The purpose of the environmental contribution is set out in the Act, and the funding may be used for financing initiatives that seek to promote the sustainable management of water or address water-related initiatives.

The 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.

LMW 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 contribution expense

	2022 \$'000	2021 \$'000
Environmental contribution levy	2,251	2,251

9. OTHER DISCLOSURES

Introduction

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

Structure

- 9.1 Reserves
 - 9.1.1 Contributed Capital
 - 9.1.2 Asset revaluation surplus
 - 9.1.3 Accumulated surplus/(deficit)
- 9.2 Other economic flows included in net results
- 9.3 Events occurring after the balance date
- 9.4 Responsible persons
- 9.5 Remuneration of executives
- 9.6 Related parties
- 9.7 Remuneration of auditors
- 9.8 Australian Accounting Standards issued that are not yet effective

9.1 Reserves

9.1.1 Contributed Capital

	2022 \$'000	2021 \$'000
Opening balance at 1 July	633,524	633,524
Contributions from the Victorian Government	-	-
Accumulated surplus/(deficit) at end of financial year	633,524	633,524

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

	2022 \$'000	2021 \$'000
Asset revaluation reserve: Land		
Opening balance at 1 July	2,568	2,682
Revaluation increments/(decrements)	3,454	(163)
Tax effect of revaluation increment/(decrements)	(1,036)	49
Closing balance at 30 June	4,986	2,568
Asset revaluation reserve: Buildings		
Opening balance at 1 July	195	807
Revaluation increments/(decrements)	-	(874)
Tax effect of revaluation increment/(decrements)	-	262
Closing balance at 30 June	195	195
Asset revaluation reserve: Infrastructure		
Opening balance at 1 July	267,261	198,005
Revaluation increments/(decrements)	-	98,936
Tax effect of revaluation increment/(decrements)	-	(29,680)
Closing balance at 30 June	267,261	267,261
Asset revaluation reserve: Other		
Opening balance at 1 July	30	4
Revaluation increments/(decrements)	-	37
Tax effect of revaluation increment/(decrements)	-	(11)
Closing balance at 30 June	30	30
Total asset revaluation reserve	272,472	270,054

9.1.3 Accumulated surplus/(deficit)

	2022 \$'000	2021 \$'000
Accumulated surplus/(deficit)		
Accumulated surplus/(deficit) at beginning of financial year	(100,094)	(105,934)
Result for the period	(19,306)	5,840
Accumulated surplus/(deficit) at end of financial year	(119,400)	(100,094)

9.2 Other economic flows included in net results

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions.

Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates
- reclassified amounts relating to available-for-sale financial instruments from the reserves to net result due to a disposal or derecognition of the financial instrument. This does not include reclassification between equity accounts due to machinery of government changes or 'other transfers' of assets
- The revaluation gain or loss on the fair value of derivative financial instrument.

	2022 \$'000	2021 \$'000
Net gain/(loss) on non-financial assets		
Net gain/(loss) on disposal of infrastructure, property plant and equipment (including intangible assets)	(404)	(241)
Total net gain/(loss) on non-financial assets	(404)	(241)
Net gain/(loss) on financial instruments		
Net (gain)/loss arising from derivatives for ZEW transactions	46	-
Total net gain/(loss) on financial instruments	46	-
Total other gains/(losses) from other economic flows	(358)	(241)

(Gain)/Loss on the fair value of derivative financial instrument represents the movement in the fair value of the financial instrument compared to initial recognition. This net gain/loss reflects a positive/negative fair value movement in LMW's electricity derivative in the PPA as a result of higher/lower floating electricity prices. Any gain/loss is recognised as an other economic flow included in net result.¹

9.3 Events occurring after the balance date

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

LMW has not been materially impacted financially by COVID-19 during the 2021-2022 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 COVID-19 and not currently in lockdown, management will continue to monitor the situation with reviews of cash flows and budgets on a regular basis to ensure LMW is a going concern.

9.4 Responsible persons

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

Name	Title	Period of appointment
The Hon Harriet Shing	Minister for Water	27 June 2022 to current
The Hon. Lisa Neville MP	Minister for Water	1 July 2021- 27 June 2022
The Hon. Richard Wynne MP	Acting Minister for Water	February 2021 – 22 August 2021
Mr Anthony Couroupis	Managing Director / Accountable Officer	Since July 2019
Cheryl Rix	Director – Chair	Resigned 30 September 2021
Sharyon Peart	Director – Chair	Since October 2017 appointed Chair 1 October 2021 to current
Robert Fowler	Director	Resigned 30 September 2021
Michelle Oates	Director	Since October 2017
Warren Lloyd	Director	Since October 2017
Svetla Petkova	Director	Since October 2019
Maxwell Folie	Director	Since October 2019
Greg Baker	Director	Since October 2019
Kate Hughes	Director	1 October 2021 to current
Domenic Isola	Director	1 October 2021 to current

Accountable Officer Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of LMW during the reporting period was in the range: \$300,001 – \$310,000 in 2021-2022 (\$280,001 – \$290,000 in 2020-2021).

Board Members Remuneration

	2022 number	2021 number
\$1 – \$10,000	1	-
\$10,001 – \$20,000	1	-
\$20,001 – \$30,000	2	-
\$30,001 – \$40,000	5	7
\$50,001 – \$60,000	1	1
Total number of Board Members remuneration	10	8
Total annualised employee equivalent	0.30	0.24

Total remuneration received or due and receivable by Board Members from the reporting entity was \$296 thousand in 2021- 2022 (2020-2021: \$301 thousand).

9.5 Remuneration of executives

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

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the 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.

	2022 \$'000	2021 \$'000
Remuneration of executive officers		
Short-term employee benefits	1,569	1,408
Post-employment benefits	139	115
Other long-term benefits	32	28
Termination benefits	-	-
Total remuneration (a)	1,740	1,551
Total number of executives	16	14
Total annualised employee equivalents (b)	5.6	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 9.6).
- b) Annualised employee equivalent is based on the time fraction worked over the reporting period.

9.6 Related parties

LMW 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
- 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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of LMW, 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 9.4 who have the authority and responsibility for planning, directing and controlling the activities of LMW directly or indirectly, during the financial year.

Remuneration of key management personnel

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

	2022 \$'000	2021 \$'000
Compensation of KMPs		
Short-term employee benefits	551	537
Post-employment benefits	50	44
Long-term benefits	7	6
Total remuneration	608	587

Significant transactions with government-related entities

LMW received funding from and made payments to government related entities of \$28.02 million (2021: \$30.01 million) and \$14.33 million (2021: \$9.62 million) respectively.

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

		2022 \$'000	2021 \$'000
Government-related entity receipts			
Entity name	Brief description of main activity		
Dept. of Health and Human Services	Concession reimbursements	2,207	1,646
Dept. of Health and Human Services	Concession reimbursements	257	590
Dept. of Environment, Land, Water and Planning	Victorian Murray Floodplain Restoration Project	25,500	27,750
Zero Emissions Water Limited	Emissions Reduction	17	26
Total revenue		27,981	30,012

		2022 \$'000	2021 \$'000
Government-related entity receivables			
Entity name	Brief description of main activity		
Dept. of Health and Human Services	Concession reimbursements	18	20

Government-related entity payments

2022 \$'000	2021 \$'000
2,251	2,251
3,960	3,300
7,367	3,364
442	478
107	-
82	81
57	77
37	40
-	2
25	29
14,328	9,622

Entity name	Brief description of main activity
Dept. of Environment, Land, Water and Planning	Environmental contribution
Goulburn Murray Rural Water Corp	Bulk Water charges
Mallee Catchment Management Authority	Salinity Fees collected on behalf of MCMA
Dept. of Treasury and Finance	Financial Accommodation Levy
Dept. of Environment, Land, Water and Planning	VGW Asset Valuation
Dept. of Environment, Land, Water and Planning	Annual fees water shares
Dept. of Environment, Land, Water and Planning	Monitoring Costs
Dept. of Environment, Land, Water and Planning	Water supply, trades and searches
Dept. of Environment, Land, Water and Planning	Vegetation Offsets
Zero Emissions Water Limited	Emissions Reduction
Total expenses	

Government-related entity payables

2022 \$'000	2021 \$'000
120	116

Entity name	Brief description of main activity
Dept. of Treasury and Finance	Financial Accommodation Levy

Transactions with key management personnel and other related parties

Given the breadth and depth of LMW's 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 2022 was \$7.37 m (2021: \$3.36 m). The MCMA is also a partner in the Victorian Murray Floodplain Restoration Project, refer to note 10.1 for further details on the project.

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.

ZEW transactions

ZEW is a related party of LMW. Below is a summary of transactions and holdings with ZEW.

2022 \$'000	2021 \$'000
8	(18)
14	11
5	5
(147)	(193)

Power purchase agreement (PPA) settlements (Revenue)/Expenditure
Large-scaled generator certificates (LGC's)
Loan to ZEW
Recognition of PPA contract derivative

9.7 Remuneration of auditors

	2022 \$'000	2021 \$'000
Victorian Auditor-General's Office		
Audit or review of the financial statements	75	95
Other non-audit services		
Internal Audit	62	52
Essential Services Commission Audit	28	44
Department of Health Services – Safe Drinking Water	18	18
Total remuneration of auditors	183	209

9.8 Australian Accounting Standards issued that are not yet effective

The following AASs become effective for reporting periods commencing after the operative dates stated:

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2022 reporting period. DTF assesses the impact of all these new standards and advises LMW of their applicability and early adoption where applicable.

Topic	Key requirements	Effective date	Estimated impact
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	Amends AASB 101 to require a liability to be classified as current when companies do not have a substantive right to defer settlement at the end of the reporting period.	1 January 2023	The assessment has indicated that there will be no significant impact for Lower Murray Water
AASB 2020-3 <i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>	Amendments to existing accounting standards, particularly in relation to: AASB 1 – simplifies the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. AASB 3 – to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. AASB 9 – to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. AASB 116 – to require an entity to recognise the sales proceeds from selling items produced while preparing infrastructure, property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset. AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> – to specify the costs that an entity includes when assessing whether a contract will be loss-making. AASB 141 <i>Investment Property</i> – to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.	1 January 2022	The assessment has indicated that there will be no significant impact for Lower Murray Water

10. FINANCIAL IMPACTS OF PROJECTS

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

Structure

- 10.1 Background: Victorian Murray Floodplain Restoration Project
- 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

LMW was appointed by the Hon. Lisa Neville MP, then the 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, LMW is currently facilitating the designs and approvals required to take the nine previously approved business cases through to being ready for construction. This is Stage 1 of the project, that will be submitted to the Commonwealth Government for approval of Stage 2 funding for the construction phase later in 2022 with the target of construction commencing in early 2023.

The funding agreement for the remaining balance of Stage 1 to be delivered by LMW was varied in 2021, the original agreement signed by the Hon. Lisa Neville MP, Minister for Water on 15 July 2019 for \$27.4m was increased to \$84.55m by the Minister to address the additional project approvals requirements of both the state and federal agencies.

Throughout 2021-2022, LMW has received Stage 1 funding of \$25.54m towards work for the nine business cases which now has a total project budget of \$84.55m. The expenses incurred and accrued for the project work for FY21/22 were \$34.5m and remains on budget with the projected cashflow.

LMW continues to use the existing 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 remains no cost burden imposed on our urban or rural customers arising from LMW's lead agency role with the VMFRP.

10.2 Impact on the Operating statement

	VMFRP		CORE BUSINESS		CONSOLIDATED	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Financial impact on the Comprehensive Operating Statement						
Revenue						
Service and usage charges	-	-	61,499	61,602	61,499	61,602
VMFRP funding	25,541	27,761	-	-	25,541	27,761
Government grants and contributions	-	-	2,315	2,317	2,315	2,317
Developer contributions	-	-	7,264	5,584	7,264	5,584
Net profit on disposal of assets	-	-	(404)	(241)	(404)	(241)
Other income	-	-	4,240	3,990	4,240	3,990
Total revenue	25,541	27,761	74,914	73,252	100,455	101,013
Expenses						
Depreciation, impairment and amortisation	-	-	35,994	29,157	35,994	29,157
Direct operational expenses	-	-	12,861	13,414	12,861	13,414
Employee benefits	-	-	23,075	19,744	23,075	19,744
Repairs and maintenance	-	-	7,955	6,923	7,955	6,923
VMFRP expenditure	34,549	16,588	-	-	34,549	16,588
Environmental contribution	-	-	2,251	2,251	2,251	2,251
Interest expense	-	-	2,695	2,794	2,695	2,794
Other expenses	-	-	4,741	6,582	4,741	6,582
Total expenses	34,549	16,588	89,572	80,865	124,121	97,453
Net result before tax	(9,008)	11,173	(14,658)	(7,613)	(23,666)	3,560

VMFRP funding is recognised as revenue when LMW receives or obtains control of the contribution in accordance with AASB 1058 Income of not for profit entities.

VMFRP expenditure reflects the costs associated to the project incurred during the year for both LMW and the partnership agencies, Goulburn Murray Water, Mallee CMA, North Central CMA, Parks Victoria. The project costs are facilitating the designs and environmental approvals required to take the nine previously approved business cases through to being ready for construction.

	2022 \$'000	2021 \$'000
Expenses		
Employee salary and wages	12,885	5,676
Contractor and consultant payments	20,278	10,165
Travel and accommodation	646	324
Other expenses	740	423
Total expenses	34,559	16,588

10.3 Impact on the balance sheet

	VMFRP		CORE BUSINESS		CONSOLIDATED	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Financial impact on the Balance Sheet						
Assets						
Cash and cash equivalents	7,683	13,663	8,008	7,737	15,691	21,400
Other current assets		-	16,120	14,211	16,120	14,211
Total current assets	7,683	13,663	24,128	21,948	31,811	35,611
Total non-current assets		-	967,506	965,645	967,506	965,645
Total assets	7,683	13,663	991,634	987,593	999,317	1,001,256
			-			
Liabilities						
Payables	6,483	4,173	8,284	5,167	14,767	9,340
Other current liabilities		-	12,733	13,740	12,733	13,740
Total current liabilities	6,483	4,173	21,017	18,907	27,500	23,080
Total non-current liabilities		-	185,221	175,993	185,221	175,993
Total liabilities	6,483	4,173	206,238	194,900	212,721	199,073
Net assets	1,200	9,490	785,396	792,693	786,596	802,183
Equity						
Contributed capital		-	633,524	633,524	633,524	633,524
Asset revaluation reserves		-	272,472	268,753	272,472	268,753
Accumulated surplus /(deficit)	1,200	9,490	(120,600)	(109,584)	(119,400)	(100,094)
Total equity	1,200	9,490	785,396	792,693	786,596	802,183

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		CORE BUSINESS		CONSOLIDATED	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Financial impact on the Cash Flow Statement						
Net cash flows from/(used in) operating activities	(5,980)	13,030	15,052	20,937	9,072	33,967
Net cash flows from/(used in) investing activities		-	(24,846)	(16,471)	(24,846)	(16,471)
Net cash flows from/(used in) financing activities	-	-	10,065	(1,879)	10,065	(1,879)
Net increase/(decrease) in cash and cash equivalents	(5,980)	13,030	271	2,587	(5,709)	15,617
Cash at the beginning of the financial year	13,663	633	7,738	5,151	21,400	5,783
Cash at the end of the financial year	7,683	13,663	8,009	7,738	15,691	21,400

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APPENDICES



1. DISCLOSURE INDEX

The annual report of Lower Murray Water is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of Lower Murray Water's compliance with statutory disclosure requirements.

[Please refer to the 'Guidance Section and Appendix' document for more information]

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Water Act 1989		6, 9, 23, 43, 53
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2. LETTER OF EXPECTATIONS REFERENCES

	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).	45-46
	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 	
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.	34-35
	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.	
	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	
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.	35-36
	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.	
	AC3 Aboriginal Inclusion Plan/Reconciliation Action Plan to be considered in conjunction with AC1 and AC2, taking into account the relevant local context.	

	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.	37
	L2 Water efficiency (urban) Implement water efficiency programs aligned with Target 155 (metros) and Target Your Water Use (regional urban).	
	L3 Water bills (urban) Victorian water bills are amongst the lowest in Australia. access to instalment plans for management of payments. Understand year on year trends in hardship grants.	
	L4 Payment management and hardship Overall improved	
Recognising recreational values	Rec1 Recreational values Consideration of recreational values in carrying out functions and providing services.	36-37
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 2015-2020 could be considered as a guide.	43
	G3 Health and Safety Sustained annual improvement against H&S performance benchmarks (AS/NZS standard 4801).	
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.	61-65
Strengthening compliance Apply a zero-tolerance approach to unauthorised water take and adopt a consisted risk-based approach to manage compliance and enforcement with improved oversight and reporting	CE1 Apply an effective zero-tolerance approach to unauthorised take	43-44
	CE2 Demonstration of continuous improvement toward implementation of compliance and enforcement strategies, frameworks and reporting.	
Groundwater Management Reform Improve Victoria's liability to sustainably manage groundwater resources to support all users into the future.	To be developed	53-54

3. CONSULTANCIES OVER \$10K

Consultancy name and project reference	Total project fees approved (excl GST) \$	Expenditure 2021-2022 \$	Future expenditure (excl GST) \$
ACIL ALLEN		90,396	
Restructure LMW's Rural and Urban Models	90,396	90,396	-
ALLABOUTXPERT AUSTRALIA PTY LTD		56,193	
Rural Unauthorised Take - Business Processes & Systems	175,611	41,178	-
Business Analysis Services for Business Transformation	169,000	15,015	153,985
GHD PTY LTD		552,373	
Waste Water Strategy	149,575	121,834	-
Merbein Channel Hydraulic Modelling	12,788	12,788	
Mildura 14th Street Storage Upgrade Options Assessment	40,860	34,422	6,438
Hydrogeological Assessment of the Mildura Wastewater Treatment Plant	27,875	27,875	-
Urban Water Supply Strategy & Master Plan	172,925	130,911	-
Rural Irrigation and Drainage Renewals Model	30,201	30,201	-
Mildura Sewer Model Update & Master Plan	68,895	65,117	3,778
Swan Hill Sewer Strategy	36,580	18,833	-
Red Cliffs Water Reticulation Options Assessment	52,376	48,938	1,590
Water Efficiency Project Consultancy	142,225	61,454	-
GRANTUS PTY LTD		17,160	
Project Brief Sheets for WP5 Capital Projects.	22,880	17,160	5,720
INTEGRITY GOVERNANCE		58,786	
VFMRP Project Director and Partner Review	30,000	30,000	-
Managing Director 360 Review	13,500	13,500	-
Board Evaluation	15,286	15,286	-
JACOBS GROUP		24,108	
Irrigation Strategy	97,855	3,210	
Koorlong Rising Main Flow Investigations	96,104	20,898	
KPMG		723,627	
Establish Program Management Office-Business Transformation	97,290	48,645	-
Regulatory Support for WP 5 and Financial Model	193,920	61,877	132,043
Horizon 2 Business Case - Business Transformation	153,148	138,233	14,915
Solution Validation and Data Strategy Roadmap - Business Transformation	349,571	349,571	-
Proof of Concept for data visualisation - Business Transformation	158,148	125,300	32,848

3. CONSULTANCIES OVER \$10K

Consultancy name and project reference	Total project fees approved (excl GST) \$	Expenditure 2021-2022 \$	Future expenditure (excl GST) \$
KPMG LAW		17,500	
Review and Contract Negotiation for BTP	101,412	17,500	-
LANDER & ROGERS		36,793	
Workplace Relations & Safety Advice		36,793	
MATTHEW TOULMIN CONSULTING		6,250	
Water Efficiency Project Consultancy	25,000	6,250	
MERCER CONSULTING		57,400	
Executive Remuneration Review	19,000	19,000	-
Remuneration Review contract staff	38,400	38,400	-
PRESSURE SYSTEM SOLUTIONS		15,000	
Kings Billabong Pressure Sewerage Scheme	36,590	15,000	21,590
RM CONSULTING GROUP		22,000	
Cost of Proposed Water Recovery	22,000	22,000	
RM ENGINEERING SOLUTIONS		15,470	
Backup Power Options Proposal	15,470	15,470	-
TONKIN CONSULTING		92,436	
Condition Assessment Rocla pipeline	44,990	19,216	-
Structural Assessment Culverts & Bridges		58,430	
T10 Irrigation Main Replacement Hydraulic Modelling and Surge Modelling	34,800	14,790	20,010
UTILACOR		13,621	
Analysis of Renewable Energy Option	17,689	13,621	-
VIRIDIS CONSULTING		19,310	
Audit of Potable Water Supply	20,355	19,310	
TOTAL	\$2,772,714.79	\$1,843,422.42	\$392,916.26

