



2018/19

ANNUAL REPORT



**LOWER MURRAY
WATER**

Our Service Region

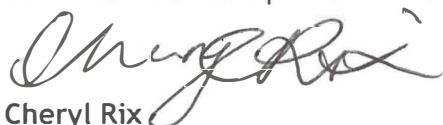


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CHAIR AND MANAGING DIRECTOR'S REPORTS

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 2019.



Cheryl Rix
Chair

Lower Murray Urban and Rural Water Corporation

Chair's Report

I am pleased to present to you my second report as Chair and am proud to note in this annual report an outstanding year of achievement and innovation for Lower Murray Water.

We have delivered successfully on Year 1 of the five year Water Plan 4 and maintained the price path for our urban and rural customers as approved by our Regulator the Essential Services Commission.

During the financial year ended 30 June 2019, we recorded strong net cash inflows from operations of \$26.5 million. This positive cash flow assisted us to fund an annual capital works program of \$28.6 million, with the balance of the program being funded from existing cash resources. Our financial result before tax was a loss of \$5.0 million (2018 \$7.8 million loss).

This year has been very dry and plans are in place to manage water deliverability if the situation worsens. Our focus is on ensuring the longer-term resilience of our organisation and our customers. At the time of writing, the allocation outlook under a dry scenario will mean our rural customers and Lower Murray Water's Urban bulk entitlement will likely have less than 100% allocation in 2019/20. We will work closely with all customers to ensure information is provided to allow adequate planning and management for the season ahead.

Our customer engagement during the year has been proactive with a successful Grower Conference held in October 2018 that will be replicated this year. Our customer committees are meeting regularly and are providing valuable information and advice to us as we consult them on important strategic and operational matters.

We have made progress towards our commitment to achieving zero net emissions by 2050, with an interim target of a 39% emissions reduction by June 2024.

We are now a member of the Victorian water industry's large scale renewable project which has installed over 700 kilowatts of solar panels at a number of our sites during the year.

We are at the forefront in the industry of managing energy price risk and recently delivered a paper outlining our innovations at the Ozwater'19 conference.

The Sunraysia Modernisation Project 2 (SMP2) is underway with additional water to be delivered to rural customers west of Merbein and south of Red Cliffs. This project is a unique partnership between Lower Murray Water, the Commonwealth Government and private investors and is due to be completed December 2019. SMP2 will deliver cost benefits to existing customers through better utilisation of our assets as well as wider economic benefits for our community.

Business cases are being developed for further investment in our water delivery infrastructure to reduce water losses while improving the service delivery of the system. We will collaborate closely with our rural customers in developing these business cases and we intend to seek partnerships again to secure the funding required for this infrastructure enhancement.

We continue working within our community to develop resilient cities and towns and liveability. We are a member of the Northern Mallee Integrated Water Management committee which together with other local agencies will identify opportunities to enhance our community through a cooperative approach to water management in our region. Our community driven art projects this year included supporting further mosaic works at Merbein. Our Waterwise initiatives with our education providers provides the next generation of children with tools and information to understand water conservation.

We have been appointed by the Hon. Lisa Neville MP, Minister for Water as the lead agency for the delivery of the Victorian Murray Floodplain Restoration Project (VMFRP). The VMFRP is part of Victoria's commitment for Sustainable Diversion Limits Adjustment Supply and Constraints Measures in the Murray-Darling Basin.

CHAIR AND MANAGING DIRECTOR'S REPORTS

The VMFRP is a partnership model with Goulburn Murray Water, Mallee Catchment Management Authority, North Central Catchment Management Authority, Parks Victoria and the Department of Environment, Water, Land Planning.

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

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

This year we had approved our inaugural Reconciliation Action Plan, an important first step in the recognition of the traditional custodians of the land and the waterways in our region.

All of what we do requires people who demonstrate dedication and commitment to serve the community. We would like to thank the outgoing Managing Director Philip Endley for his service to Lower Murray Water. Phil concluded his employment with the organisation in March 2019 after leading the organisation through a significant period of change. David Girdwood was Acting Managing Director from March to the end of June and during this time guided the organisation with a steady hand allowing the business to focus on meeting the Water Plan commitments for the year while ensuring planning is underway for 2019/20. Anthony Couroupis joins Lower Murray Water as the new Managing Director from 1 July 2019 and his significant water industry knowledge and leadership skills will ensure momentum to change is maintained.

I thank the Board for their support and guidance in determining the strategic direction for the organisation and progressing a number of exciting initiatives during the year.

Our Executive team and hardworking loyal staff are all to be commended for their dedication to the organisation. I know the Board is looking forward to providing strategic focus and guidance to the highly capable Executive team as they navigate the challenges before us.

Lower Murray Water is well placed to continue to deliver our core services in 2019/20 while supporting our customers and stakeholders to work together for positive longer term economic and environmental outcomes for our region.

Managing Director's Report

The past year has again been one of change for Lower Murray Water. Our organisation continues to adapt to the constantly evolving water landscape as we strive to deliver on our commitments to our customers and our stakeholders.

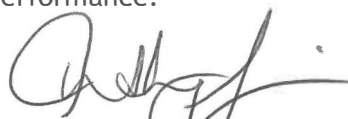
I wish to acknowledge the efforts of our staff at all levels of the organisation as we focused on delivering the customer outcomes we committed to as part of Water Plan 4. We are fortunate to have very loyal, skilled employees some of whom have decades of experience. This is enhanced by recent recruits who bring new ways of thinking to the business. The combination of experience and diversity of thought is a powerful force for continuing to improve our performance.

Customer consultation and engagement has been a focus for the business this year as we seek to build on the engagement that occurred as part of preparing Water Plan 4. We have made progress in embedding this approach across the business. Having the "customer at the centre" will continue our improvement in delivering the right services efficiently and effectively.

Many innovative projects have been delivered this year. Some are large scale projects such as the Sunraysia Modernisation Project 2 (SMP2) while others are smaller initiatives such as redesigning a business process. The common thread is that all these projects have made the business better. Our staff continue to embrace new and effective ways of "doing business" that result in improved outcomes for our customers.

We are positive about the future for our organisation and the communities which we serve.

I consider it a privilege to serve as Lower Murray Water's Managing Director, and look forward to working with the Board and management to continue improving the organisation's performance.



Anthony Couroupis
Managing Director

ABOUT US

Establishment

Lower Murray Water Urban and Rural Water Authority was created under the provisions of the *Water Act 1989* via order in Council effective 1 July 2004. It assumed the whole of the property, rights, liabilities, obligations, powers and functions of the Lower Murray Region Water Authority and Sunraysia Rural Water Authority. The *Water (Governance) Act 2006* varied the form and title of Lower Murray Water and established new governance arrangements effective from 1 July 2007. By statute under the *Water Act 1989* Lower Murray Urban and Rural Water Authority became Lower Murray Urban and Rural Water Corporation.

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

During the period 1 July 2018 to 30 June 2019 our relevant Minister was the Hon. Lisa Neville MP, Minister for Water.

Statement of Obligations

Effective 20 December 2015, the Statement of Obligations issued under the *Water Industry Act 1994* details our obligations regarding performance and functions, including environmental management. A Statement of Obligations (Emissions Reduction) was received and is effective from 14 March 2018.

Letter of Expectations

Effective 8 March 2018, the Letter of Expectations issued under the *Water Act 1989* sets out our performance expectations for 2018/19. Appendix 2 shows our actions in the seven priority areas within the Letter of Expectations during the 2018/19 year.

Region

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

We recognise that our overall wellbeing and livelihood is directly linked to the agricultural, tourism and support industries which form our economic backbone.

How we manage our water resources recognises the intrinsic interrelationship between this resource and the social, environmental and economic fabric of our region.

Vision

The Board strives to become the leading regional water corporation in Victoria by:

- close engagement with our community and customers;
- being resilient in times of adversity and change; and
- being a regional leader

We will deliver outcomes to our communities by:

- catering for sustained growth in our urban business;
- promoting growth in our rural business; and
- being sustainable, measured by finance, a productive culture and a lighter environmental footprint

Objectives and Strategies

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

By-Laws

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

ABOUT US

Nature of services provided

We provide:

- urban water services to 14 towns via nine treatment plants to approximately 74,000 customers along the Murray River in Victoria from Koondrook to Merbein;
- wastewater collection, treatment and effluent re-use and disposal services to 11 towns via nine treatment plants;
- river quality water services to 2,616 irrigation and 1,856 stock and domestic customers in the four pumped irrigation districts of Merbein, Mildura, Red Cliffs, and Robinvale, to 290 Millewa rural district customers and some areas of the Yelta waterworks district;
- the collection and disposal of subsurface drainage water from the four pumped irrigation districts, as well as from private diverters in and around Boundary Bend, Nangiloc and Robinvale;
- oversight of irrigation and drainage design in new agricultural developments ensuring conformity with Irrigation Development Guidelines;
- management of the private diversion licenses of 1,165 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 delivery services to important environmental and recreational sites; and
- management of the region's urban and rural bulk water entitlements.

In addition to security of supply, public health, water quality and environmental responsibilities, we recognise the crucial economic role of water from a regional and state context.

Pricing Submission

Our Pricing Submission was endorsed by the Essential Services Commission (ESC) in June 2018 for the five year period to 30 June 2023 for the urban and rural businesses of the Corporation. In the rural business, revenue caps were set for the same time frame.

We have now completed year one of our five year plan. The Pricing Submission outlines pricing, revenue requirements, service standards and capital works for the five year period for our urban and rural business sectors.

Drought Preparedness Plan

Our Drought Preparedness Plan was reviewed and ongoing preparations and planning are occurring to ensure the Plan remains current. We are continuing to monitor upcoming seasonal conditions and outlook to ensure we can be prepared for dry conditions. We were not required to invoke the Plan at any time during 2018/19.

Victorian Murray Floodplain Restoration Project (VMFRP)

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

As lead agency, we are facilitating the designs and approvals required for nine business cases that will be submitted to the Commonwealth Government for approval of Stage 2 funding for construction. Stage 1 funding to LMW to complete the nine business cases is \$28.4m and provides for the engagement of the necessary resources to complete these tasks.

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

We are looking forward to successfully delivering these significant environmental works that will allow environmental water to be diverted from the Murray River to high value wetlands and floodplains, mimicking the impact of natural flood events and thus improving the condition of vegetation communities and provide habitat for native fish, birds, frogs and turtles for the benefit of our communities.

The VMFRP is a partnership model with Goulburn Murray Water, Mallee Catchment Management Authority, North Central Catchment Management Authority, Parks Victoria and the Department of Environment, Water, Land Planning.

ABOUT US

Area	Obligations and Duties
Rural Water Services	Deliver rural water services in the most cost-effective way
	Lead and/or participate in projects for irrigator benefits
	Conduct a rural capital works program
Urban Water and Sewerage Services	Deliver urban water and sewerage services in the most cost-effective way
	Conduct an urban capital works program
	Meet our requirements under the <i>Safe Drinking Water Act 2003</i>
Serving our customers and stakeholders	Meet all Urban and Rural Customer Charter requirements
	Assist our customers to increase water efficiency through education and awareness programs
	Effectively engage with our community and stakeholders on relevant issues
	Engage school children in water education programs
	Grow our services and expand our delivery, to support regional growth in both urban and rural sectors
Governance and Finance	Be the leading regional Water Corporation in Victoria
	Manage the Corporation in accordance with expected standards of corporate behaviour and best practice governance
	Maintain an engaged, skilled and empowered workforce
	Meet our requirements and obligations under various legislation, our Statement of Obligations and Letter of Expectations and other Government policies
	Conduct independent review of Board Effectiveness
Caring for our Environment	Plan and manage our operations in an environmentally responsible and sustainable manner
	Move towards zero net emissions
	Invest in renewables and other technologies to reduce our 'footprint'

KEY ACHIEVEMENTS AND HIGHLIGHTS OF 2018/19

Lower Murray Water Corporate Plan 2018/19 (Corporate Plan) provided a range of initiatives across our whole of business strategies to deliver customer outcomes identified through our customer engagement process. We committed to progress these initiatives over the 12 month period and below is a summary of the progress of these initiatives.

Whole of Business Strategy	Key Initiative	Status
Customer at the Centre	Launch of the new website	Complete - website launched July 2018
	Development of a Customer Portal	In Progress - customers can now order water online and portal being designed
Business Transformation	Scope Transform's priority projects for the next two years	In Progress - roadmap developed
	Evaluate the effectiveness of completed Transform projects	Complete - online timesheets, phone system, new website and Rapid Global implementation evaluation
	Implement automation of online forms, business reporting and analytics	In Progress - development stage
Culture Change	Constructive culture workshops to respond to our second round of OCI results	Complete - Teams held workshops with actions incorporated into 18/19 Group Plans
	Continuation of our people management training	Ongoing - Partnership with Proteus Leadership delivered a 'Leadership by Design' program for people managers
Asset Optimisation	Completion of Asset Management Accountability Framework Implementation Plan	In Progress
	Align our System Management Project Plan to our business planning framework	In Progress
Electricity, Emissions Reduction and Reliability	Implement progressive procurement of wholesale electricity for large sites	Ongoing - selected a preferred energy provider and continue to manage commercial and price risk to ensure energy obtained at lowest possible price to provide value for customers
	Select a demonstration site to progress integrated energy and emissions optimisation initiatives	In Progress - initial audits undertaken to identify key options for optimisation
	Define a model for joint electricity purchasing with customers and progress as required by our customers	Complete - progressive procurement approach adopted and commenced discussions with customer committees

Victorian Murray Floodplain Restoration Project (VMFRP)

We became the lead agency for the Victorian Murray Floodplain Restoration Project (VMFRP) with other partners; Mallee CMA, Goulburn Murray Water, North Central Catchment Management Authority, Parks Victoria and Department of Environment, Land and Water Planning (DELWP). The VMFRP is nine environmental works projects that aim to return a more natural inundation regime across approximately 14,000Ha of high ecological value Murray River floodplain in Victoria. Stage 1 commenced in 2018/19 and requires business cases for each of the nine projects including detailed works designs, statutory approvals and stakeholder consultation for approval to build or modify infrastructure to progress to Stage 2. The total value of Stage 1 for the nine projects is \$28.4m and is funded by the Commonwealth through a funding agreement for Sustainable Diversion Limits between Commonwealth, New South Wales, Victoria and South Australia.

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

KEY ACHIEVEMENTS AND HIGHLIGHTS OF 2018/19

After four additional rounds of engagement with ten customer forums, we adopted the following four customer outcomes for our rural customers:

1. Supply me with water when I need it
2. Keep my costs to a minimum
3. Be easy to contact and quick to respond
4. Comply with other government obligations

Rural Customer Strategies	Key Initiative	Status
Implement Pricing Submission 4 (PS4)	PS4 asset plans for capital expenditure	In progress - ongoing
	5 year price path	In Progress - achieved Year 1 of 5 Year price path
Strengthen Sunraysia and LMW by optimising the net economic value of the irrigation districts	Complete works associated with SMP2 ready for delivery of water to new customers in 2019/20	In Progress - SMP2 construction progressing to schedule for August 2019 completion
	Complete a business case of the augmentation of Koorlong Wastewater Treatment Plant dam to both increase the volume of wastewater available for irrigation and provide storage capacity for irrigators	In Progress - Delivery Share Working Group established with customer groups, target Summer 2019/20 for implementation of working delivery share model
	Complete a business case for upgrading the in-district delivery system to improve productivity of agriculture in-district	Complete - project progressed to development stage with detailed design close to completion. Winter storage dam scheduled for Winter 2020/21
	Review the Delivery Share and usage tariffs and structures to facilitate better utilisation of our water infrastructure	In Progress - strategic target Water Plan 5
Develop new value adding services and projects that we identify because we are close to our customers and we have developed enabling	Develop a river-to-crop system blueprint that maps out how we will optimise the delivery and use of water in our Rural business	In Progress - strategic target Water Plan 5
	Progress Electricity, Emissions Reduction and Reliability strategy	In Progress - preparation of Energy Management Strategy, energy audit of Rural pumping station at Robinvale, progress/analysis toward demand management and operational savings, monitoring of consumption and bill validation

Seven customer outcomes have been adopted for our urban customers following multiple customer engagements:

1. Keep my costs to a minimum
2. Be easy to contact and quick to respond
3. Provide me with consistent, safe, clean drinking water
4. Provide me with reliable sewerage services
5. Be present and active in the community

Urban Customer Strategies	Key Initiative	Status
Implement Pricing Submission 4 (PS4)	PS4 asset plans	In Progress - ongoing
	5 year price path	In Progress - ongoing
Leverage our investment in operational technology	Finalise business base for Coagulant dose prediction software	Complete - succesful trial of Coagulant system at Mildura with further trials at Robinvale
	Leverage existing data warehouse to optimise business reporting	In Progress - implementation of analytical reporting tool and development of dashboard
	Investigate suitability of PI software as business management platform	Not complete
	Continue operator up-skilling and development of "buy in" to innovative culture	Not complete
Be an early adopter of technology	Maintain linkages with broader industry	Complete - ongoing
	Trial applications of IWN technology such as automated sewer classification software	Not complete
	Conduct trial of water reticulation data IoT technology	Complete - reticulation sensors installed to measure water pressure and flows trialled

FUTURE INITIATIVES

Customer at the Centre

- expand opportunities for community involvement through our Engagement Strategy
- development of the customer portal
- resilience, domestic violence and customer service training for customer-facing employees
- implementation of our Compliance Framework

Business Transformation

- development of the Customer Portal
- uplift Cyber Security
- implement business analytics

Culture Change

- develop and commence implementation of a knowledge management framework
- improve on-boarding of new employees
- completion of the 'Leadership by Design' program
- implementation of our Reconciliation Action Plan
- Occupational Health Safety management system aligned to AS4801

Electricity, Emissions Reduction and Reliability

- refine the wholesale electricity progressive procurement approach for large sites
- select a demonstration site to progress integrated energy and emissions optimisation initiatives
- explore a model for joint electricity purchasing with customers and progress as required by our customers
- lead the strategic regional Water Balance Study project with Northern Mallee Integrated Water Management Forum (NMIWM) in partnership with Mallee Catchment Management Authority (Mallee CMA) and Mildura Rural City Council (MRCC)
- continue to explore opportunities as member of Intelligent Water Network (IWN)

Victorian Murray Floodplain Restoration Project (VMFRP)

- business cases for nine projects including detailed works design, statutory approvals and stakeholder consultation

Rural Customer Outcomes and Strategies

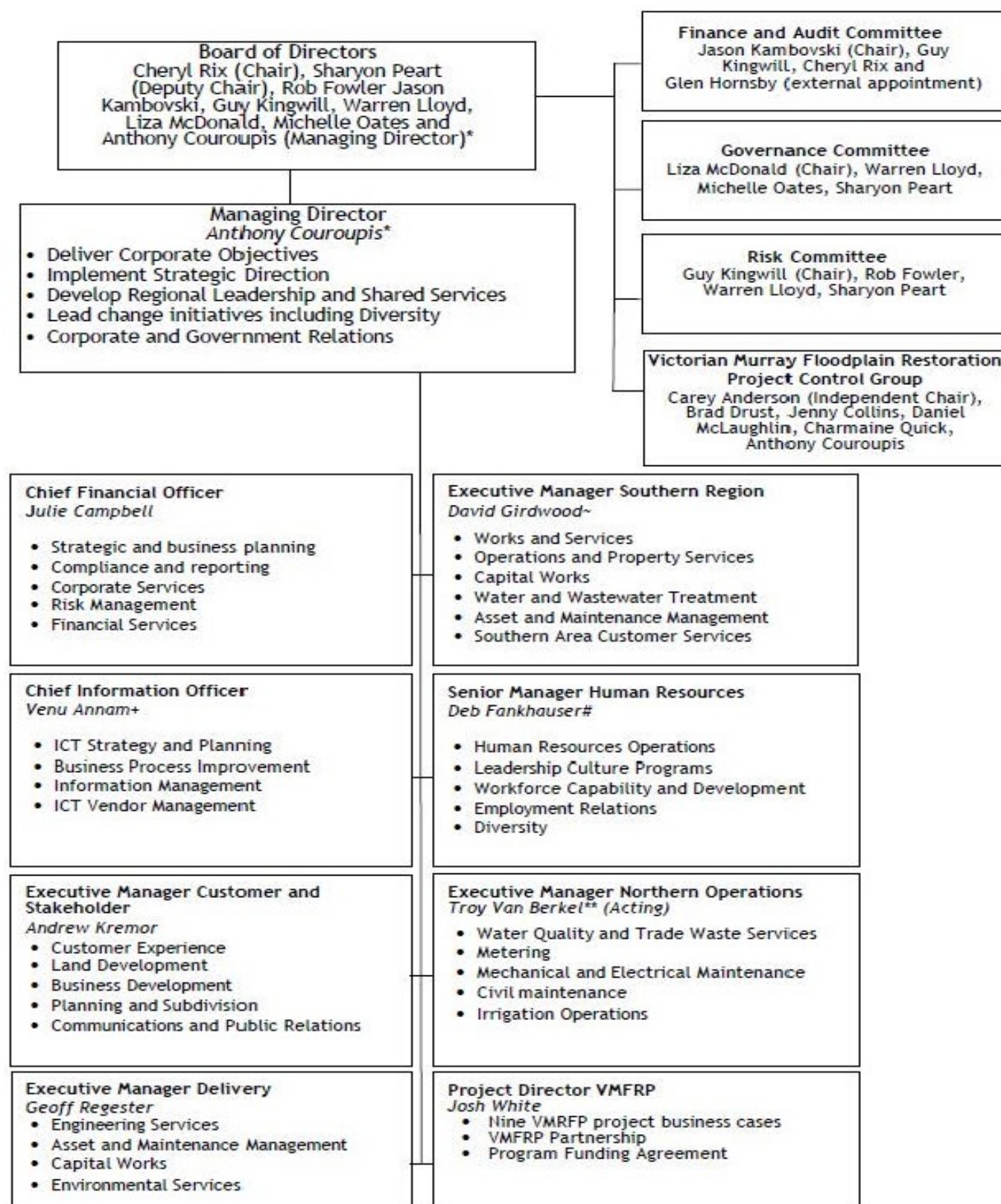
- complete works associated with SMP2 ready for delivery of water to new customers in 2019/20
- complete a business case for water loss savings through upgrades to the in-district delivery system
- design and implement an agreed management tool for sharing the capacity of the irrigation infrastructure within districts
- implementation of Plumatella control strategies
- develop a river-to-crop system blueprint that maps out how we will optimise the delivery and use of water in our Rural business
- progress Electricity, Emissions Reduction and Reliability strategy
- alternative water sources (desalination of ground water, recycling) supply resilience deliverability/Shortfall
- rural Growers' Conference
- drought preparedness/management plan and coordination

Urban Customer Outcomes and Strategies

- finalise business case for Coagulant dose prediction software
- continue optimisation of reporting and predictive analytics
- finalise telemetry and metering upgrades for key operational data collection
- apply lessons learnt from initial UV installations across remaining sites
- investigate pilot project for innovation and optimisation
- maintain linkages with broader industry
- implement Customer Portal for sub-division applications
- improve Cyber Security to increase the resilience of our services

THE LOWER MURRAY WATER TEAM

Organisational Structure



* Philip Endley to 15/3/19; David Girdwood appointed Acting Managing Director to 30/6/19. Anthony Couroupis appointed Managing Director from 1/7/19

Anne Farquhar as an external secondment to 18/12/18. Role changed to Senior Manager Human Resources 22/4/19 with Deb Fankhauser appointed

** Executive Manager Northern Operations role commenced 18/3/19 with Troy Van Berkel appointed as Acting Executive Manager

- Brad Hutchison appointed Acting Executive Manager Southern Region 15/3/19 to 30/6/19

+ Venu Annam to 5/07/2019



THE LOWER MURRAY WATER TEAM

Our Board

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

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

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

Board Membership

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

Sharyon Peart our Deputy Chair moved from Melbourne to the Mallee in 2003, where she lived on a large citrus, dried fruit and wine grape growing property at Nangiloc. Sharyon's background in corporate business, sales, marketing and team management gave inspiration to the small business she owns and operates. She has been the sole director since she created the company in 2005, specialising in retail consultation, managing women's health and well-being.

Sharyon served Mildura Rural City as a Councillor for nine years and gained much experience as portfolio councillor for art and education, later community services and wellbeing, and governance and finance. Sharyon is the Chair of the Mallee Catchment Management Authority, Chair of Vic Catchments, a member of the La Trobe University Advisory Board and a member of the Victorian Agricultural Advisory Council. Sharyon has sound experience in corporate governance, financial management, environmental management, agricultural water uses and associated impacts on the environment, strategic planning, community engagement, relationship building and has completed the Australian Institute of Company Directors course. Sharyon is a member of the Resilient Towns and Cities Reference Group and our Risk Committee and Governance Committee.

Rob Fowler is an independent consultant based in regional Victoria. He is currently leading Training & Advisory for the London-based Climate Bonds Initiative as well as serving on the Boards of Lower Murray Water and The Tilling Group. He has been working in climate change and green finance since 2002 and during that time his clients have included major corporations, international banks, the UNFCCC, national and provincial governments, service providers, industry associations and non-profit organisations. He has previously held senior advisory and management roles with Booz and Company, the New South Wales Cabinet Office, the Independent Pricing and Regulatory Tribunal of New South Wales and LEK Consulting, with a focus on energy, carbon markets, climate change and sustainability. Rob holds a Bachelor of Mechanical Engineering and during his professional career has lived and worked in Melbourne, Sydney, Shanghai, Singapore, Abu Dhabi, Boston, Bangkok, East Kalimantan and country Victoria. Rob is a member of our Risk Committee.



THE LOWER MURRAY WATER TEAM

Jason Kambovski works at Westpac Banking Corporation within the Institutional Bank division as Global Head of Public Sector, where he leads a team who manage the Bank's Australian Federal Government, State/Territory Government, Local Government, Statutory Authority and New Zealand Government relationships. This role is principally focused in the Australasian market, however also covers all of Westpac's international public sector clients. He has over 25 years' experience in the financial services sector having worked for Deloitte, Perpetual Trustees and the Commonwealth Bank in various senior roles including Head of Government, National Executive Manager and Business Development Manager. Jason has completed both a Bachelor of Law and a Bachelor of Commerce (majoring in Accounting and Finance and Commercial Law) and is a Graduate of the Australian Institute of Company Directors. He is the Chair of our Finance and Audit Committee.

Guy Kingwill is an experienced Company Director and CEO. He is a Director of Tasmanian Irrigation Pty Ltd and Agriculture Capital Management Australia Pty Ltd. Previously he was the Managing Director/CEO of Tandou Ltd. He is a member of Chartered Accountants Australia New Zealand and a Fellow of the Australian Institute of Company Directors. He is the Chair of our Risk Committee and a member of our Finance and Audit Committee.

Warren Lloyd comes from a family that has been involved in irrigated horticulture in the Mildura area from its pioneering beginnings. Since 2005, along with his father and uncle, he has been managing the family dried fruit property, giving him considerable expertise in horticulture and irrigation. Warren chaired our Strategic Advisory Committee since 2016 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 and a member of our Risk Committee and Governance Committee.

Liza McDonald is a regulatory and strategic communications specialist. Liza is the Managing Director of LMD Advisory Pty Ltd, a strategic stakeholder engagement and management advisory company. Liza has designed nationally award-winning engagement strategies and previously was a Partner in a Melbourne based engagement consultancy. Liza has held senior regulatory Victorian Public Service executive roles including Director for Industry Reform and Implementation at the Taxi Services Commission, General Manager Service Delivery Bus and Regional Services at the Department of Transport, in addition to senior executive roles in the former Victorian Taxi Directorate. Liza has held ministerial advisory positions in her career and has completed the Australian Institute of Company Directors course. Liza is the Chair of our Governance Committee.

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

THE LOWER MURRAY WATER TEAM

Directors' Attendance at Board Meetings

Lower Murray Water Meetings

Directors	Board Meetings	
	Eligible to attend	Attended
Cheryl Rix (Chair)	10	10
Sharyon Peart (Deputy Chair)	10	10
Philip Endley *	5	5
Rob Fowler	10	9
David Girdwood #	4	4
Jason Kambovski	10	8
Guy Kingwill	10	9
Warren Lloyd	10	10
Liza McDonald	10	10
Michelle Oates	10	8

* Philip Endley concluded 15 March 2019

David Girdwood (Acting Managing Director) from 16 March to 30 June 2019

VMFRP Board Meetings

VMFRP meetings commenced in March 2019.

Directors	VMFRP Board Meetings	
	Eligible to attend	Attended
Cheryl Rix (Chair)	4	4
Sharyon Peart (Deputy Chair)	4	4
Philip Endley *	NA	NA
Rob Fowler	4	3
David Girdwood #	4	4
Jason Kambovski	4	2
Guy Kingwill	4	4
Warren Lloyd	4	4
Liza McDonald	4	2
Michelle Oates	4	3

* Philip Endley concluded 15 March 2019

David Girdwood (Acting Managing Director) from 16 March to 30 June 2019

Workforce Philosophy

We are committed to the growth and prosperity of our region and recognise the importance of investing in our people to better serve our community. During 2018/19 we have formed a partnership with Proteus Leadership to deliver a tailored 'Leadership by Design' program for our people managers and identified potential leaders from our workforce.

Growth Through People

We continue our long-term plans to increase capability, broaden workforce diversity, develop a constructive, high performance culture, provide a fair, equitable and safe work environment, and develop 'bench strength' for key roles to ensure workforce sustainability.

Diversity and Inclusion

We are working collectively with VicWater and other water authorities to establish a Water Industry Diversity and Inclusion Strategy. This strategy includes measures and targets that the water industry will strive to achieve as a collective. Deb Fankhauser, Senior Manager Human Resources is a member of the steering committee for the development and implementation of this strategy. In 2018/19 we continued our support of employees seeking access to flexible work arrangements, with 40% of staff utilising this benefit.

We value staff with non-binary gender identities at all levels. We acknowledge that due to historic and current barriers to disclosure of non-binary gender identities, staff may not choose to disclose this information. As a result, targets or quotas are not currently a useful way to promote opportunities for gender diverse staff at all levels. The following table below outlines the first diversity data collection results for 2018/19.

Measurement	%
Workforce participation in data collection	85%
Identify with a disability	4%
Nationality other than Australian	10%
Speak a language other than English	10%
Have flexible work arrangements in place	40%
Have caring responsibilities	49%
Identify as Aboriginal Torres Strait Islander	0%

Additional workforce information can be found in Appendix 3. This includes demographic data, number of employees, classification levels, staff turnover and Executive Officer Information.

THE LOWER MURRAY WATER TEAM

Family Violence

The Essential Services Commission amended its customer service codes to help address the issues surrounding family violence and the impacts on society, setting the requirements for the Victorian Water sector to implement. We have a significant role to play in the community in response to this systemic issue, developing policies and guidelines to support our customers and staff who may be experiencing family violence.

Occupational Health and Safety (OHS)

We are committed to continuously improving health, safety and wellbeing in our workplaces so as to protect the wellbeing of, and prevent injury or illness to, our employees, contractors and the communities in which we operate.

We recognise that Occupational Health and Safety is not only important, but is integral to all business activities. As a Corporation we accept and understand our responsibilities under Commonwealth and State legislation, Regulations and Codes of Practice.

In 2018/19 we commenced our first year of aligning our Occupational Health and Safety System to best practice framework and methodologies. Throughout the year we achieved the following:

- adopted a revised Occupational Health and Safety Policy and Public Statement;
- automated incident reporting processes;
- automated contractor management processes;
- mitigated risks associated with motor vehicles via implementation of a Driving Procedure and associated requirements;
- achieved our sixth consecutive year of reduced WorkCover premiums;
- maintained a low Lost Time Injury Frequency Rate (LTIFR) OF 3.1; and
- improved injury management and increased focus on fitness for work.

Our OHS Strategy has two focus areas, 'Safety Behaviours' and 'Management System'. Our 'Behaviour' focus area seeks to embed safe and healthy behaviours by identifying and providing training opportunities and support programs, working closely with People Managers to:

- educate and empower all managers on safety roles and responsibilities in accordance with legal and corporate requirements;
- establish a culture that values employee safety and wellbeing through business practices; and
- support safety-conscious behaviour through active leadership and consultation.

Our 'Management system' focus seeks to establish a pragmatic systems-based approach aligned with Australian Standard AS/NZS 4801:2001. Having a systematic approach that prioritises controlling or eliminating the hazards associated with our high-risk activities and incorporates continuous review and improvement will sustainably improve our OHS performance.

Statistics	2016/17	2017/18	2018/19
Days Lost - Workcover	7	42	66
- per FTE	0.01	0.23	0.33
Number of Lost Time Injuries	1	1	1
Lost Time Injury Frequency Rate #	3.5	3.2	3.1
Percentage of annual workplace inspections	100%	100%	80%
Reported hazards / Incidents	44/19	28/37	15/64
Average Cost per Claim	\$2,960	\$15,263	\$16,396

Number of injuries x 1,000,000 / total hours worked

SERVING OUR CUSTOMERS

Engaging with Our Customers

In 2018/19, there was strong engagement with individual Customer Service Advisory Committees (CSAC), the Strategic Advisory Committee (SAC) and combined CSAC/SAC meetings were held, with a total of 165 members attending and key speakers attracted from relevant organisations.

Strategic Advisory Committee (SAC)

The purpose of the SAC is to provide considered opinion and feedback to our Board and Management on strategy, policy and industry matters. As at 30 June 2019 the membership comprised: Frank Dimasi (Chair), Andrew Young (Deputy Chair), Robert Albanese, Stephen Bennett, Zoe Dichiera, Ron Hards, Allen Harmer, Greg Milner, Tim Milner, Toby Smith, Rocco Violi and Richard Wells.

During 2018/19, the SAC met three times and an additional six times in a joint capacity with the CSAC. SAC members provided valuable feedback and input into various issues such as shortfall management, SMP2, compliance, strategic direction of the SAC and the organisation, review of Delivery Shares, water efficiency programs and protection of existing extraction rights. The SAC also met with the Hon. Lisa Neville MP, Minister for Water in October 2018 to highlight priorities and opportunities for improvements in the region. This meeting received positive feedback from the Minister and resulted in tangible outcomes for our region.

Customer Consultative Committee (CCC)

Extensive consultation with our northern and southern urban customers was undertaken through a combined northern and southern Customer Consultative Committee, in the development of our Pricing Submission 2018-2023. Regular meetings with this committee are planned to guide the implementation of Water Plan 4, development of Water Plan 5 and the ongoing provision of advice on matters concerning urban customers.

Customer Service Advisory Committee (CSAC)

Established in accordance with the *Water Act* 1989, six meetings of CSAC were held which represents former Pumped Districts of Mildura (FMID), Merbein, Red Cliffs and Robinvale, the Millewa Rural District and our Private Diversion customers between Nyah and the South Australian border.

Generally, the Committees have a membership of six elected irrigation customers and advise management on operational matters. During 2018/19 20 customer committee meetings were held involving CSAC members. This included 14 individual CSAC meetings where members provided guidance and feedback on a range of topics including financials performance, work programs, including timing to reduce impact on customers, SMP2, Plumatella control, capacity sharing as well as other items specific to each district. In addition, six combined SAC/CSAC meetings were held, discussing topics of common interest and increasing interaction between different types of irrigation customers.

Customer Service Advisory Committee Members 2018/19	
Merbein	Stephen Bennett (Chair), David Beard, Lindsay McClelland, Andrew Hudson, Richard Wells
Millewa	Ron Hards (Chair), Allan Harmer, Annette Lambert, Colin Hunt, Neil Boord
Red Cliffs	Tim Milner (Chair), Giovanni Paolucci, Frank Pedulla, Matt Ryan, John Strangio, Rocco Tassone
Mildura	Steven Frasca (Chair), Peter Jones, Don Marciano, Peter Middleton, Greg Milner, Tim Milner
Private Diverters	Tim Millen (Chair), Rohan Brown, Andrew Fremder, Darren Minter, Tony Spiers, Rob Wheatley, Terri Wilson
Robinvale	Ian Boyd, Lindsay Camera, Frank Costantino, Ken Stringer and 2 vacancies

Growers' Conference

The inaugural Growers' Conference was held in October 2018 bringing state and federal policy makers, water managers and researchers to interact with growers. Driven by our customer committees and chaired by the SAC Chair, approximately 125 irrigation customers attended, with an overwhelming positive response and request for this to be an annual event.

Our Rural Customers and Our Bulk Water Entitlement—Irrigation

Refer to Appendix 4 for details on rural customer disclosures and our Bulk Water Entitlement—Irrigation.

Our Urban Customers and Our Bulk Water Entitlement—Urban

Refer to Appendix 5 for details on urban customer disclosures and our Bulk Water Entitlement—Urban.



SERVING OUR CUSTOMERS

Engagement Strategy 2019-21

We revised our Customer Engagement Strategy which was endorsed by the Board during 2019. Our Engagement Strategy guides staff in undertaking engagement activities and provides an overarching approach to engagement for the organisation. It provides a framework to ensure meaningful and informed consultation with our customers and stakeholders in our decision making. It will strengthen our partnerships with customers, community and stakeholders, while creating trust and transparency in our decision-making processes. Training has been rolled out across the business to ensure a good understanding of engagement principles and methods. We are currently finalising an engagement manual for staff to use as part of ongoing operations and delivery of our projects for engagement with customers and small business/commercial operations. We are also implementing strong engagement practices as part of our capital works program to ensure early and effective stakeholder input particularly from our customers.

Communicating with Our Customers

Our ongoing commitment to improve our quality of service to meet our customers' needs has been a priority for our organisation. We continue to focus on delivering the right service at the right time, to support our customers. The implementation of our engagement strategy ensures we are continuously improving our customer service and communications with customers to inform, collaborate, engage and form strong relationships. Our philosophy to engage with our customers through social media has proven to be a very successful way of interacting with a diverse range of people. Our refreshed website continues to be a major channel for providing information directly to our customers and we are continuing to improve online business processes to give our customers more flexibility and accessibility to our services.

Information is provided to customers on water allocations and seasonal outlooks, watering times, water saving tips, major projects, employment opportunities and upcoming events and community programs, as well as important information relating to works being carried out as part of our capital works program. Our monthly e-news updates and online media also provides important information to customers.

To provide timely notification of water quality, upcoming maintenance and water supply interruptions we use multiple formats such as a SMS (Short Message Service) alert service, email, website and social media channels.

We ran a campaign to encourage our rural customers to provide up to date contact information to ensure we can keep them informed of important information, such as Blue Green Algae, outages and water consumption.

With the development of our updated videos and increased social media posts we were able to reach more than 80,000 community members across our service region over the past year.

Customer Satisfaction Survey

In September 2018 we randomly selected 8,166 customers and invited them to complete a customer satisfaction survey. Of the 3,643 rural customers invited to participate 413 returned their surveys giving a response rate of 11.3%. The number of urban and commercial customers offered the opportunity was 4,523 and of this 14.1% (640 customers) responded. The rate of response is pleasing and provides a strong base for assessing customer opinions. Customers were asked to comment on a range of issues and we took the opportunity to determine the types of technology customers are using to communicate with us. The results of the survey are on our website www.lmw.vic.gov.au

Resolving Customer Complaints

Complaints are captured in the Corporation's Customer Management System 'Merit' which provides a tracking and reporting facility that ensures all complaints are responded to within the appropriate timeframes. Complaints may be lodged by telephone, via our website or in writing to one of our offices. Any complaint will be initially dealt with by the appropriate section who will offer a solution under the direction of the section Manager. If a written reply is requested, we will take no more than ten business days to respond to an enquiry or complaint.

If the solution or action taken does not satisfy our customer, the matter will be referred to a more Senior Officer for review. The Senior Officer will ensure the complaint has been properly investigated and ensure the final decision has considered our Customer's rights and obligations.

SERVING OUR CUSTOMERS

The reply will inform our Customer of the actions or decisions taken by us and the reasons for these decisions, including any legislative or policy basis for them, if appropriate.

If the complaint is still not resolved, then the matter will be considered to have become a dispute. We will inform our customer that they may refer the matter to an external body, for dispute resolution. Such bodies include the Energy and Water Ombudsman Victoria (free call 1800 500 509).

Energy and Water Ombudsman Case Handling Statistics

In the event that a customer complaint is not resolved with us, our customer will be informed their complaint may be referred to the Energy and Water Ombudsman (Victoria) (EWOV) for dispute resolution. We also advise our customers on how they may contact EWOV. EWOV are dispute resolution specialists and are impartial in resolving complaints between parties.

EWOV 2018/2019	Lower Murray Water	Overall Water Industry	%
Enquiry	0	107	0%
Unassisted Referral	7	379	1.8%
Assisted Referral	13	1,107	1.2%
Investigations	7	213	3.3%
Total	27	1,806	1.5%

COMMITTING TO THE ENVIRONMENT AND REGION

Collaboration with Stakeholders/Community

Over the past year we have made a deliberate change in the way we engage and collaborate with our stakeholder groups and the community. We have embraced the principles of the International Association for Public Participation (IAP2), finding out what is important to our community and customers, what are their priorities and how we can use that information to focus our activities and expenditure.

Choose Tap

Choose Tap is undergoing a brand refresh to ensure the message is relevant and appropriate in reaching their goal of inspiring the community to Choose Tap as their first choice for hydration. Advocating tap water as customers' first/preferred choice, is a positive fit with our commitment for environmental sustainability by encouraging refillable drink bottles over single use plastics.

Communications Group

We meet regularly with MRCC, Mallee CMA, Sunraysia Institute of TAFE (SuniTAFE), La Trobe University, DELWP, Parks Victoria Sunraysia Community Health to share information on communication and customer service issues and projects.

Environmental Education Task Group (EETG)

We participate in bi-monthly EETG meetings to share education opportunities and encourage collaboration with representatives from Mildura Rural City Council (MRCC), Loddon Mallee Waste Resource Recovery Group, Mallee CMA and Parks Victoria.

Environmental Protection Agency (EPA) Water Industry Reference Group

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

First Peoples Engagement

Our organisation has continued to progress our relationships with Traditional Owners in our service region and our first ('Reflect') Reconciliation Action Plan will be implemented in the coming year.

Our RAP Working Group has held several meetings during 2018/19. We will continue to ensure Aboriginal values are considered as part of our planning and business operations.

Industry Water Association—Special Interest Groups (SIG)

Our staff regularly meet with other Victorian Water Industry SIGs covering communications, governance, energy, customer service, finance, education and technical aspects of our industry.

International Water Networks Large Scale Renewable Project

We are one of 13 water corporations who collaborated to participate in this project to source renewable electricity from a project located in North West Victoria.

Lake Hawthorn Management Plan

We continue to work with our fellow agencies; MRCC, Mallee CMA and Goulburn Murray Water (GMW) to ensure the ecological and social amenity values of Lake Hawthorn are managed effectively. An update of the Lake Hawthorn Management Plan is scheduled for 2019/20.

Loddon Mallee Education for Sustainability Network

The Network was established to share ideas and information between organisations delivering environmental sustainability programs and services to schools within the Loddon Mallee region.

OzFish Sunraysia

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

Mallee Irrigation Development Group (MID)

We are a member of the MID which assesses all new applications for a Water Use Licence against the Mallee Irrigation Development Guidelines. Other core group members are the Department of Jobs, Precincts and Regions (DJPR), DELWP and the Mallee CMA. Parks Victoria and Aboriginal Victoria also attend meetings as required. The group coordinates and case manages applications to ensure the guidelines and the Hon. Lisa Neville MP Minister for Water's Water Use Objectives and Policies for Managing Water Use Licences in Salinity Impact Zones are complied with.

Partnerships within our Communities

In 2018/19 groups we partnered with included Lions Clubs, Historical Societies, Cultivator Inc, high schools, La Trobe University and SuniTAFE.

COMMITTING TO THE ENVIRONMENT AND REGION

Sponsorship and Donation Program

In the 2018/19 year we supported many local organisations through a combination of cash sponsorships, staff attendance, in-kind support and the provision of merchandise.

Sunraysia Regional Algal Coordinating Committee

We are the coordinating agency of the Victorian Convening Agencies within the region for blue green algae (BGA) monitoring and reporting.

Sunraysia RiverWatch Inc (SRW)

In 2018/19 we continued our sponsorship and membership of SRW, collaborating with other agencies as part of this community service. SRW is a community program that aims to assist in the protection of the river and its environment, through educating and engaging the community to ensure the preservation of the river for the benefit of current and future generations.

Water Refill Stations

Water refill stations operate across our service region and can be located using the 'Choose Tap App'.

Water Refill Stations—Grants

We offer a Water Refill Station Grant to education facilities in our service region. Education facilities are invited to apply for a contribution of \$1,500 toward the purchase of a WaterMark Certified water refill station.

Community Education and Water Awareness Campaigns

Flush Facts Campaign

We have continued to highlight the importance of the health of our sewer system through our Flush Facts Campaign. The messaging is communicated across a variety of platforms such as website, social media channels and school education programs at the primary and kindergarten level.

Home Water Audit

As part of our Target Your Water Use campaign we have developed a self-audit tool for households. The purpose of the self-audit is to help our customers understand their household water use and areas where water could be saved. This tool is available for download from our website.

Seniors' Festival Event

In October 2018 we hosted a free afternoon tea and information day for local seniors. This event was held in conjunction with the Mildura Rural City Council's annual Seniors' Festival and will be offered again in 2019.

Rural Water Awards

Held biennially, these awards seek to recognise and reward Victorian Rural Water Users who are demonstrating new/innovative methods or use of technology, water volume savings or increased productivity. Nominations are sought in the categories of Irrigation Water Users, Groundwater Users, Surface Water Users, Community/Education and Farm to Plate (new in 2018). Our organisation, in partnership with Southern Rural Water, Grampians Wimmera Mallee Water, Coliban Water, Goulburn Murray Water, Vic Water, Victorian Farmers Federation and DELWP collaborated to deliver the awards in 2018.

We are proud to report our regional finalists achieved success in the State Awards with:

- Merbein P-10 College - State Winner in the Community and Education category for their Aquaponics system;
- Sunraysia Residential Services Inc social initiative Benetook Farms, - runner-up in the same category for their all-inclusive egg business, fruit and vegetable community garden and tours for schools and community members; and
- Local grower Stephen Bennett - Encouragement Award for his use of technology software, irriSAT, in the daily management of his irrigation horticulture property.

School Education Programs

We have 30 schools participating in the School Water Efficiency Program (SWEP), a government initiative that provides data loggers to Victorian schools to continue the education and demonstration of water efficiency in practice. We conduct tours of our Water Treatment Plants, participate in school incursions and provide classroom resources to suit particular curriculum activities as requested by teachers.

Dripster's Super Water Saver Education Program

Our education program has four sections: Wonders of Water, The Water Cycle, How Water Works and From Raw to Ready and back again (the wastewater process) and has been developed in conjunction with the Victorian Curriculum. Sections of the full program are also available as modules.

COMMITTING TO THE ENVIRONMENT AND REGION

Dripster's Super Water Saving Game

Our game is available to schools in our service area, in a tabletop or oversized floor mat version, and is provided with question sets, playing pieces and giveaways for the students. Teachers can request question sets in our existing topics, or we can develop questions around a specific curriculum topic.

Sunray Warriors—An Environmental Adventure

In conjunction with MRCC, Landcare Victoria, EnviroEdu, Loddon Mallee Waste and Resource Recovery Group (LMWRRG), Mallee CMA, Local Land Services Western (LLSW), EPA, Western Landcare, Parks Victoria and NSW Maritime, we held an interactive event in September 2018. Over the two days 698 primary students from Prep to Grade 6 participated in a Welcome to Country, Smoking Ceremony and learnt traditional Aboriginal dancing steps from a local Indigenous Dance Group. Feedback was sought from teachers to shape the 2019 event and over 800 students are already registered to participate.

National Water Week Poster Competition

To celebrate National Water Week 2018 we invited all primary schools in our service region to participate in our regional competition, with the section winners nominated for the national poster competition. Categories were expanded this year to include students with a disability (55 entries) and a digital option (125 entries) as well as the traditional A3 poster format. Regional winning artworks were made into a calendar which was then distributed to schools in late 2018 and made available to the general public.

Welcome to Preps 2018

We continue to offer 'Welcome to Prep' packs to primary schools in our service region. The program encourages the next generation of school students to Choose Tap and healthy snacks for their school day with each set including a lunch cooler bag and 450ml refillable water bottle.

World Environment Day

On Thursday 7 June 2019 we participated in MRCC's event to mark World Environment Day. Approximately 50 primary school students learnt about pollution in our sewerage system.

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.

Water Efficiency Programs

We promote water efficiency through our Home Water Audit, Community Housing Retrofit program for not-for-profit businesses and our School Education Programs. Hardship customers are able to apply for water saving devices and we promote efficient water use in all our messaging.

Water Recycling

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

Environmental Flows

We work with the Mallee CMA to provide environmental water delivery under the Victorian Environmental Water Holder's (VEWH) Lower Murray Wetlands Seasonal Watering Proposal. Under Mallee CMA's direction we use our irrigation/drainage assets to provide water to regional wetlands and floodplains under our management, including Lake Hawthorn and the Koorlong Basins. This water is used to achieve environmental outcomes, including the protection of the endangered Murray Hardyhead, and assists with the restoration of salt affected wetlands. We aim to ensure the environmental water targets meet the needs of our irrigators, this is a number one priority to ensure that their access to water is not compromised.

The Efficiency of Irrigation Systems

Sunraysia Modernisation Project 2 (SMP2)

Following from successful application for funding through the Commonwealth National Water Infrastructure Development Fund, construction works began on SMP2 in May 2019. The works have included modernising over 400m of earthen channel at Red Cliffs and 1,600m at Merbein, upgrades to termination structures, regulators and road culverts to allow for additional flows for both channel systems. SMP2 provides cost-effective and efficient water delivery to customers on the fringe of the Merbein and Red Cliffs districts while utilising spare capacity within the system. SMP2 is expected to be completed in October 2019 ready for the irrigation season. It is expected to deliver over \$40m in net economic benefits and an additional 33 jobs for the region.

COMMITTING TO THE ENVIRONMENT AND REGION

Urban Water Strategy (UWS)

As part of the Statement of Obligations we are required to develop an Urban Water Strategy. This strategy considered all aspects of the urban water cycle across a 50-year planning horizon. We completed our UWS and annually publish the Water Security Outlook in November. Our Drought Preparedness Plan was reviewed during 2018/19 and reflects business requirements with the current seasonal outlook and expected lower (less than 100%) allocation.

Sustainable/Resilient Water Services Systems

We consider water efficiency, sustainable and resilient water service systems an integral part of our operations.

Other Statutory Obligations

Regional Catchment Strategy

The Mallee Regional Catchment Strategy (RCS) 2013-2019 is the key regional planning instrument. It 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 in partnership with the Mallee CMA:

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

There are plans to update the strategy 2019-2020

State Environmental Protection Policy (Waters of Victoria)

The policy was revised and approved on 19 October 2018. We continue to work to both understand and reduce the impact of our activities on receiving water environments. This includes:

- continuous monitoring of irrigation drainage water as it flows to the River Murray and other floodplain sites. Monitoring includes volume data and electrical conductivity measurement. We partner with both Mallee CMA and DELWP in this program; and
- there are plans for 2019/20 to increase the amount of monitoring locations and increase the quality of data captured - which was an outcome of partnered investigations with Mallee CMA into the environmental risks associated with irrigation drainage water.

Victorian Biodiversity Strategy

Within our managed land parcels portfolio there are a number of sites that are in areas having high conservation values. These sites are subject to ongoing works aimed at controlling pest plants and animals to ensure the native species populations remain viable and resilient. Sites that are currently being managed include:

- **Benetook Offset Site** - Located near Lake Koorlong, this 25Ha 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 showing signs of significant native species re-establishment which will be reassessed in 2019/20;
- **Koorlong Wastewater Treatment Plant** - a 21Ha section of old-growth mallee located within the grounds of the Koorlong Wastewater Treatment Plant and secured under the Bushbroker scheme, this site is managed by us to ensure it remains free of weeds and animal pest species;
- **Mildura West Water Treatment Plant** - a 15Ha area to the south of the plant facilities is home to a population of legless lizards (*Pygopus schraderi*), one of only six locations in Victoria where they are known to exist. In addition to ongoing weed control at the site we conduct feral animal control to reduce predatory pressure on the lizards; and
- **Fosters Swamp, Kerang** - we release treated water into Fosters Swamp, a Ramsar listed wetland. A study conducted in 2008 demonstrated the water released from our operations has a positive effect on the wildlife in this area.

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 2014-22, of which we are a partner in the delivery of the works program.

GOVERNANCE AND OBLIGATIONS

Governance Committee

The objectives of the Governance Committee are:

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

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

Governance Committee		
Members	July 2018 - June 2019	
	Eligible to attend	Attended
Liza McDonald (Chair)	3	3
Warren Lloyd	3	3
Michelle Oates	3	3
Sharyon Peart	3	3

Finance and Audit Committee

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

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

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

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

Finance & Audit Committee		
Members	July 2018 - June 2019	
	Eligible to attend	Attended
Jason Kambovski (Chair)	4	4
Glen Hornsby *	4	3
Guy Kingwill	4	4
Cheryl Rix	4	2

* Independent/external committee member

Risk Committee

This committee assists the Board in carrying out its duties:

- to review principles, policies, strategies, process and control frameworks for the management of Risk to ensure effectiveness and consistency for approval by the board;
- to review and ratify systems of risk management, internal compliance and controls;
- to review the Corporation's risk appetite and risk tolerance;
- to ensure compliance with requirements of Ministerial Standing Direction 3.7.1, with the responsibility of identifying, assessing and managing all risks; and
- to establish and maintain effective risk governance that includes an appropriate management structure and oversight arrangements for managing risk to satisfy itself that the Risk Management Framework is operating as intended.

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

Risk Committee		
Members	July 2018 - June 2019	
	Eligible to attend	Attended
Guy Kingwill (Chair)	3	3
Rob Fowler	3	3
Warren Lloyd	3	3
Sharyon Peart	3	3

Victorian Murray Floodplain Restoration Project (VMFRP) Control Group

The purpose of this group is to:

- oversee, monitor and responsible for the management and delivery of the VMFRP;
- ensure effective program governance supported by robust and transparent systems and processes;
- ensure appropriate use of government funds in accordance with funding agreements, government policy and legislation;
- ensure key stakeholder requirements met during the implementation of the program;
- provide the Secretary of DELWP information to allow the Minister of Water to be briefed on the performance of the program.

GOVERNANCE AND OBLIGATIONS

Victorian Murray Floodplain Restoration Project Control Group		
Members	July 2018-June 2019	
	Eligible to attend	Attended
Carey Anderson (Chair)	2	1
Brad Drust	2	2
Jenny Collins	2	2
Daniel McLaughlin	2	2
Rohan White	2	1
Charmaine Quick	2	1
Daniel Irwin *	1	1
David Girdwood #	2	2

* Proxy for Charmaine Quick

David Girdwood (Acting Managing Director) 16 March to 30 June 2019

Advertising campaigns valued at \$100,000

Our expenditure in the 2018/19 reporting period on government advertising campaigns did not exceed \$100,000.

Consultancies under \$10,000

In 2018/19 there were 35 consultancies engaged during the year, where the total fees payable to the consultants was less than \$10,000. The total expenditure incurred during 2018/19 in relation to these consultancies was \$110,994 (excl GST).

Consultancies over \$10,000

In 2018/19 there were 35 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2018/19 in relation to these consultancies was \$6,734,076 (excl. GST). Details of the consultancies are shown in Appendix 7.

Compliance with the *Building Act 1993*

We maintain our 46 buildings in compliance with the *Building Act 1993*, Building regulations 2018 and the relevant provisions of the National Construction code. We engage appropriately qualified consultants and contractors for all proposed works at our sites and ensure their works and services comply with current building standards and have appropriate mechanisms in place to ensure compliance with the building and maintenance provisions of the *Building Act 1993*, Building Regulations 2018 and the National Construction Code. Our Assets group utilises the Asset Information Management System to regulate the mechanisms for scheduling of inspections and maintenance activities, rectification works and reporting on existing buildings.

In 2018/19 we undertook the following building activities.

Building Activities undertaken in 2018/19	
Number of major works projects undertaken by LMW (>\$50,000)	2
Number of building permits, occupant permits or certificate of final inspection issued in relation to buildings owned by LMW	0
Number of buildings that have been brought into conformity with building standards during the reporting period	0

Freedom of Information Act 1982

The *Freedom of Information Act 1982* allows the public the right to request information held by us and to access documents about our activities. The Act allows us to refuse access, either fully or partially, to certain documents or information. If an applicant is not satisfied by a decision made by us, under section 49A of the Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving the decision. Requests under FOI must be in writing, addressed to:

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

An application fee of \$29.60 applies and all requests should clearly identify what types of material/documents are being sought. During 2018/19 we received one request for information under FOI. This was received from a member of the public and related to the appointment of a staff member. This FOI decision was made within 30-45 days, as legal advice from FOI Assist was sought. This request was not subject to a complaint/internal review by OVIC, nor was it appealed to VCAT.

Major Contracts

We did not award any major contracts during 2018/19. A major contract is a contract entered into during the reporting period valued at \$10 million or more.

Privacy and Data Protection Act 2014

Protection of privacy, personal and health information is an important aspect of our operations. We are bound to comply with the *Privacy and Data Protection Act 2014*, the *Health Records Act 2001* and the *Charter of Human Rights & Responsibilities Act 2006*. Our Privacy and Data Protection Policy and Privacy Charter are available at www.lmw.vic.gov.au and upon request at any of our offices.

GOVERNANCE AND OBLIGATIONS

Information and Communication Technology Expenditure (ICT)

For the 2018/19 reporting period, we had a total ICT expenditure of \$3,970,000 with the details shown below.

- ICT expenditure—refers to our costs in providing business-enabling ICT services. It comprises Business As Usual (BAU), ICT Expenditure and Non-Business As Usual (Non-BAU) ICT Expenditure
- Non-BAU ICT expenditure relates to extending or enhancing our current ICT capabilities
- BAU ICT expenditure is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability

All operational ICT expenditure	ICT Expenditure relating to projects to create or enhance ICT capabilities		
Business As Usual (BAU) ICT expenditure	Non-Business As Usual (non-BAU) ICT expenditure	Operational expenditure (OPEX)	Capital expenditure (CAPEX)
\$3,746,000	\$224,000	\$0	\$0

Local Jobs First—Victorian Industry Participation Policy

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

Departments and public sector bodies are required to apply the Local Jobs First policy in all projects valued at \$3 million or more in Metropolitan Melbourne or for statewide 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 VIP guidelines will continue to apply to MPSG applicable and VIP applicable projects respectively where contracts have been entered prior to 15 August 2018.

During 2018/19 we commenced four Local Jobs First Standard projects totaling \$13.3 million. Of those projects all are located in regional Victoria, and an average commitment of 85% of local content. No projects were commenced that occurred in Metropolitan Melbourne nor statewide.

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 85% of local content commitment was made;
- a total of 82 jobs (annualised employee equivalent [AEE] were committed, including the creation of 21 new jobs and the retention of 61 existing jobs [AEE];
- a total of six positions for apprentices, trainees or cadets were committed, including the creation of one new apprenticeship, traineeship and cadets; and
- the retention of the remaining five existing apprenticeships, traineeships and cadets.

During 2018/19 there were four small to medium sized businesses that prepared a VIPP Plan or Local Industry Development Plan for contracts, successfully appointed as Principal Contractor. During 2018/19 16 small to medium businesses were engaged through the supply chain on these projects.

Competitive Neutrality Policy

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

Protected Disclosures Act 2012

We are committed to the aims and objectives of the *Protected Disclosures Act 2012*, which enables people to make a disclosure about corrupt or improper conduct by a public officer or a public body.

We are a public body for the purposes of the *Protected Disclosures Act*. You can make a protected disclosure about Lower Murray Water—its board members, officers or employees by contacting the Independent Broad-based Anti-corruption Commission:

Address: GPO Box 24234
Melbourne Vic 3001
Website: www.ibac.vic.gov.au
Phone: 1300 735 135

GOVERNANCE AND OBLIGATIONS

We are not able to receive protected disclosures but have a procedure setting out how we will protect people against detrimental action that might be taken against them in reprisal for making a protected disclosure. Our procedure may be accessed at www.lmw.vic.gov.au

Compliance with the Water Act 1989

In 2018/19 we completed a strategic review of its compliance obligations and developed and strategic compliance framework to guide improvements in its compliance activities. This review was aligned to the direction set by the Murray Darling Basin Compliance Compact. We also reviewed and updated our Rural Customer Charter to ensure alignment with the requirements of the *Water Act 1989* and in particular in the area of unauthorised use of water. We communicated with our customers the requirement for rural customers to maintain a positive allocation account balance at all times. We have real time metering for our irrigation customers which enables our customers to monitor their usage and ABA balance as well as enabling us to monitor compliance. In 2018/19 we communicated the requirement for compliance through our customer committees, website and in local media. Letters were sent to any customers with negative ABAs and these are followed up by lockout and prosecution as required. There was one prosecution for unauthorised use in 2018/19. We have a process of auditing and renewing every Works Licence every five years. This is done on a reach by reach basis. Licence holders are notified of any non-compliance identified and given an opportunity to rectify it prior to enforcement action commencing. The standard of works sites has improved each time a reach is re-visited, and in 2018/19 the only non-compliances detected were minor in nature and rectified by the licence holder without enforcement actions being required.

Statement of Availability of Other Information

The following information is available on request, subject to the *Freedom of Information Act 1982* and the *Privacy and Data Protection Act 2014*:

- publications produced by us about our Corporation and how these can be obtained;
- changes in prices, fees, charges, rates and levies charged by us;
- major promotional, public relations and marketing activities undertaken by us to develop community awareness of our Corporation and our services;

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers;
- details of any major external reviews carried out by us; and
- details of major research and development activities undertaken by us.

The following information is located within this report:

- a general statement on industrial relations within our organisation and details of time lost through industrial accidents and disputes;
- a list of our major committees, the purpose of each committee and the extent to which the purposes have been achieved; and
- Details of:
 - any major external reviews carried out on the organisation (none conducted during 2018/19);
 - major research and development activities undertaken by us (none conducted during 2018/19);
 - assessments and measures undertaken to improve the occupational health and safety of employees; and
 - all consultancies and contractors including consultants/contractors engaged, services provided, and expenditure committed for each engagement.

Information not applicable to us:

- details of shares held by a Senior Officer as nominee or held beneficially in a Statutory Authority or subsidiary; and
- details of overseas visits undertaken (no Board members or staff participated in overseas work-related trips during 2018/19).

Statement of Availability of Other Reportable Information

Subject to the provisions of the *Freedom of Information Act 1982* and *Privacy and Data Protection Act 2014*, all relevant information required under the *Financial Management Act 1994* is available upon request. Requests for information should be directed to contactus@lmw.vic.gov.au or 50513400.

Subsequent Events

There were no events occurring after balance date which may significantly affect the Corporation's operation in subsequent reporting periods, which have not already been disclosed within this report.

PERFORMANCE REPORT

Financial Performance Indicators

KPI Number	Key Performance Indicator	2017/18 Result	2018/19 Result	2018/19 Target	Variance to Prior Year	Notes	Variance to Target	Notes
F1	Cash Interest Cover Net operating cash flows before net interest and tax / net interest payments (times)	7.92	10.23	5.50	29.2%	1a	86.0%	1b
F2	Gearing Ratio Total debt (including finance leases) / total assets x 100	5.11%	5.23%	6.10%	2.3%	-	-14.3%	2
F3	Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure x 100	92.35%	92.74%	51.90%	0.4%	-	78.7%	3
F4	Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	1.93	1.62	1.80	-16.1%	4	-10.2%	-
F5	Return on Assets Earnings before net interest and tax / average assets x 100	-0.52%	-0.24%	-0.50%	-53.8%	5a	-52.0%	5b
F6	Return on Equity Net profit after tax / average total equity x 100	-0.76%	-0.48%	-0.90%	-36.8%	6a	-46.7%	6b
F7	EBITDA Margin Earnings before interest, tax, depreciation and amortisation / total revenue x 100	32.73%	33.83%	32.5%	3.4%	-	4.1%	-

Notes: Variances greater than 10% described below:

- 1a. Cash receipts from service and usage charges were \$4.0M higher than 2017/18 due to the current year having very low rainfall, resulting in an increase in demand for water
- 1b. Favourable cash interest cover compared to target with \$6.2M increase in net operating cash flows before interest and tax compared to target. Cash receipts from service and usage charges were \$2.7M higher as a result of the current year having very low rainfall, increasing demand for water. Additional government contributions totalling \$2.3M were also received in the current year. Net interest payments \$1.1M lower due to decreased loans held compared to target
2. Favourable gearing ratio compared to target with debt held being \$10.0M less than target due to \$7.3M increase in net operating cash flows as well as outgoing cash flow from capital expenditure being \$6.1M lower than target
3. Favourable internal financing ratio compared to target due to \$7.3M increase in net operating cash flows as well as outgoing cash flow from capital expenditure being \$6.1M lower than target
4. The unfavourable current ratio variation compared to 2017/18 due to the 2018/19 creditor balance being \$2.5M higher. The prior year current assets also included an additional \$3.9M in assets held for sale which resulted in a more favourable current ratio. No action is needed to improve on the current ratio variation as the prior year increase in assets held for sale was for a large parcel of land sold in the current year and is unlikely to occur again

These notes continue on the following page.

PERFORMANCE REPORT

Financial Performance Indicators—notes continued

- 5a. The favourable variance in return on assets compared to 2017/18 is attributed to EBIT being \$2.1M higher than the prior year. Current year results are higher with a \$1.9M increase in usage revenue due to lower rainfall than the prior year
- 5b. The favourable variance in return on assets compared to target is attributed to current year EBIT being \$2.5M higher due to increases in usage charges (\$1m) and developer contributions (\$1.3m)
- 6a. The favourable movement in return on equity compared to prior year is due to the net loss after tax being \$1.7M lower in the current year, with an increase in usage revenue due to lower rainfall than the prior year
- 6b. The favourable movement in return on equity compared to target is due to the net loss after tax being \$2.4M less than target due to increases in usage charges (\$1m) and developer contributions (\$1.3m)

Water and Sewerage Service Performance Indicators

KPI Number	Key Performance Indicator	2017/18 Result	2018/19 Result	2018/19 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	0.00%	22.00%	0.00%	100.0%	7a	100.0%	7b
WS2	Interruption Time Average duration of unplanned water supply interruptions (minutes)	59.33	62.04	60.0	4.6%		3.4%	
WS3	Restoration of Unplanned Water Supply Unplanned water supply interruptions restored within 5 hours / total unplanned water supply interruptions x 100	99.37%	100.00%	99.4%	0.6%		0.6%	
SS1	Containment of Sewer Spills Sewer spills from reticulation and branch sewers contained within 5 hours / total sewer spills from reticulation and branch sewers	100%	100%	97.0%	0.0%		3.1%	
SS2	Sewer Spills Interruptions No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	99%	100%	100.0%	1.0%		0.0%	

Notes: Variances greater than 5% described below:

- 7a. Unfavourable variance to prior year is a result of an AC water main identified for replacement in December 2018, suffering further deterioration and subsequent failures resulting in unplanned interruptions to our customers. The water main has been programmed for replacement in the 2019/20 Capital Works program to eliminate any further interruptions
- 7b. Unfavourable variance to target result is due to the water main failing before its programmed replacement as per comment in 7a

PERFORMANCE REPORT

Rural Water Service Performance Indicators

KPI Number	Key Performance Indicator	2017/18 Result	2018/19 Result	2018/19 Target	Variance to Prior Year	Notes	Variance to Target	Notes
WSR1	Rural Water Supply Deliveries Number of orders delivered / total number of orders x 100	99.74%	99.85%	98.0%	0.1%		2.0%	
C1.5	Applications completed within agreed timeframes Number of applications completed/total number of applications	0.0%	N/A	85.0%	N/A	8a	N/A	8b
WSR2	Unavailability of Domestic and Stock Supply Duration that domestic and stock service is unavailable in excess of on-property storage	0.0%	0.0%	0.0%	0.0%		0.0%	
WSR3	Groundwater Supply Number of transfers processed within target period / total number of transfers processed x 100	N/A	N/A	N/A	N/A	9a	N/A	9b

Notes: Variances greater than 5% described below:

8a/b. We are unable to report against this indicator due to unavailable data from the Victorian Water Register (Department of Environment Land Water and Planning)

9a/b. We do not process transfers from groundwater supplies

PERFORMANCE REPORT

Urban Customer Responsiveness Performance Indicators

KPI Number	Key Performance Indicator	2017/18 Result	2018/19 Result	2018/19 Target	Variance to Prior Year	Notes	Variance to Target	Notes
CR1	Water Quality Complaints No. of complaints per 1000 customers	1.000	1.674	1.060	67.4%	10a	57.9%	10b
CR2	Sewerage Service Quality Complaints No. of complaints per 1000 customers	0.034	0.033	0.102	-2.9%		-67.6%	11a
CR3	Sewer Odour Complaints No. of complaints per 1000 customers	0.102	0.135	0.198	32.4%	12a	-31.8%	12b
CR4	Billing Complaints No. of complaints per 1000 customers	0.444	0.440	0.990	-0.9%		-55.6%	13a

Notes: Variances greater than 5% described below:

- 10a. Unfavourable variance to prior year is a result of fifteen (15) colour complaints, which were attributed in part, to our water main replacement program. Other colour complaints were investigated by our Water Quality team and found the water quality had returned to normal on most occasions
- 10b. Unfavourable variance to target is a result of fifteen (15) colour complaints as explained in note 10a
- 11a. Favourable variance to target is a result of the average total complaints including an abnormal number of complaints (7) in 2015/16. We recorded only one complaint which related to a contractor working on a sewer main which was investigated and no further action was required
- 12a. Unfavourable variance is a result of an increase of one complaint to prior year, this was investigated and resulted in no further action
- 12b. Favourable variance to target is a result of four odour complaints regarding various treatment plants. On site investigations by our staff identified no obvious odours being emitted. We have in the past undertaken works to resolve if required
- 13a. Favourable variance to target is a result of the average total complaints including previous years complaints from hot and dry weather conditions. The majority of complaints related to high water consumption along with incorrect billing information and meter reads. We have committed to implementing a web based customer portal in 2019/20 to provide customers with a self help kiosk to enable customers to pay bills, view meter readings, view and update information. It is anticipated that this will assist with reducing the number of complaints

Rural Customer Responsiveness Performance Indicators

KPI Number	Key Performance Indicator	2017/18 Result	2018/19 Result	2018/19 Target	Variance to Prior Year	Notes	Variance to Target	Notes
CRR4	Billing Complaints No. of complaints per 1000 customers	0.000	0.000	0.990	0.0%		-100.0%	14

Notes: Variances greater than 5% described below:

- 14. The favourable variance to target is a result of the target being based on a five (5) year average. We have not recorded a rural billing complaint in the last two years as a result of providing our customers with the ability to manage their usage by monitoring their consumption online. We are also providing financial support to our customers experiencing financial hardship

PERFORMANCE REPORT

Rural Customer Bill Performance Indicators

KPI Number	Key Performance Indicator	2018/19 Result	2018/19 Target
C.1.6.1	Total rural bill gravity irrigation Total bill for a 100 ML customer with high reliability and one service point. (include other associated fees (eg drainage, usage) and report by district)	N/A*	N/A**
C.1.6.2	Total rural bill pumped irrigation Total bill for a 100 ML customer with high reliability and one service point. (include other associated fees (eg drainage, usage) and report by district)		
	Mildura	\$14,139.25	N/A**
	Mildura High Pressure	\$20,056.77	N/A**
	Merbein	\$11,425.85	N/A**
	Red Cliffs	\$12,193.25	N/A**
	Robinvale High Pressure	\$21,632.13	N/A**
	Private Diverters	\$ 1,266.89	N/A**
C.1.6.3	Total rural bill domestic and stock Total bill for a 1 or 2 ML customer (as applicable)		
	Mildura	\$355.52	N/A**
	Mildura High Pressure	\$468.23	N/A**
	Merbein	\$300.88	N/A**
	Red Cliffs	\$313.60	N/A**
	Robinvale High Pressure	\$483.81	N/A**
	Private Diverters	\$144.13	N/A**
	Total bill for water work districts Total bill for a 1 or 2 ML customer (as applicable)		
	Millewa - Township 1 ML	\$1,262.05	N/A**
	Millewa - Rural 2 ML	\$7,887.67	N/A**
	Wargan 2 ML	\$1,238.32	N/A**

N/A* We do not have rural gravity irrigation districts

N/A** No target required to be set in Corporate Plan

PERFORMANCE REPORT

Urban Environmental Performance Indicators

KPI Number	Key Performance Indicator	2017/18 Result	2018/19 Result	2018/19 Target	Variance to Prior Year	Notes	Variance to Target	Notes
E1	Effluent Re-Use Volume (End Use) % recycled	63.38%	67.93%	60.0%	7.2%	15a	13.2%	15b
E2	Total Net CO ₂ Emissions Net tonnes CO ₂ equivalent	21,021	20,128	15,922	-4.2%		26.4%	16

Notes: Variances greater than 5% described below:

- 15a. The favourable variance to the prior year can be attributed to slightly reduced inflows to the treatment plants, dryer weather conditions and subsequently higher evaporation rates. This resulted in less water volumes available for reuse while the irrigation patterns remained almost the same as previous year
- 15b. Favourable variance to target is a result of the recycling target being based on the total water available at the WWTPs with recycling schemes relative to the total treated wastewater at all WWTPs. Our statistics show that the total treated wastewater volumes in 2018/19 is less by 200ML comparing to the previous year. We have exceeded the target recycling rate in spite of not watering at Merbein WWTP due to continued demand for water especially during the hot summer months
- 16. Unfavourable variance to target is a result of the role out of onsite solar power generation not being fully operational. Financial year 2019/20 should see this variance decrease with the solar power generation project operating for a full year

Rural Environmental Performance Indicators

KPI Number	Key Performance Indicator	2017/18 Result	2018/19 Result	2018/19 Target	Variance to Prior Year	Notes	Variance to Target	Notes
E2	Total Net CO ₂ Emissions Net tonnes CO ₂ equivalent	23,965	25,569	20,226	6.7%	17a	26.4%	17b

- 17a. Unfavourable variance to prior year is a result of hot, dry conditions and irrigator water demands were high in comparison to last year
- 17b. Unfavourable variance to target is a result of an increase in irrigator demands along with the delay of fully operational onsite solar power generation. Financial year 2019/20 should see this variance decrease with the solar power generation project operating for a full year

PERFORMANCE REPORT

Certification of Performance Report for 2018/19

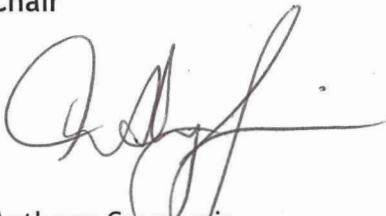
We certify that the accompanying Performance Report of Lower Murray Urban and Rural Water Corporation in respect of the 2018/19 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the responsible Minister and as set out in the Lower Murray Water Corporate Plan 2018/19, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

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



Cheryl Rix
Chair



Anthony Couroupis
Managing Director



Julie Campbell
Chief Financial Officer

Dated this 27th day of August 2019

PERFORMANCE REPORT



Victorian Auditor-General's Office

Independent Auditor's Report

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

Opinion	<p>I have audited the accompanying performance report of the Lower Murray Urban and Rural Water Corporation (the corporation) for the year ended 30 June 2019, which comprises the:</p> <ul style="list-style-type: none">• financial performance indicators• water and sewerage service performance indicators• rural water service performance indicators• urban customer responsiveness performance indicators• rural customer responsiveness performance indicators• rural customer bill performance indicators• urban environmental performance indicators• rural environmental performance indicators• certification of performance report. <p>In my opinion, the performance report of the Lower Murray Urban and Rural Water Corporation in respect of the year ended 30 June 2019 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the <i>Financial Management Act 1994</i>.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the performance report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. 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>

PERFORMANCE REPORT

Auditor's responsibilities for the audit of the performance report

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

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

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

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

MELBOURNE
30 August 2019



Paul Martin
as delegate for the Auditor-General of Victoria

2018/19 FINANCIAL SUMMARY

Financial Review

Our net operating result after tax was an improvement on 2017/18 with a loss of \$5.0M which is lower than the Lower Murray Water Corporate Plan 2018/19 (Corporate Plan) target net operating loss of \$6.3M.

Total revenue of \$74.8M exceeds the Corporate Plan target by \$5.9M with government contributions (\$3.1M) being the main driver.

We have received \$1.4M in funding for the Victorian Murray Floodplain Restoration Project (WMFRP) and \$0.85M to produce water saving and efficiency business cases which was not within the 2018/19 Corporate Plan.

We continue to see strong urban and rural growth, especially from residential development whereby capital contributions of \$3.6M were received, exceeding the Corporate Plan target of \$2.3M.

Service charges and water usage charges revenue combined has a minor variance (1%) when compared to the Corporate Plan however individually had moderate differences.

The 2018/19 financial year was dry with little rainfall, seeing an increased demand for water and an additional \$1.2M in usage charges over the Corporate Plan target. Whilst the Sunraysia region is seeing strong urban development and our Corporate Plan targets reflect the growth, there has been a lag in dwellings being built on vacant land which has seen service charges below the target by \$0.65M.

We have been actively working with customers to collect outstanding rates whereby a \$0.6M impairment has also been booked for the 2018/19 financial year.

Operating expenditure exceeds the Corporate Plan target of \$78.0M by \$1.8M. The majority is due to the expenses incurred for VMFRP (\$1.2M) and SMP2 (\$0.14M) not included with the Corporate Plan and offset by the government contribution of \$1.4M for the project in the 2018/19 financial year. The other main contributing factor is additional electricity expenditure (\$0.3M) to pump the extra water delivered to urban and rural customers due to the dry conditions through the 2018/19 financial year.

Our net cash flow from operations of \$26.5M indicates that whilst a statutory accounting loss is recorded, we remain in a viable and strong financial position.

Infrastructure, plant, equipment and buildings total \$879M. We invested \$28.6M in capital works projects during the 2018/19 financial year. New loans of \$4.0M were taken out during the year whilst repaying \$2.8M of loan principal as they matured.

Financial Management Compliance Attestation Statement

I, Jason Kambovski, on behalf of the Responsible Body, certify that Lower Murray Water Urban and Rural Water Corporation has complied with the applicable Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994* and Instructions.



Jason Kambovski
Chair

Finance and Audit Committee
Lower Murray Water Urban and Rural Water Corporation

Dated this 27th day of August 2019

2018/19 FINANCIAL SUMMARY

Summary of Financial Performance

Financial Summary	2014/15	2015/16	2016/17	2017/18	2018/19
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Core Business Revenue	57,965	60,233	60,386	64,335	66,545
Capital Contributions	2,577	2,081	3,683	3,538	3,594
Government Contributions	2,550	1,500	1,125	0	2,311
Other Revenue	4,609	4,824	1,081	1,432	2,424
Total Revenue	67,701	68,638	66,275	69,305	74,874
Depreciation Expense	25,874	28,425	26,250	27,433	27,490
Borrowing Cost Expenses	3,865	3,664	3,474	3,265	3,047
Other Expenses	46,405	49,302	48,484	46,447	49,374
Total Expenditure	76,144	81,391	78,208	77,145	79,911
Net result before tax	-8,443	-12,753	-11,933	-7,840	-5,037
Current Assets	73,761	38,675	26,798	21,506	22,139
Non Current Assets	802,780	896,733	887,683	884,131	885,324
Total Assets	876,541	935,408	914,481	905,637	907,463
Current Liabilities	26,425	19,087	15,957	15,657	20,509
Non Current Liabilities	157,292	169,670	161,091	156,566	156,274
Total Liabilities	183,717	188,757	177,048	172,223	176,783
Net cash flow from operations	18,218	21,798	11,650	21,270	26,544
Payments for property, plant and equipment (including infrastructure)	44,224	67,338	20,985	23,031	28,622

Performance Indicator	2014/15	2015/16	2016/17	2017/18	2018/19
Internal Financing Ratio	40.95%	32.18%	55.50%	92.35%	92.74%
Gearing Ratio	6.88%	5.74%	5.58%	5.11%	5.23%
Interest Cover (EBIT)	Not supplied as a performance indicator				
Interest Cover (Cash)	7.29	8.79	4.82	7.92	10.23
Return on Assets	-0.65%	-1.10%	-0.92%	-0.52%	-0.24%
Return on Equity	-0.87%	-1.18%	1.13%	-0.76%	-0.48%

2018/19 FINANCIAL SUMMARY

Loan Liability as at 30 June 2019

LOAN NO	PURPOSE	PERIOD	AMOUNT RAISED	INT. RATE	REDEEMED	LIABILITY
SEWERAGE DISTRICT						
TCV1		11 - 41	20,000,000.00	5.835	2,768,812.21	17,231,187.79
TCV6303		11 - 19	1,000,000.00	5.590	1,000,000.00	0.00
TCV6304		11 - 19	1,000,000.00	5.640	1,000,000.00	0.00
TCV6305		11 - 20	1,000,000.00	5.740	0.00	1,000,000.00
TCV6306		11 - 21	1,000,000.00	5.790	0.00	1,000,000.00
TOTAL SEWERAGE DISTRICT			24,000,000.00		4,768,812.21	19,231,187.79
TOTAL LOAN LIABILITY - SEWERAGE DISTRICT			24,000,000.00		4,768,812.21	19,231,187.79
FIRST MILDURA IRRIGATION DISTRICT						
TCV15656		12 - 22	1,000,000.00	4.755	0.00	1,000,000.00
TCV29877		13 - 21	1,000,000.00	4.260	0.00	1,000,000.00
TCV29878		13 - 23	1,000,000.00	4.545	0.00	1,000,000.00
TCV29879		13 - 23	2,000,000.00	4.600	0.00	2,000,000.00
TCV87278		19 - 25	2,000,000.00	1.605	0.00	2,000,000.00
TCV87280		19 - 25	2,000,000.00	1.655	0.00	2,000,000.00
TOTAL MILDURA IRRIGATION			9,000,000.00		0.00	9,000,000.00
ROBINVALE IRRIGATION DISTRICT						
TCV1		11 - 41	20,000,000.00	5.835	2,768,812.20	17,231,187.80
TCV17915		12 - 20	1,000,000.00	4.010	0.00	1,000,000.00
TCV17921		12 - 22	1,000,000.00	4.220	0.00	1,000,000.00
TOTAL ROBINVALE IRRIGATION			22,000,000.00		2,768,812.20	19,231,187.80
TOTAL LOAN LIABILITY - IRRIGATION			31,000,000.00		2,768,812.20	28,231,187.80
TOTAL LOAN LIABILITY - CORPORATION						47,462,375.59

2018/19 FINANCIAL REPORT

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2018/19 FINANCIAL REPORT

Accountable Officers' and Chief Financial and Accounting Officer's Declaration

The attached financial statements for the Lower Murray Urban and 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 confirmation 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 2019 and financial position of Lower Murray Urban and Rural Water Corporation at 30 June 2019.

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

We authorise the attached financial statements for issue on 27th August 2019.



Cheryl Rix
Chair



Anthony Couroupis
Managing Director



Julie Campbell
Chief Financial Officer

Dated this 27th day of August 2019



Victorian Auditor-General's Office

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 2019 • 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 • accountable officer's and chief finance and accounting officer's declaration. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2019 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>
Board's responsibilities for the financial report	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the 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>

2018/19 FINANCIAL 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
30 August 2019



Paul Martin
as delegate for the Auditor-General of Victoria

2018/19 Financial Report

COMPREHENSIVE OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Revenue			
Service and usage charges	2.1	61,617	59,285
Victorian Murray Floodplain Restoration Project funding	10.2	1,402	-
Government grants and contributions	2.2	3,115	2,192
Developer contributions	2.3	3,594	3,538
Net profit/(loss) on disposal of non-current assets	4.1.4	816	(58)
Other income	2.4	4,330	4,290
Total revenue		74,874	69,247
Expenses			
Depreciation and impairment	4.1.1	27,090	27,093
Amortisation	4.2	400	340
Employee benefits	3.1.1	18,553	17,998
Repairs and maintenance	3.2	6,695	7,032
Direct operational expenses	3.3	14,784	13,260
Victorian Murray Floodplain Restoration Project expenditure	10.2	1,203	-
Environmental contribution	8.2	2,278	1,579
Interest	6.1.2	3,047	3,265
Other expenses	3.4	5,861	6,520
Total expenses		79,911	77,087
Net result before tax		(5,037)	(7,840)
Income tax (expense)/revenue	8.1.1	1,503	2,247
Net result for the period		(3,534)	(5,593)
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Change in physical asset revaluation surplus	9.1.2	-	2,244
Income tax relating to these items	8.1.1	-	(673)
Total comprehensive income for the period		-	1,571
Comprehensive result		(3,534)	(4,022)

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

2018/19 Financial Report

BALANCE SHEET AS AT 30 June 2019

		Notes	2019 \$'000	2018 \$'000
Current assets				
	Cash and cash equivalents	6.2	8,547	4,228
	Receivables	5.1	9,044	9,114
	Other assets	5.3	4,016	3,775
	Other non-financial assets		457	372
	Assets classified as held for sale	4.3	75	4,017
Total current assets			22,139	21,506
Non-current assets				
	Receivables	5.1	178	175
	Infrastructure, property, plant and equipment	4.1.1	879,100	878,160
	Intangible assets	4.2	6,046	5,796
Total non-current assets			885,324	884,131
Total assets			907,463	905,637
Current liabilities				
	Payables	5.2	11,782	7,070
	Interest bearing liabilities	6.1	2,831	2,784
	Employee benefits	3.1.2	5,896	5,803
Total current liabilities			20,509	15,657
Non-current liabilities				
	Interest bearing liabilities	6.1	44,632	43,462
	Employee benefits	3.1.2	169	128
	Net deferred tax liabilities	8.1.2	111,473	112,976
Total non-current liabilities			156,274	156,566
Total liabilities			176,783	172,223
Net assets			730,680	733,414
Equity				
	Contributed capital	9.1.1	630,373	629,573
	Asset revaluation surplus	9.1.2	200,690	200,690
	Accumulated deficit	9.1.3	(100,383)	(96,849)
Total equity			730,680	733,414

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

2018/19 Financial Report

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 June 2019

		Contributed capital	Physical asset revaluation surplus	Accumulated deficit	Total
	Notes	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017		629,573	199,118	(91,256)	737,435
Total comprehensive income for the year as reported in the 2018 financial report		-	1,572	(5,593)	(4,021)
Balance at 30 June 2018		629,573	200,690	(96,849)	733,414
Total comprehensive income for the year	9.1	800	-	(3,534)	(2,734)
Balance at 30 June 2019	9.1	630,373	200,690	(100,383)	730,680

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

2018/19 Financial Report

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts			
Service and usage charges		67,318	61,565
Government contributions		2,310	-
Interest received		173	190
Developer contributions		-	94
Income for capital purposes		3,123	3,444
Goods and services tax received from the ATO		4,779	4,014
Other receipts		3,342	3,460
Total receipts		81,045	72,767
Payments			
Payments to suppliers & employees		(50,834)	(47,712)
Goods and services tax paid to the ATO		(620)	(520)
Interest and other costs of finance paid		(3,047)	(3,265)
Total payments		(54,501)	(51,497)
Net cash inflows from operating activities	6.2.1	26,544	21,270
Cash flows from investing activities			
Payments for new infrastructure, property, plant and equipment		(10,803)	(11,547)
Payments for renewal/upgrade of infrastructure, property, plant and equipment		(17,819)	(11,484)
Proceeds from sale of infrastructure, property, plant and equipment		356	767
Proceeds from sale of assets held for sale		4,025	-
Net cash outflows from investing activities		(24,241)	(22,264)
Cash flows from financing activities			
Proceeds from borrowings		4,000	-
Repayment of borrowings		(2,784)	(4,740)
Government capital contributions		800	-
Net cash inflows/(outflows) from financing activities		2,016	(4,740)
Net increase/(decrease) in cash and cash equivalents		4,319	(5,734)
Cash and cash equivalents at the beginning of the financial year		4,228	9,962
Cash and cash equivalents at the end of the year	6.2	8,547	4,228

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

2018/19 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

1. ABOUT THIS REPORT

Basis of Accounting

The financial report includes separate financial statements for Lower Murray Urban & Rural Water Corporation (Lower Murray Water) as an individual reporting entity. This financial report is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, Directors Declaration and notes accompanying these statements for the period ending 30 June 2019. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS's), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. Lower Murray Water is a not-for-profit entity for the purpose of preparing the financial statements.

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

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

The annual financial statements were authorised for issue by the Board on the 27th August 2019.

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

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

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

Accounting Policies

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

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

The following standard has been adopted by Lower Murray Water:

- AASB 9 *Financial Instruments*, effective as of 1 January 2018 (and thus to Lower Murray Water on 1 July 2018).

AASB 9 impact assessment

2018/19 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

AASB 9 Financial Instruments, which replaces AASB 139 Financial Instruments: Recognition and Measurement, introduces new requirements for recognition, classification and measurement, a new impairment model for financial assets based on expected credit losses, and simplified hedge accounting. Lower Murray Water has adopted AASB 9 as at 1 July 2018 and has applied the new rules on a modified retrospective basis. As a result, comparatives for 2017/18 in our 30 June 2019 accounts will not be restated. The impact on the financial report due to the adoption of AASB 9 is a decrease to the loss allowance of \$223,812. This amount was considered immaterial and therefore did not require an adjustment to opening retained earnings. Further disclosures in relation to AASB 9 are at note 9.7 of this report.

Functional and Presentation Currency

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

Classification Between Current and Non-current

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

Rounding

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

Historical Cost Convention

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

Accounting Estimates

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

- The fair value of land, buildings, infrastructure, plant and equipment (note 4.1.2).
- Estimation of useful life (note 4.1.3).
- Impairment of assets (note 4.1.3).
- Employee benefit provisions (note 3.1.2).
- Actuarial assumptions for employee benefit provisions based on likely tenure of existing statistics, patterns of leave claims, future salary movements and future discount rates (refer note 3.1.2).

Reclassification

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

2018/19 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2. FUNDING DELIVERY OF OUR SERVICES

Introduction

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

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

Income is recognised to the extent it is probable the economic benefits will flow to Lower Murray Water and the income can be reliably measured at fair value. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes.

Structure

- 2.1 Service and usage charges
- 2.2 Government grants and contributions
- 2.3 Developer contributions
- 2.4 Other income

2.1 Service and usage charges

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2019	2018	2019	2018	2019	2018
Service Charges						
Water service charges	22,835	22,684	5,622	5,446	17,213	17,238
Sewerage service charges	15,161	14,778	15,161	14,778	-	-
Trade waste service charges	644	717	644	717	-	-
Recycled Water service charges*	104	104	104	104	-	-
Irrigation drainage service charges	1,489	1,487	-	-	1,489	1,487
Usage Charges						
Water usage charges	21,178	19,319	14,608	13,381	6,570	5,938
Recycled water usage charges*	206	196	206	196	-	-
Total Service and usage charges	61,617	59,285	36,345	34,622	25,272	24,663

*comparative figures reclassified from other revenue - income from fees

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. The meters are read on a cyclical basis with accounts sent on a quarterly basis for both Water & Wastewater and Irrigation and Drainage services.

Water usage charges are recognised as revenue when the water is provided. Meter reading is undertaken progressively during the year. An estimation when required, is calculated by multiplying the number of days since the last reading by each customer's average service usage, is made at the end of each accounting period in respect of meters which have not been read at balance date.

2018/19 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2.2 Government grants and contributions

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2019	2018	2019	2018	2019	2018
Government contributions (non-capital)	910	-	32	-	878	-
Government pensioner concession reimbursement	2,205	2,192	2,155	2,192	50	-
Total Government grants and contributions	3,115	2,192	2,187	2,192	928	-

Government grants and contributions are recognised as revenue when Lower Murray Water obtains control of the contribution. Control is obtained when Lower Murray Water receives the grant or contribution and it meet's certain other criteria as outlined by AASB 1004 *Contributions*.

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

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

2018/19 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2.3 Developer contributions

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2019	2018	2019	2018	2019	2018
Developer contributions						
- Fees paid by developers	3,123	3,444	2,906	3,170	217	274
- Assets or services received from developers	471	94	471	94	-	-
Total revenue	3,594	3,538	3,377	3,264	217	274

New customer contributions are paid by developers to connect new housing developments to existing water supply and waste water systems. Lower Murray Water recognises them as revenue when they are received and measures them at their fair value.

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. In accordance with the requirements of AASB Interpretation 18 - Transfers of Assets from Customers, AASB 1004 *Contributions* and AASB 118 *Revenue*, recognition of income occurs when the risks and rewards of ownership have been transferred to Lower Murray Water. This non-cash revenue is recorded as developer contributed assets. Contributions of assets received free of charge or for nominal consideration are recognised at their fair value when Lower Murray Water obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

2.4 Other income

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2019	2018	2019	2018	2019	2018
Income from fees	1,075	1,076	781	662	294	414
Annual water trade income	1,422	1,560	1,392	1,538	30	22
Customer service obligations	226	222	226	222	-	-
Interest income	171	190	47	84	124	106
Sundry income	1,436	1,242	965	639	471	603
Total other income	4,330	4,290	3,411	3,145	919	1,145

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

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

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

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

2018/19 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

3. THE COST OF DELIVERING SERVICES

Introduction

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

Structure

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

3.1 Our people

3.1.1 Employee benefits - comprehensive operating statement

	(\$'000) TOTAL	
	2019	2018
Employee Benefits		
- salaries and wages, annual leave, long service leave and termination payments	16,772	16,294
- employer superannuation contributions	1,563	1,483
- Directors and Chair remuneration and allowance	218	221
Total employee benefit costs	18,553	17,998

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

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

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

2018/19 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

3.1.2 Employee benefits - balance sheet

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

	(\$'000)	
	2019	2018
Current provisions:		
<i>Annual leave</i>		
Unconditional and expected to settle within 12 months	984	953
Unconditional and expected to settle after 12 months	665	662
<i>Long service leave</i>		
Unconditional and expected to settle within 12 months	291	288
Unconditional and expected to settle after 12 months	2,937	2,804
<i>Provisions for on-costs</i>		
Unconditional and expected to settle within 12 months	184	200
Unconditional and expected to settle after 12 months	457	482
Accumulated RDO, sick leave & accrued bonus	378	414
Total current provisions for employee benefits	5,896	5,803
Non-current provisions:		
Employee benefits	150	112
On-costs	19	16
Total non-current provisions for employee benefits	169	128
Total provisions for employee benefits	6,065	5,931

Reconciliation of movement in on-cost provision

	(\$'000)
	2019
Opening balance	698
Amounts utilised during the period	(38)
Closing balance	660
Current	641
Non-current	19
Total	660

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Wages and salaries, annual leave and sick leave

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

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

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

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

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

On-costs

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

Long service leave

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

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

The components of this current LSL liability are measured at:

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

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

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Performance payments

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

3.1.3 Superannuation

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

Contributions to the superannuation plans

Scheme	Type of scheme	Rate %	(\$'000)	
			2019	2018
Vision Super	Accumulation	9.5	793	626
Vision Super	Defined benefit	9.5	154	161
Super Trust of Australia	Accumulation	9.5	121	104
Other superannuation funds	Accumulation	9.5	471	570
Other superannuation funds	Defined benefit	9.5	24	22
			1,563	1,483

There were \$69,795 contributions outstanding and no loans issued from or to the above schemes as at 30 June 2019.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020 is \$147,305.

Accumulation

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

Defined Benefit

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Funding arrangements

Lower Murray Water makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

As at 30 June 2018, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Lower Murray Water is a contributing employer was 106.0%. The financial assumptions used to calculate the VBIs were:

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

Vision Super has advised that the VBI at 30 June quarter 2019 was 107.1%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2018 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.

Employer contributions

Regular contributions

On the basis of the results of the 2018 interim actuarial investigation conducted by the Fund Actuary, Lower Murray Water makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2019, this rate was 9.5% of members' salaries (9.5% in 2018). This rate will increase in line with any increase in the Superannuation Guarantee contribution rate.

In addition, Lower Murray Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding calls

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

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

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

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

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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

The 2018 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Lower Murray Water is a contributing employer. Generally, a full actuarial investigation conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2018 and a full actuarial investigation was conducted as at 30 June 2017.

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

	\$m	
	2019	2018
- A VBI surplus	131.9	69.8
- A total service liability surplus	218.3	193.5
- A discounted accrued benefits surplus	249.1	228.8

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2018.

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 2018.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2018.

Lower Murray Water was notified of the 30 June 2018 VBI in August 2018 (2017: August 2017).

The 2019 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2019 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2019.

3.2 Repairs and maintenance expense

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2019	2018	2019	2018	2019	2018
Repairs and maintenance						
- Infrastructure	3,244	2,163	1,786	1,416	1,458	747
- Other	670	1,968	382	1,032	288	936
Consumables	2,781	2,901	1,480	1,586	1,301	1,315
Total repairs and maintenance	6,695	7,032	3,648	4,034	3,047	2,998

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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

Consumables include materials used in the process of routine maintenance.

3.3 Direct operational expenses

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2019	2018	2019	2018	2019	2018
Direct operational expenses						
Bulk water charge	3,764	3,777	660	664	3,104	3,113
Electricity	7,705	5,704	2,439	1,907	5,266	3,797
Chemicals	1,281	1,256	1,199	1,169	82	87
Consultants	2,034	2,523	1,149	1,479	885	1,044
Total direct operational expenses	14,784	13,260	5,447	5,219	9,337	8,041

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

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

3.4 Other expenses

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2019	2018	2019	2018	2019	2018
Other expenses						
IT expenses	1,139	1,031	600	541	539	490
Administration expenses	1,298	1,410	834	853	464	557
Bad debt expense	258	789	150	755	108	34
Write off of assets	790	554	685	219	105	335
Settlement of litigation	-	287	-	-	-	287
Staff related expenses*	272	356	143	187	129	169
Travel*	293	351	152	192	141	159
Subscriptions*	183	202	96	106	87	96
Rates*	207	207	145	128	62	79
Other	1,421	1,333	787	735	634	598
Total other expenses	5,861	6,520	3,592	3,716	2,269	2,804

*included in other in 2018

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

4. KEY ASSETS AVAILABLE TO SUPPORT DELIVERY OF OUR SERVICES

Introduction

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

Structure

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

4.1 Infrastructure, property, plant and equipment

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

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

		Fair value of assets received free of charge or for nominal considerations								(\$'000)
	Carrying amount 1 July		Additions including developer contributions	Transfers between classes	Disposals	Depreciation	Revaluation	Transfer from (to) assets held for sale	Carrying amount 30 June	
2017-2018										
Land	11,595	-	-	22	-	-	2,244	-	13,861	
Buildings	9,101	-	-	277	-	(353)	-	-	9,025	
Infrastructure	846,379	94	49	19,226	(554)	(25,594)	-	-	839,600	
Plant, Equipment, and Vehicles	5,522	-	-	2,751	(712)	(1,146)	-	-	6,415	
Works In Progress	9,511	-	22,888	(23,140)	-	-	-	-	9,259	
	882,108	94	22,937	(864)	(1,266)	(27,093)	2,244	-	878,160	

Initial recognition

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, infrastructure, plant, equipment and vehicles, used by Lower Murray Water in its operations. Items with a cost or value in excess of \$1,000 (2018: \$1,000) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

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

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Subsequent measurement

Infrastructure, property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset). Refer to Note 4.1.2 for fair value disclosures.

Revaluation of non-current assets

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

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

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

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

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

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

4.1.2 Fair value determination non-physical assets

Significant judgement: Fair value measurements of assets and liabilities

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Fair value hierarchy

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

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

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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

Above classified in accordance with the fair value hierarchy.

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2018	(\$'000)	(\$'000)		
	Carrying amount as at 30 June	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
Land at fair value				
Non-specialised land	2,472	-	2,472	-
Specialised land	11,389	-	-	11,389
Total of land at fair value	13,861	-	2,472	11,389
Buildings at fair value				
Non-specialised buildings	5,413	-	-	5,413
Specialised buildings	3,612	-	-	3,612
Total buildings at fair value	9,025	-	-	9,025
Plant, equipment and vehicles at fair value				
Vehicles	4,549	-	-	4,549
Plant and equipment	1,866	-	-	1,866
Total of plant, equipment and vehicles as fair value	6,415	-	-	6,415
Infrastructure at Fair Value				
Water storage	13,147	-	-	13,147
Water pumping stations	18,796	-	-	18,796
Sewer pumping stations	19,324	-	-	19,324
Irrigation pumping stations	49,397	-	-	49,397
Water treatment plants	77,238	-	-	77,238
Waste water treatment plants	33,177	-	-	33,177
Water pipeline infrastructure	145,845	-	-	145,845
Sewer pipeline infrastructure	149,106	-	-	149,106
Irrigation pipeline infrastructure	315,427	-	-	315,427
Other structures	18,143	-	-	18,143
Total infrastructure at fair value	839,600	-	-	839,600
Total infrastructure, property, plant and equipment at fair value	868,901	-	2,472	866,429

There have been no transfers between levels during the period.

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

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

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Non-specialised land

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

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

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

Specialised land, specialised and non-specialised buildings

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

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

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

An independent valuation of Lower Murray Water's specialised land, specialised and non-specialised buildings was performed by the VGV. The effective date of the valuation is 30 June 2016. Lower Murray Water conducted a fair value assessment at 30 June 2019 with no material movement identified for buildings since the 2016 valuation. A managerial revaluation of specialised land was performed at 30 June 2018.

Plant, equipment and vehicles

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

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

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Water and sewer infrastructure

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

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

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.

Lower Murray Water conducted a fair value assessment as at 30 June 2019 with no material movement identified since the 2016 valuation.

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

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Reconciliation of Level 3 fair value movements

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

2019

(\$'000)

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2018

(\$'000)

	Carrying amount 1 July	Fair value of assets received free of charge or for nominal consider- ations	Additions	Transfers between classes	Transfers in (out) of Level 3	Disposals	Deprecia- tion	Transfer from (to) assets held for sale/ revaluation	Carrying amount 30 June
Land									
Specialised land	9,339	-	-	-	-	-	-	2,050	11,389
Buildings									
Non Specialised Buildings	5,522	-	-	162	(9)	-	(262)	-	5,413
Specialised buildings	3,579	-	-	115	9	-	(91)	-	3,612
Plant, equipment, and vehicles									
Vehicles	3,609	-	-	2,184	-	(712)	(532)	-	4,549
Plant and equipment	1,913	-	-	567	-	-	(614)	-	1,866
Infrastructure									
Water storage tanks	13,484	-	-	147	-	-	(484)	-	13,147
Water pumping stations	19,219	-	-	403	-	-	(826)	-	18,796
Sewer pumping stations	19,590	-	-	828	-	-	(1,094)	-	19,324
Irrigation pumping stations	50,467	-	-	1,685	-	-	(2,755)	-	49,397
Water treatment plants	77,254	-	-	4,029	-	-	(4,045)	-	77,238
Waste water treatment plants	34,371	-	-	737	-	-	(1,931)	-	33,177
Water pipeline infrastructure	146,145	55	49	2,227	-	(219)	(2,412)	-	145,845
Sewer pipeline infrastructure	147,886	39	-	4,045	-	-	(2,864)	-	149,106
Irrigation pipeline infrastructure	319,578	-	-	5,074	-	(335)	(8,890)	-	315,427
Other structures	18,385	-	-	51	-	-	(293)	-	18,143
	870,341	94	49	22,254	-	(1,266)	(27,093)	2,050	866,429

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Description of significant unobservable inputs to Level 3 valuations 2019

	(\$'000) Fair value at 30 June 2019	(\$'000) Fair value at 30 June 2018	Valuation technique	Significant unobservable inputs
Specialised land	11,389	11,389	Market Approach	Community Service Obligation (CSO) adjustment VGV provided
Non-specialised buildings	5,624	5,413	Current replacement cost	Direct cost per sqm Useful life of non specialised buildings
Specialised buildings	3,731	3,612	Current replacement cost	Direct cost per sqm Useful life of specialised buildings
Vehicles	4,380	4,549	Current replacement cost	Cost per unit Useful life of vehicles
Plant and equipment	1,885	1,866	Current replacement cost	Cost per unit Useful life of plant & equipment
Water storage	12,981	13,147	Current replacement cost	Cost per unit Useful life of water storages
Water pumping stations	20,213	18,796	Current replacement cost	Cost per unit Useful life of water pumping stations
Sewer pumping stations	18,290	19,324	Current replacement cost	Cost per unit Useful life of sewer pumping stations

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Irrigation pumping stations	46,929	49,397	Current replacement cost	Cost per unit Useful life of irrigation pumping stations
Water treatment plants	79,764	77,238	Current replacement cost	Cost per unit Useful life of water treatment plants
Wastewater treatment plants	32,838	33,177	Current replacement cost	Cost per unit Useful life of wastewater treatment plants
Water pipeline infrastructure	143,704	145,845	Current replacement cost	Cost per metre Useful life of water pipeline infrastructure
Sewer pipeline infrastructure	149,823	149,106	Current replacement cost	Cost per metre Useful life of sewer pipeline infrastructure
Irrigation pipeline infrastructure	308,322	315,427	Current replacement cost	Cost per metre Useful life of irrigation pipeline infrastructure
Other structures	17,928	18,143	Current replacement cost	Cost per unit Useful life of other structures

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

4.1.3 Depreciation and impairment

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives, are depreciated. 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:

<i>Asset</i>	<i>2019 Useful life: years</i>
Water, irrigation and drainage infrastructure	
Buildings	60
Plant and machinery	8 - 20
Storage tanks / channels / pipelines	60 - 100
Pumping stations	10 - 80
Sewerage infrastructure	10 - 50
Plant and equipment	8 - 20
Motor vehicles	8 - 10

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

There were no changes in rates from prior year.

Impairment

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

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

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2019	2018	2019	2018	2019	2018
Net profit/(loss) on disposal						
- Proceeds from sale of non-financial assets	356	767	187	403	169	364
- Proceeds from sale of assets held for sale	4,025	-	-	-	4,025	-
- Disposal of non-financial assets other than assets held for sale	(351)	(712)	(184)	(374)	(167)	(338)
- Disposal of non-financial assets - assets held for sale	(3,214)	(113)	-	(59)	(3,214)	(54)
Profit/(loss)	816	(58)	3	(30)	813	(28)

4.2 Intangible Assets

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

	(\$'000)				
2018	Carrying amount 1 July	Additions	Transfers between classes	Amortisation	Carrying amount 30 June
Water shares	4,797	-	-	-	4,797
Software development costs	475	-	864	(340)	999
	5,272	-	864	(340)	5,796

Recognition

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

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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

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

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

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

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

Amortisation

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

Impairment of intangible assets

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

4.3 Assets held for sale

	(\$'000)	
	2019	2018
Land held for sale	75	4,017
	75	4,017

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

During the period Lower Murray Water sold land valued at \$3.2m. \$0.7m was reclassified to Infrastructure, property, plant and equipment.

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

5. OTHER ASSETS AND LIABILITIES

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

Structure

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

5.1 Receivables

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2019	2018	2019	2018	2019	2018
Current receivables:						
Contractual						
Trade receivables	7,715	7,671	4,879	4,669	2,836	3,002
Government receivables	493	-	493	-	-	-
Sundry debtors	423	1,792	423	1,792	-	-
Allowance for expected credit losses	(312)	(904)	(272)	(864)	(40)	(40)
	8,319	8,559	5,523	5,597	2,796	2,962
Non contractual other receivables	366	37	230	33	135	4
Statutory						
GST receivable	359	518	188	272	170	246
Total current receivables	9,044	9,114	5,942	5,902	3,102	3,212
Non-current receivables:						
Contractual						
Sundry debtors	178	175	178	175	-	-
Total non-current receivables	178	175	178	175	-	-
Total receivables	9,222	9,289	6,120	6,077	3,102	3,212

Receivables consist of:

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

5.1.1 Impairment of contractual receivables

Lower Murray Water applies the AASB 9 *Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contractual receivables. Trade receivables consist of service and usage charges that are either secured to a property (not expected to incur credit losses) or are charged to a tenant (expected credit loss). On that basis, the loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as per the table below for receivables - tenant service and usage charges and sundry debtors.

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

	\$'000's					
1 July 2018	Current	Q2	Q3	Q4	> 1 year	Total
Expected loss rate	5.91%	43.98%	44.53%	65.66%	33.82%	
Gross carrying amount - tenant receivables	332	75	49	10	342	808
Gross carrying amount - sundry debtors	585	138	100	51	918	1,792
Loss allowance	54	94	66	40	426	680

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.

5.1.2 Ageing analysis of contractual receivables

The ageing of these receivables is as follows:

	(\$'000)	<u>Past due but not impaired</u>			
	Carrying amount	Not past due and not impaired	1 - 3 months	3 months - 1 year	1 year +
2019					
Receivables	8,497	3,508	901	2,397	1,691
2018					
Receivables	8,734	3,971	1,690	1,526	1,547

No interest is charged for the first 30 days from the invoice date. Thereafter, interest is charged at 5.0% for 2019 (2018: 5.0%) for irrigation and drainage customers on the outstanding balance. Interest is not charged for water and wastewater customers. The average credit period for sales of goods / services and for other receivables is 46 days (2018: 45 days). There are no material financial assets that are individually determined to be impaired.

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5.2 Payables

	Note	(\$'000)		(\$'000)		(\$'000)	
		TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
		2019	2018	2019	2018	2019	2018
Current							
Contractual							
Creditors and accrued expenses		6,594	4,270	3,250	2,344	3,344	1,926
Deposits		894	998	789	856	105	142
Prepaid revenue		3,580	1,409	1,455	1,400	2,125	9
VMFRP creditors and accrued expenses		294	-	-	-	-	-
Statutory		420	393	206	196	214	197
Total current payables	10.3	11,782	7,070	5,700	4,796	5,788	2,274

Payables consist of:

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

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

Prepaid revenue represents payments received in advance from customers for goods or services not yet provided.

5.3 Other assets

	(\$'000)	
	2019	2018
Current		
Inventories and consumables - at cost	3,885	3,673
Biological assets	131	102
Total other assets	4,016	3,775

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

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

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

6. HOW WE FINANCED OUR OPERATIONS**Introduction**

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

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

Structure

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

6.1 Interest bearing liabilities

	(\$'000)	
	2019	2018
Current interest bearing liabilities		
Loans from TCV	2,831	2,784
Non-current interest bearing liabilities		
Loans from TCV	44,632	43,462
Total interest bearing liabilities	47,463	46,246

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.

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6.1.1 Maturity analysis of interest bearing liabilities

	(\$'000)		(\$'000)		(\$'000)		(\$'000)	
	TOTAL		CURRENT (12 MONTHS)		NON-CURRENT (1-5 YEARS)		NON-CURRENT (OVER 5 YEARS)	
	2019	2018	2019	2018	2019	2018	2019	2018
Loans from TCV	47,463	46,246	2,831	2,784	10,848	12,631	33,784	30,831
	47,463	46,246	2,831	2,784	10,848	12,631	33,784	30,831

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2019	2018	2019	2018	2019	2018
Loans from TCV	47,463	46,246	19,232	21,623	28,231	24,623
	47,463	46,246	19,232	21,623	28,231	24,623

6.1.2 Interest expense

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2019	2018	2019	2018	2019	2018
Interest on loans	2,546	2,727	1,208	1,312	1,338	1,415
Financial accommodation levy	501	538	224	247	277	291
Total interest expense	3,047	3,265	1,432	1,559	1,615	1,706

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

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

When Lower Murray Water carries borrowings in excess of \$5 Million it is obligated to pay to the Victorian government a Financial Accommodation Levy (FAL). On the basis of the Lower Murray Water's credit rating, a FAL of 81 basis points is applied to all new financial accommodation in 2019 (2018 - 121 basis points) assessed from Treasury Corporation of Victoria (TCV). FAL incurred by Lower Murray Water is accounted for as a borrowing cost for the purpose of presentation in the general purpose financial statements.

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

6.2 Cash flow information

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

		(\$'000)	
	Note	2019	2018
Cash on hand		4	3
Cash at bank		8,543	4,225
Balance as per cash flow statement	10.3	8,547	4,228

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

	(\$'000)	
	2019	2018
Net result for the year after income tax	(3,534)	(5,593)
Non cash movements		
Depreciation/amortisation	27,490	27,433
Income tax revenue	(1,503)	(2,247)
Assets written off	790	554
Net (profit)/loss on disposal of non-current physical assets	(816)	58
Gifted Assets	(471)	-
	21,956	20,205
Movements in assets & liabilities:		
Decrease in receivables	67	283
Increase in inventories	(241)	(146)
(Increase)/decrease in prepayments	(85)	55
Increase in payables & provisions	4,712	1,155
Increase/(decrease) in employee benefits	134	(282)
Net Cash provided by operating activities	26,544	21,270

6.2.2 Financing facilities

	(\$'000)	
	2019	2018
Unsecured bank overdraft facility, reviewed annually and payable at call		
Amount unused	250	250
Total	250	250

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

6.3 Commitments for expenditure

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

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

Please refer to Note 8.2.1 for details on environmental commitments.

	(\$'000)	
	<i>Less than 1 year</i>	<i>Total</i>
<i>Nominal Amounts: 2019</i>		
Capital commitments payable	9,940	9,940
Operating commitments payable	910	910
Total commitments (inclusive of GST)	10,850	10,850
Less GST recoverable	986	986
Total commitments (exclusive of GST)	9,864	9,864
<i>Nominal Amounts: 2018</i>		
Capital commitments payable	4,232	4,232
Operating commitments payable	1,422	1,422
Total commitments (inclusive of GST)	5,654	5,654
Less GST recoverable	514	514
Total commitments (exclusive of GST)	5,140	5,140

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

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

Structure

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

7.1 Financial instruments specific disclosures

Introduction

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

These financial instruments include:

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

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

Classification of financial instruments

Loans, receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. Financial assets (except for trade receivables) are initially measured at fair value plus or minus any direct transaction costs. Trade receivables are initially measured at their transaction price. Subsequent to initial measurement, loans and receivables are measured at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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

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

Financial liabilities are initially recognised at fair value, plus or minus subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the profit and loss, over the period of the interest bearing liability using the effective interest rate method. Lower Murray Water recognises the following liabilities:

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

Offsetting financial instruments

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or
- Lower Murray Water retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- Lower Murray Water has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset; or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Impairment of financial assets

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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

7.1.1 Financial instruments: Categorisation

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

7.1.2 Financial risk management objectives and policies

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

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

Credit risk

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

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

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

Liquidity risk

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

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Market risk

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

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

(i) Interest Rate Risk

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

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

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

(ii) Foreign Exchange Risk

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

(iii) Other Price Risk

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

Interest rate exposure of financial instruments

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

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

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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

2018	(\$'000) Carrying amount	Interest rate exposure				Interest rate risk sensitivity			
		Weighted average interest rate %	Fixed interest rate	Variable interest rate	Non-interest bearing	-100 basis points		+100 basis points	
						Net result	Equity	Net result	Equity
Contractual financial assets									
Cash and deposits	4,228	0.90	-	4,225	3	(42)	(42)	42	42
Contractual financial receivables	9,638	1.95	-	3,419	6,219	(34)	(34)	34	34
Total financial assets	13,866		-	7,644	6,222	(76)	(76)	76	76
Contractual financial liabilities									
Loans with TCV	46,246	5.61	46,246	-	-	-	-	-	-
Total financial liabilities	46,246		46,246	-	-	-	-	-	-

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

7.2 Contingent assets and contingent liabilities

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

Contingent assets

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

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

As at 30 June 2019, various developers have agreed to construct assets. These assets are under construction or have not yet commenced construction.

Contingent liabilities

Contingent liabilities are:

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

As at 30 June 2019, there are no known potential contingent liabilities.

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

7.3 Power Purchase Agreement

Lower Murray Water is one of 13 water corporation members of Zero Emissions Water (ZEW) Limited, a public company limited by guarantee. ZEW's substantial objective is to acquire electricity, contracts for difference and other derivative products in relation to electricity, and/or green products from an energy and emissions reduction facility(ies) in Victoria and in turn supply these products to its members. ZEW provides the opportunity for water corporation members to collaboratively promote energy and emissions reduction initiatives in Victoria.

On 30 October 2018, a Members' Agreement was entered into between the water corporations and ZEW in order to regulate their rights and obligations as members of ZEW and as participants in the project. Lower Murray Water's Executive Manager Customer and Stakeholder is a Director of ZEW. The Members' Agreement establishes the operating activities of ZEW and the decision-making responsibilities of the ZEW Directors.

Under the Members' Agreement, Lower Murray Water's liability as a member is limited to \$10 in the event of a winding up.

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

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

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

The Members' Agreement specifies that Lower Murray Water must make a loan available to the SPV amounting to \$35,636.10. The loan provided to ZEW meets the definition of a financial asset as it gives rise to a contractual right for Lower Murray Water to receive cash from ZEW at the end of the loan term.

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

8. STATUTORY OBLIGATIONS

Introduction

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

Structure

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

8.1 Tax

8.1.1 Income tax

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

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

	(\$'000)	
	2019	2018
Income statement		
Current income tax expense (paid or payable)	-	-
Adjustments to prior years	-	-
Deferred income tax expense		
Temporary differences	1,503	2,247
Adjustment for prior years	-	-
Income tax reported in the Income Statement	1,503	2,247
Statement of changes in Equity		
Current tax - credited/(debited)	-	-
Net deferred tax - debited/(credited) directly to equity (refer to Note 8.1.2)	-	673
Income tax reported in equity	-	673
Tax reconciliation		
Net result before income tax expense	(5,037)	(7,840)
Tax at the Australian tax rate of 30% (2018: 30%)	(1,511)	(2,352)
Non deductible items	8	105
Other	-	-
Income tax on profit before tax	(1,503)	(2,247)

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

8.1.2 Deferred tax assets and liabilities

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

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

Deferred tax assets	(\$'000)	
	2019	2018
Amounts recognised in Comprehensive Operating Statement		
Doubtful debts	94	271
Employee benefits	1,820	1,779
Tax losses	21,628	23,305
Other	113	136
Total deferred tax assets	23,655	25,491
Movements		
Opening balance at 1 July	25,491	25,864
Credited/(debited) to the Comprehensive Operating Statement	(1,836)	(373)
Closing balance at 30 June	23,655	25,491
Deferred tax asset to be recovered after more than 12 months	2,006	2,166
Deferred tax asset to be recovered within 12 months	21	20
Tax losses	21,628	23,305
Ending balance at 30 June	23,655	25,491
Deferred tax liabilities	(\$'000)	
	2019	2018
Amounts recognised in Comprehensive Operating Statement		
Prepayments	1	24
Amounts recognised directly in equity		
Revaluation of infrastructure property, plant and equipment	135,127	138,443
Total deferred tax liabilities	135,128	138,467
Movements		
Opening balance at 1 July	138,467	140,412
Credited/(debited) to the net result	(3,339)	(2,618)
Credited/(debited) to other comprehensive income	-	673
Closing balance at 30 June	135,128	138,467
Deferred tax liabilities to be recovered after more than 12 months	135,127	138,443
Deferred tax liabilities to be recovered within 12 months	1	24
Ending balance at 30 June	135,128	138,467
Net deferred tax liability	111,473	112,976

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

8.2 Environmental contribution

	(\$'000)	
	2019	2018
Environmental contribution levy	2,278	1,579

The Water Industry (Environmental Contributions) Act 2004 (the Act) amended the Water Industry Act 1994 to make provision for environmental contributions to be paid by water authorities. The Act establishes an obligation for authorities to pay into a consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation. The contribution period has been extended until 30 June 2020.

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

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

8.2.1 Environmental commitments

At 30 June 2019, Lower Murray Water had outstanding environmental contribution commitments, to be paid as follows:

	(\$'000)		
	<i>Less than 1 year</i>	<i>Between 1 and 5 years</i>	<i>Total</i>
2019			
Environmental contribution levy commitments	2,278	-	2,278
2018			
Environmental contribution levy commitments	1,579	3,158	4,737

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

9. OTHER DISCLOSURES

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

Structure

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

9.1 Equity

9.1.1 Contributed capital

	(\$'000)	
	2019	2018
Contributed capital		
Balance 1 July	629,573	629,573
Capital contributions from the Victorian Government	800	-
Balance 30 June	630,373	629,573

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

	(\$'000)	
	2019	2018
Land	2,682	2,682
Buildings	(1)	(1)
Infrastructure	198,005	198,005
Other	4	4
	200,690	200,690

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

9.1.3 Accumulated surplus/(deficit)

	(\$'000)	
Accumulated surplus/(deficit)	2019	2018
Accumulated surplus/(deficit) at beginning of financial year	(96,849)	(91,256)
Result for the period	(3,534)	(5,593)
Accumulated surplus/(deficit) at end of financial year	(100,383)	(96,849)

9.2 Events occurring after the balance date

Subsequent to 30 June 2019, the follow events occurred:

- the funding agreement for the remaining balance of Stage 1 for the Victorian Murray Floodplain Restoration Project was signed by the Hon. Lisa Neville MP. For further details please refer to note 10.
- Lower Murray Water received notification from DELWP that a final payment for SMP1 and the SMP2 feasibility study would be around \$928,000. This amount is subject to the completion of a financial audit and is expected to be received in the 2019/20 financial year.

9.3 Responsible persons

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

Name	Title	Period of appointment
The Hon. Lisa Neville MP	Minister for Water	1 July 2014 to Current
Mr Philip Endley	Managing Director/Accountable Officer	1 September 2014 to 15 March 2019
Mr David Girdwood	Acting Managing Director/Accountable Officer	15 March 2019 to 30 June 2019
Cheryl Rix	Director - Chair	1 October 2017 to Current
Liza McDonald	Director	1 October 2017 to Current
Jason Kambovski	Director	1 October 2017 to Current
Guy Kingwill	Director	1 October 2015 to Current
Sharyon Peart	Director	1 October 2017 to Current
Robert Fowler	Director	1 October 2017 to Current
Michelle Oates	Director	1 October 2017 to Current
Warren Lloyd	Director	1 October 2017 to Current

Accountable Officer remuneration

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

\$280,001-\$290,000	(2018-19)
\$280,001-\$290,000	(2017-18)

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Board Members remuneration

	2019	2018
\$1 - \$10,000	-	2
\$10,001 - \$20,000	-	4
\$20,001 - \$30,000	7	4
\$40,001 - \$50,000	1	1
Total number of Board Members remuneration	8	11
Total annualised employee equivalent	0.40	0.46

(\$'000)

Total remuneration received or due and receivable by Board Members from the reporting entity was:	218	219
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9.4 Related parties

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

Related parties of Lower Murray Water include:

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

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

Key management personnel

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

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

	(\$'000)	
Compensation of KMPs	2019	2018
Short-term employee benefits	508	460
Post-employment benefits	46	39
Other long-term benefits	9	6
Total	563	505

Significant transactions with Government related entities

Lower Murray Water received funding from and made payments to government related entities of \$4.915 million (2018: \$2.451 million) and \$2.999 million (2018: \$2.379 million) respectively.

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

Government-related entity receipts

(\$'000)

Entity name	Description of main activity	2019	2018
Department of Health and Human services	Concession reimbursements	2,205	2,192
Department of Environment, Land, Water and Planning (DELWP)	Victorian Murray Floodplain Restoration Project	1,000	-
DELWP	Water Efficiency Feasibility Projects	850	82
DELWP	Sunraysia Modernisation Project 2	800	-
DELWP	Integrated Water Management	30	-
DELWP	Compliance Framework	30	-
DELWP	Community housing refit	-	100
DELWP	Tenants in common	-	14
DELWP	Common funding agreement	-	63

Government-related entity receivables

(\$'000)

Entity name	Description of main activity	2019	2018
DELWP	Victorian Murray Floodplain Restoration Project	400	-
Department of Health and Human Services	Concession reimbursements	93	-

Government-related entity payments

(\$'000)

Entity name	Description of main activity	2019	2018
DELWP	Environmental contribution	2,278	1,579
Department of Treasury	Financial accommodation levy	501	538
DELWP	Annual fees water shares	80	81
DELWP	Monitoring costs	84	107
DELWP	Water supply, trades and searches	56	74

Government-related entity payables

(\$'000)

Entity name	Description of main activity	2019	2018
Department of Treasury	Financial accommodation levy	127	127

Transactions with key management personnel and other related parties

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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 2019 was \$2.677m. The MCMA is also a partner in the Victorian Murray Floodplain Restoration Project, refer to note 10 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.

9.5 Remuneration of executive officers

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

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

	(\$'000)	
	Total remuneration	
Remuneration	2019	2018
Short-term employee benefits	1,113	1,106
Post-employment benefits	106	97
Other long-term benefits	22	129
Total remuneration (a)	1,241	1,332
Total number of executives	14	11
Total annualised employee equivalents (b)	5.3	5.5

Notes:

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

9.6 Remuneration of auditors

	(\$'000)	
	2019	2018
Victorian Auditor-General's Office		
Audit or review of the financial statements	86	95
Other audit services		
Internal Audit	69	38
Essential Services Commission Audit	23	25
Department of Health Services - Safe Drinking Water	-	17
	178	175

9.7 Changes in accounting policies

AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting, as reflected in note 7.1.

The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements (refer to Note 5.1 above). In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), Lower Murray Water has applied a modified retrospective approach, therefore, comparative figures from FY 2018 have not been restated.

(i) Classification and measurement under AASB 9

On 1 July 2018 (the date of initial application of AASB 9), Lower Murray Water's management has assessed which business models apply to the financial assets held by Lower Murray Water and has classified its financial instruments into the appropriate AASB 9 categories.

To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of customers throughout the year and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

On the date of the initial application, the financial instruments of Lower Murray Water were as follows, with any reclassifications noted:

AASB 139 measurement category	\$'000	AASB 9 measurement category	
		Amortised cost	Variance
	\$'000	\$'000	\$'000
<i>Loans, receivables and cash</i>			
Trade receivables	7,657	7,474	(183)
Cash and cash equivalents	4,228	4,228	-
Sundry debtors	902	1,308	406

The variances noted in this column are the result of the new expected credit loss model. Refer to section 5.1 for the application of the Expected Credit Loss model. The reclassifications of the financial instruments on adoption of AASB 9 did not result in any changes to measurements.

Reconciliation of impairment allowance balance from AASB 139 to AASB 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the AASB 139 incurred loss model to the new impairment allowance measured in accordance with the AASB 9 expected loss model at 1 July 2018.

Measurement category	Loss allowance under AASB 139/Provision under AASB 137	Remeasurement	Loss allowance under AASB 9
Loans, receivables and cash	904,219	(223,812)	680,406

Impact statement

This resulted in a decrease of the loss allowance on 1 July 2018 by \$223,812. Lower Murray Water considered the current and prior year materiality levels and determined an adjustment to the opening retained earnings balance was not required.

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

9.8 Australian Accounting Standards issued that are not yet effective

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

Certain new Australian Accounting Standards (AAS's) have been published that are not mandatory for the 30 June 2019 reporting period. DTF assesses the impact of all these new standards and advises Lower Murray Water of their applicability and early adoption where applicable.

Topic	Key requirements	Effective date	Effective date for the entity	Estimated impact
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015-8 <i>Amendments to Australian Accounting Standards - Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 Jan 18	1 Jul 19	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. Revenue from grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as the performance obligations attached to the grant are satisfied. Developer contributions will also be deferred until the statement of compliance has been issued.

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Topic	Key requirements	Effective date	Effective date for the entity	Estimated impact
AASB 2018-4 <i>Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not for-Profit Public-Sector Licensors</i>	AASB 2018-4 amends AASB 15 and AASB 16 to provide guidance for revenue recognition in connection with taxes and Non-IP licences for Not-for-Profit entities.	1 Jan 19	1 Jul 19	The assessment has indicated that there will be no significant impact for Lower Murray Water.
AASB 2016-8 <i>Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not for-Profit Entities</i>	AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit-entities into AASB 9 and AASB 15. This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events.	1 Jan 19	1 Jul 19	The assessment has indicated that there will be no significant impact for Lower Murray Water.
AASB 1058 <i>Income of Not-for-Profit Entities</i>	<p>AASB 1058 will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 Contributions.</p> <p>The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context.</p> <p>AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.</p>	1 Jan 19	1 Jul 19	The assessment has indicated that there will be an effect on the timing of revenue recognition for grant agreements that fall under the scope of AASB 1058.

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Topic	Key requirements	Effective date	Effective date for the entity	Estimated impact
AASB 2018-7 <i>Amendments to Australian Accounting Standards - Definition of Material</i>	This Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.	1 Jan 20	1 Jul 20	The assessment has indicated that there will be no significant impact for Lower Murray Water.

The following accounting pronouncements are also issued but not effective for the 2018-19 reporting period. The preliminary assessment suggests it may have insignificant impacts on public sector reporting.

- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments
- AASB 2017-4 Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments
- AASB 2017-6 Amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation
- AASB 2017-7 Amendments to Australian Accounting Standards - Long-term Interests in Associates and Joint Ventures
- AASB 2018-1 Amendments to Australian Accounting Standards - Annual Improvements 2015 - 2017 Cycle
- AASB 2018-2 Amendments to Australian Accounting Standards - Plan Amendments, Curtailment or Settlement
- AASB 2018-3 Amendments to Australian Accounting Standards - Reduced Disclosure Requirements
- AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

10. *Financial impact of projects*

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

Structure

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

10.1 Background: Victorian Murray Floodplain Restoration Project

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

The VMFRP consists of nine discrete environmental works projects that aim to return a more natural flooding regime across approximately 14,000 ha of high-ecological-value Murray River floodplain in Victoria through the construction of new infrastructure and the modification of existing infrastructure. Once complete LMW will likely own, operate and maintain the new infrastructure although this is yet to be agreed.

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

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

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

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NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

10.2 Impact on the Operating Statement

	VMFRP (\$'000)		Core business (\$'000)		Consolidated (\$'000)	
	2019	2018	2019	2018	2019	2018
Revenue						
Service and usage charges	-	-	61,617	59,285	61,617	59,285
VMFRP funding	1,400	-	-	-	1,400	-
Government grants and contributions	-	-	3,115	2,192	3,115	2,192
Developer contributions	-	-	3,594	3,538	3,594	3,538
Net profit on disposal of assets	-	-	816	(58)	816	(58)
Other income	2	-	4,330	4,290	4,332	4,290
Total revenue	1,402	-	73,472	69,247	74,874	69,247
Expenses						
Depreciation, impairment and amortisation	-	-	27,490	27,433	27,490	27,433
Direct operational expenses	-	-	14,784	13,260	14,784	13,260
Employee benefits	-	-	18,553	17,998	18,553	17,998
Repairs and maintenance	-	-	6,695	7,032	6,695	7,032
VMFRP expenditure	1,203	-	-	-	1,203	-
Environmental contribution	-	-	2,278	1,579	2,278	1,579
Interest	-	-	3,047	3,265	3,047	3,265
Other expenses	-	-	5,861	6,520	5,861	6,520
Total expenses	1,203	-	78,708	77,087	79,911	77,087
Net result before tax	198	-	(5,236)	(7,840)	(5,037)	(7,840)

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

10.3 Impact on the Balance Sheet

	Note	VMFRP (\$'000)		Core business (\$'000)		Consolidated (\$'000)	
		2019	2018	2019	2018	2019	2018
Assets							
Cash and cash equivalents	6.2	492	-	8,055	4,228	8,547	4,228
Other current assets		-	-	13,592	17,278	13,592	17,278
Total current assets		492	-	21,647	21,506	22,139	21,506
Total non-current assets		-	-	885,324	884,131	885,324	884,131
Total assets		492	-	906,971	905,637	907,463	905,637
Liabilities							
Payables	5.2	294	-	11,488	7,070	11,782	7,070
Other current payables		-	-	8,727	8,587	8,727	8,587
Total current liabilities		294	-	20,215	15,657	20,509	15,657
Total non-current liabilities		-	-	156,274	156,566	156,274	156,566
Total liabilities		294	-	176,489	172,223	176,783	172,223
Net assets		198	-	730,482	733,414	730,680	733,414

2018/19 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

	VMFRP (\$'000)		Core business (\$'000)		Consolidated (\$'000)	
	2019	2018	2019	2018	2019	2018
Equity						
Contributed capital	-	-	630,373	629,573	630,373	629,573
Asset revaluation surplus	-	-	200,690	200,690	200,690	200,690
Accumulated surplus/(deficit)	198	-	(100,581)	(96,849)	(100,383)	(96,849)
Total equity	198	-	730,482	733,414	730,680	733,414

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

10.4 Impact on the Cash Flow Statement

	VMFRP (\$'000)		Core business (\$'000)		Consolidated (\$'000)	
	2019	2018	2019	2018	2019	2018
Net cash inflows from operating activities	492	-	26,053	21,270	26,544	21,270
Net cash outflows from investing activities	-	-	(24,241)	(22,264)	(24,241)	(22,264)
Net cash outflows from financing activities	-	-	2,016	(4,740)	2,016	(4,740)
Net increase in cash	492	-	3,827	(5,734)	4,319	(5,734)
Cash at the beginning of the year	-	-	4,228	9,962	4,228	9,962
Cash at the end of the year	492	-	8,055	4,228	8,547	4,228

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Letter of Expectations

Priority Area	KPI	Measure	LMW Actions	Reporting
1. Climate Change Provide services that minimise environmental impacts, mitigate climate change and put in place adaptation strategies and actions	E2 Emission reductions Demonstrate reasonable progress toward achievement of the entity's emission reduction pledge.	E2 Total net CO2 emissions equivalent tonnes	<ul style="list-style-type: none"> * Energy Manager appointed in July (Q1 2018/19) to commence work on the Corporation's Energy Management Plan * All solar PV projects where commissioned at various stages throughout the year, with full generation impact to occur for the 2019/20 financial year * Delivery of the large scale renewable project is pending clarification of the financial guarantee * Head office lighting - upgrade to LED project has been placed on hold and is now scheduled for 2019/20 	Annual Report (MRD06) Total actual emissions reductions (E2) is reported as part of the Performance Report under MRD01
	E3 Climate adaptation a) apply the guidelines for Assessing the Impact of Climate Change on Water Suppliers in Victoria and demonstrate adaptation by: * 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: * source waters and demand * built assets * natural environment * people and workplace * interdependencies * customer and product delivery	E3 Qualitative description of how adaptation to climate change and variability are integrated across all relevant business decisions, in the parts of the business specified. Include consideration of short, medium and long-term changes	<ul style="list-style-type: none"> * Urban Water Strategy 2017-2066 developed in accordance with the Guidelines for Assessing the Impact of Climate Change on Water Suppliers in Victoria Initiatives delivered and/or underway according to this strategy include: Energy Manager appointed in July (Q1 2018/19) to commence work on the Corporation's Energy Management Plan * Delivery of the Solar Power program in progress - 35% of budget spent * Review of the Energy Tariff and Bill Validation in progress * Remedial repairs and management plan to facilitate the removal of the EPA PANN from the leaking carousel at Mildura WWTP successfully carried out * Wastewater Strategy review complete and discussion paper with recommendations presented to the Board (September 2018) * Water Trading, as per recommendations from the Urban Water Strategy in progress, with a business case established to purchase approximately 360ML water/year * Initiatives to reduce urban customer demand for potable water implemented through education programs within schools ('Sunraysia Warriors education Days') and via water efficiency programs 	Annual Report
2. Customer and Community Outcomes All aspects of service delivery will be customer and community centred	C1 Customer satisfaction (Urban Water Corporations) Customer satisfaction with response (including digitally)	a) C1 (U) Customer satisfaction survey. The ESC will collect customer satisfaction survey data on an ongoing quarterly basis	<ul style="list-style-type: none"> * ESC customer satisfaction survey (following Water Plan 4) is an ongoing project * Annual customer satisfaction surveys were completed in Nov 2018 	Annual Report Performance Report under MRD 01
		b) CR1 Water quality complaints.	<ul style="list-style-type: none"> * Existing KPI (ESC) 	Annual Report Performance Report under MRD 01
		c) CR4 Number of billing payment issues.	<ul style="list-style-type: none"> * Existing KPI (ESC) 	Annual Report Performance Report under MRD 01
	C1 Customer satisfaction (Rural Water Corporations)	(a) C1(R) Customer satisfaction survey (rural) Common survey covering the four rural businesses to be developed	<ul style="list-style-type: none"> * DELWP rural survey is an ongoing project and not applicable in 2018/19. Common survey methodology covering the four rural corporations to be developed in collaboration with water corporations by DELWP in 2019 	DELWP Report not applicable 18/19
		(b) C1.4 Orders delivered at time agreed (rurals, regulated delivery systems only)	<ul style="list-style-type: none"> * Existing KPI (ESC) 	Annual Report Performance Report under MRD 01
		(c) C1.5 Percentage of applications completed within agreed time frame	<ul style="list-style-type: none"> * Existing KPI (ESC) 	Annual Report Performance Report under MRD 01
		(d) C1.6 Rural bills (data to be provided by district) C1.6.1 Total rural bill gravity irrigation C1.6.2 Total rural bill pumped irrigation C1.6.3 Total rural bill domestic and stock supply	<ul style="list-style-type: none"> * New KPI for 2018/19 included in the Operations Report -Our Rural Customers 	Annual Report Operations Report under MRD 01

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Letter of Expectations

Priority Area	KPI	Measure	LMW Actions	Reporting
2. Customer and Community Outcomes All aspects of service delivery will be customer and community centred	C2 Customer and community engagement Stakeholder engagement based on best practice that demonstrates approaches to engagement that are open, honest and occur frequently	C2 Development and delivery of an engagement strategy/plan/policy and publication (via the water corporation's website) of the engagement strategy/plan/policy or equivalent explanation	* Our Engagement Strategy 2018-2020 has been completed and was presented to the Board for approval in June 2019	Corporate Plan
			* An entry level IAP2 course (IAP2 Engagement Essentials) was rolled out in Dec 2018	
3. 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.	AC1.1 A strategy that demonstrates how the water corporation will build capability and understanding of procurement processes to address barriers for Aboriginal enterprises to supply goods/services to water corporations.	* Our Reconciliation Action Plan 'Reflect' component was conditionally approved by Reconciliation Australia in June 2019 with unconditional approval granted 8 July 2019.	Corporate Plan/Water Plan
			* Board and Management Diversity Working Group formed in June 2018 - currently on hold	Annual Report
			* We will launch an Inclusive Employment Program in Water Plan 4 (to engage three trainees over the Water Plan 4 period, timeframe to be confirmed)	
		AC1.2 Number/explanation of sponsorships of Aboriginal people in relevant study and training courses, including scholarships, vocational education and traineeships.	* Following unconditional approval of our Reconciliation Action Plan we now have the support in place to increase our participation of Aboriginal people within our workforce.	Annual Report
		AC1.3 Number of staff within the water corporation who have undertaken a cross-cultural training course (by relevant Traditional Owners) in the last 5 years	* Online training is being offered via the Centre for Cultural Competence Australia (Board and Executives to complete) and as at June 2019, 7 Directors have completed the training with 2 Executive having commenced the training	Annual Report
	AC2 Engagement of Traditional Owners Effective and genuine engagement of Traditional Owners for inclusion of Aboriginal values in water planning	AC2.1 Number of engagements with Traditional Owners in water planning and management and report on outcomes	* Quarterly engagements are planned over 2018/19 through the Reconciliation Action Plan process (RAP WG)	Annual Report
		AC2.2 Number of pilot programs to test different ways to achieve shared benefits	* A business case to engage an Aboriginal Procurement Officer was submitted in September 2018 to the Aboriginal Economic Brokers Grant. We were unsuccessful in the Grant application	
	AC3 Aboriginal Inclusion Plan/Reconciliation Action Plan To be considered in conjunction with AC1 and AC2, taking into account the relevant local context	AC3 Development of either an Aboriginal Inclusion Plan or a Reconciliation Action Plan, reflecting measures AC1.1 to AC1.3 and AC2.1 to AC2.2 as appropriate.	* Our Reconciliation Action Plan 'Reflect' component was conditionally approved by Reconciliation Australia in June 2019 which will identify potential program development. Unconditional approval was granted 8 July 2019.	Annual Report
4. Resilient and liveable cities and towns Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments	L1 Integrated Water Management 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	L1 progress towards: a) establishment of and participation in IWM forum(s) in your region b) development of and contribution to Strategic Direction Statement(s) in your region c) Implementation of priority IWM plans and projects, as applicable d) delivering IWM outcomes for the region	* An Integrated Water Management forum was held with the Northern Mallee IWM, with the forum being established in March 2018 consisting of eight members	Annual Report
			* A Chair has been confirmed by DELWP, with meetings being held on a monthly basis	
			* The October 2018 meeting discussion was on the Strategic Direction Statement to be developed with DELWP. The plans and projects list were also developed at this meeting	
	L2 Water efficiency (Urban) Implement water efficiency programs aligned with Target your water use	L2 Continue to collaborate on the Victorian Water Efficiency Strategy and work together through a coordination group to develop state-wide initiatives	* Target your water use initiatives including: * Permanent Water Saving Rules * Website messaging * Choose Tap - we are part of the "Choose Tap" coalition and use the branding and messaging to encourage tap water over (plastic) bottled water consumption * Refill Station Program - invitation to schools and organisations to apply for a grant (\$1,500 including GST) towards a refill station to encourage tap water use over bottled water * Community Rebate Program - hardship customers are eligible to apply for funding to help reduce water usage by replacing items such as shower heads and taps * Community Housing Retrofit Program - which is aimed at not-for-profit businesses who can apply for a water audit to be conducted and any identified water use issues (such as through old toilets, washing machines, dishwashers, showerheads) can be addressed by new water efficient products being installed	Annual Report Operations Report

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Letter of Expectations

Priority Area	KPI	Measure	LMW Actions	Reporting
4. Resilient and liveable cities and towns Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments	L3 Water Bills 3 Victorian water bills are amongst the lowest in Australia	L3 Total residential bill based on a) average consumption b) 200kl consumption	* Average Consumption \$1,006.43 200KL Consumption \$ 782.98 Average was based on 519KL	Annual Report Performance Report
	L4 Payment management and hardship Overall improved access to instalment plans for management of payments. Understanding year on year trends in hardship grants	L4 a) number of instalment plans at the end of the reporting period b) Number of customers awarded hardship grants	* The number of instalment plans at the end of the reporting period was 1,171, made up of the following categories * Residential non-concession - 404 * Residential concession - 761 * Non-residential - 6 * The number of customers awarded hardship grants was Nil * We have developed a Hardship Grant Program, which is to commence on 1st July 2019	Annual Report Performance Report
	5. Recognising recreational values Consideration of recreational values in carrying out functions and providing services Support the wellbeing of rural and regional communities by considering the recreational values in water management	1) Efforts taken around the following four themes of Water for Victoria: a. Community engagement in order to understand recreational objectives relating to water and waterways b. Planning and management that incorporates consideration of recreational values objectives c. Availability of accessible, user-friendly information to help recreational users to plan their activities d. Collaboration with other organisations and government agencies to explore and progress opportunities to support recreational objectives 2) Where applicable, progress to date to prepare land and recreation management plans for all major water storages of recreational value, and the extent to which management plan actions have been implemented, as per Water for Victoria	* Our initiatives include: * Lake Hawthorn Management Plan Partnership * Sunraysia RiverWatch Partnership * Support and contribution in Mallee CMA committees, working groups and projects (Kings Billabong canoe launches and fishing platforms) * Participation in VEW and CEWH projects as required Our involvement with these organisations and groups assist us in our collaboration and engagement role	Annual Report Operations Report
6. Leadership and Culture Water corporations reflect the needs of our diverse communities	G1 Diversity and inclusion Improve gender and cultural diversity in workforce including gender equity in executive leadership. Diversity Inclusion plans to be based on best practice.	G1.1 Development and delivery of a Diversity Inclusion Plan/s and publication (via the water corporation's website) of the Inclusion Plan or equivalent explanation)	* Meeting of the Diversity working group Executives only - first Briefing 20 Sept 2018 * Diversity working group Board and Executives - first meeting 18 Oct 2018 * Diversity and Inclusion Annual Plan (due by 30 December 2018). This will be progressed after the first meeting which occurred on the 20 June 2019 and will occur quarterly after this	Annual Report Operations Report
		G1.2 Number of females occupying senior executive positions over projected five-year period	* A review of the recruitment procedure is underway, to stipulate a balanced panel approach. In the 2018/19 we had one female holding a full time Executive position	Annual Report Operations Report
		G1.3 Adopt a 1% target for Aboriginal people in the business consistent with Vic government policy and work to a stretch target of 3% by 2020 (DEWLP policy)	* Target for Aboriginal representation in the Diversity and Inclusion Strategy is being developed through the Diversity working group. To date we have no employees who identify as Aboriginal Torres Strait Islanders * A business case to engage an Aboriginal Procurement Officer was submitted in September 2018 to the Aboriginal Economic Brokers Grant - we were unsuccessful in Grant Application * As at the time of preparing this report the Executive have given approval to establish an ATSI Apprenticeship/Traineeship program	Annual Report operations Report
		G1.4 Actions taken to improve participation by Traditional Owners in Board committees and other organisational committees	* Our Reconciliation Action Plan 'Reflect' component was conditionally approved by Reconciliation Australia with unconditional approval granted 8 July 2019. Reconciliation Action Plan Working Group with Traditional Owner representation established and regularly meetings held to progress actions within the plan * Through our Reconciliation Action Plan we are building relationships with local Traditional Owners to foster an open relationship to ensure our organisation is accessible by all sectors of the community	Annual Report operations Report
		G1.5 Number of respondents to the VPSC People Matter Survey from each water corporation should be high or improving over time (to be based on participation in alternate years with implementation measures achievements reported in follow up year). Results indicate favourable response to implementation of diversity inclusion plan	* In 2018 we undertook the second Organisational Culture Inventory Index via Human Synergistics. The People Matter Survey response rate for previous years was: * 42% May 2017 * 36% June 2014 * 34% July 2012 * VPSC is currently reviewing the format and content of the 2019 Survey, and LMW will be guided by timelines set by VPSC, with survey due to be completed by June 2019	Annual Report
		G2 Board performance review Annual Board performance review to help monitor and improve the Board's effectiveness in leading the organisation	* Board Performance review by Integrity Governance completed and submitted to Minister for Water March 2019 * Directors participate in development activities throughout the year Board Action Plan created from Board Performance reviews 2017/18 and 2018/19	Annual Report

APPENDIX 2

Letter of Expectations

Priority Area	KPI	Measure	LMW Actions	Reporting
6. Leadership and Culture Water corporations reflect the needs of our diverse communities	G3 Health and Safety Sustained annual improvement against H&S performance benchmarks (AS/NZS standard 4801)	G3 Performance indicators adopted to monitor occupational health and safety in line with FRD 22G, section 6.10.	* Key initiatives underway with the OHS Management System AS4801 Alignment Project (2018-2020) including: * OHS policy being reviewed after wider consultation with OHS committees and approval by the Board in February; * OHS objectives and targets are now in place with monthly reporting to the Executive Team and Board	Annual Report Operations Report
			* Executive Safety Committee established, with terms of reference	
7. 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 corporations' financial sustainability over time	F1 interest cover F2 gearing ratio F3 internal financing ratio F4 current ratio F5 return on Assets F6 return on equity F7 EBITDA Margin F8 Credit rating	* Monthly Finance Reporting to Board includes progress against financial indicators	Annual Report F1 to F7 only Performance Report (MRD01)

APPENDIX 3

Our Workforce Information

		June 2018						June 2019							
		All employees			Ongoing			All employees			Ongoing			Fixed term and Casual	
Demographic Data	Gender	Number	FTE	Full-time	Part-time	Number	FTE	Number	FTE	Full-time	Part-time	Number	FTE	Number	FTE
	(Headcount)			(Headcount)	(Headcount)	FTE	(Headcount)	(Headcount)		(Headcount)	(Headcount)	FTE	(Headcount)	(Headcount)	
	Man	136.0						140.0							
	Woman	50.0						57.0							
	Self-described	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Age														
	15-24	8.0	8.0	4.0	0.0	4.0	4.0	10.0	10.0	4.0	0.0	4.0	6.0	6.0	
	25-34	26.0	26.0	25.0	0.0	25.0	1.0	28.0	28.0	26.0	0.0	26.0	2.0	2.0	
	35-44	46.0	45.2	40.0	5.0	44.2	1.0	50.0	49.1	44.0	4.0	47.1	2.0	2.0	
	45-54	42.0	40.2	37.0	4.0	40.1	1.0	41.0	39.4	36.0	2.0	37.5	3.0	1.9	
	55-64	56.0	55.2	49.0	6.0	54.2	1.0	60.0	59.5	55.0	4.0	58.5	1.0	1.0	
	65+	8.0	7.8	7.0	1.0	7.8	0.0	8.0	8.0	8.0	0.0	8.0	0.0	0.0	
	Totals	186.0	182.4	162.0	16.0	175.3	8.0	197.0	194	173.0	10.0	181.1	14.0	12.9	
	Areas														
	Executives	6.0	6.0					6.0	6.0						
	Administration	58.0	54.6					62.0	59.3						
	Operations	81.0	81.0					85.0	85.0						
	Engineering / Technical	41.0	40.8					44.0	43.6						
	Sub-total	186.0	182.4					197.0	193.9						
	Vacancies	4.0	4.0					5.0	5.0						
	Totals	190.0	186.4					202.0	198.9						

Classification Level	A	B	C	D	E	Total
Band 1	4	3	4	11	14	36
Band 2	10	3	6	46	-	65
Band 3	7	2	17	-	-	26
Band 4	5	4	18	-	-	27
Band 5	-	3	17	-	-	20
Band 6	1	-	1	-	-	2
Band 7	-	-	1	-	-	1
Contract Staff	-	-	-	-	-	20
Total	27	15	64	57	14	197

Staff turnover for the 2018/19 year was 9.1%

Executive Officer Information

An executive officer (EO) is defined as an executive under Part 3 of the *Public Administration Act 2004* (PAA) or a person to whom the Victorian Government's Policy on Executive Remuneration in Public entities 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.

Executive Classification	2017/18						2018/19					
	Male		Female		Total		Male		Female		Total	
	Head count	FTE	Head count	FTE	Head count	FTE	Head count	FTE	Head count	FTE	Head count	FTE
Executive	5	5	1	1	6	6	5	5	1	1	6	6

APPENDIX 4

Our Rural Customers

We provide river quality water services to 4,762 customers in the four pumped irrigation districts of Merbein, Red Cliffs, Robinvale and Mildura and the Millewa rural district and some areas of the waterworks districts of Yelta. In addition, we manage the private diversion licenses of 1,165 water users along the Murray River in Victoria between Nyah and the South Australian border.

In accordance with the Letter of Expectations, the following table is a summary of average rural bills by district for pumped irrigation and domestic and stock supply.

Rural District	2017/18	2018/19	\$ Impact	% Impact
Mildura	\$ 13,820.11	\$ 14,139.25	\$ 319.14	2.3%
Mildura HP	\$ 19,269.03	\$ 20,056.77	\$ 787.74	3.9%
Merbein	\$ 11,193.83	\$ 11,425.85	\$ 232.02	2.0%
Red Cliffs	\$ 11,854.39	\$ 12,193.25	\$ 338.86	2.8%
Robinvale	\$ 21,378.83	\$ 21,632.13	\$ 253.30	1.2%
Private Diverters	\$ 11,243.15	\$ 11,652.89	\$ 409.74	3.5%
Millewa - Rural	\$ 8,342.96	\$ 8,320.33	(\$22.63)	-0.3%
Millewa - Urban	\$ 889.20	\$ 893.05	\$ 3.85	0.4%
Yelta Water Works	\$ 1,636.56	\$ 1,652.28	\$ 15.72	1.0%

Reference customer usage is based on 100ML/year for irrigation customers, 400kL for Millewa Urban, 4,300kL for Millewa Rural, 3ML for Yelta Water Works and 1,000ML for diversions customers.

APPENDIX 4

Our Bulk Water Entitlement—Irrigation

**Bulk Entitlement (River Murray—Lower Murray Urban and Rural Water—Irrigation)
Conversion Order 1999 as amended October 2015**

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	21,579	0	0	21,579
Red Cliffs irrigation district, and remaining Carwarp area of Carwarp-Yelta waterworks district	Red Cliffs pumping station	35,047	0	0	30,994
Merbein irrigation district, and Yelta part of Carwarp-Yelta waterworks district	Merbein pumping station	22,638	0	546	19,743
Millewa waterworks district and diversion licences	Millewa river pump	21,520	0	0	18,093
This is counted as the point where water is diverted from the River Murray	Central Main Pump Station, at King's Billabong	42,949	0	1,015	38,939
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	465,194	0	0	0

Notes

- Our irrigation customers transacted water shares and allocation trades reported by the Victorian Water Register annually
- Customers received a 100% water allocation on 17 December 2018
- Clause 22.1(a) & (b) The daily amount of water taken at each off-take point was recorded and included in the total annual amount of water reported in Clause 22.1 (b)
- Clause 22.1(c) No new irrigation district off-take points were agreed to, or used
- Clause 22.1(d) No water was returned at specified or agreed return points
- Clause 22.1(e) The annual amount supplied via our distribution system to the bulk entitlement held by the Victorian Environmental Water Holder (VEWH), to Lake Hawthorn and Koorlong Basin
- Clause 22.1 (f) The annual amount supplied to primary entitlement holders other than those referred to in Clause 22.1 (e)
- Clause 22.1(g) Our approved Bulk Entitlement Metering Program (2011) is being implemented in accordance with Clause 21.3. A record of all work undertaken is maintained via a central register. We are considering 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 of 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

APPENDIX 5

Our Urban Customers

We provide urban water services to approximately 74,000 customers in 14 towns via nine treatment plants along with Murray River in Victoria from Kerang to Mildura and provide wastewater collection, treatment and effluent re-use and disposal services to 11 towns via nine treatment plants.

All figures have been rounded to the nearest whole numeral

Water Consumption Report 2018-19																			
District Name	Note	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 consumption ₁	Non-revenue Water			13 Total non- revenue water (10+11+12)	Total water all sources (9+13)
		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 Other ₂		
Kerang		1,817	824	-	-	317	220	-	-	2,134	1,044	-	1,044	1,026	42	-	28	70	1,114
Koondrook		455	198	-	-	56	19	-	-	511	217	-	217	214	43	-	6	49	266
Lake Boga	1	436	243	-	-	51	36	-	-	487	280	-	280	-	-	-	-	-	280
Mildura	2,3	19,281	10,459	-	-	2,124	2,770	2,943	-	21,405	13,229	2,943	16,172	11,543	264	-	353	617	16,789
Murrabit		44	24	-	-	12	18	-	-	56	42	-	42	30	2	-	2	4	46
Mystic Park	4	12	6	-	-	3	1	-	-	15	7	-	7	10	-	-	-	-	7
Nyah	1	306	174	-	-	40	65	-	-	346	239	-	239	-	-	-	-	-	239
Nyah West	1	258	137	-	-	32	36	-	-	290	173	-	173	-	-	-	-	-	173
Piangil		102	52	-	-	16	70	-	-	118	122	-	122	97	5	-	4	9	131
Red Cliffs		1,551	756	-	-	164	508	-	-	1,715	1,264	-	1,264	1,122	121	-	35	156	1,420
Robinvale		796	407	-	-	188	175	168	-	984	582	168	749	549	86	-	16	102	851
Swan Hill		4,961	2,267	-	-	845	925	-	-	5,806	3,192	-	3,192	3,668	43	-	107	150	3,342
Woorinen Sth	1	156	99	-	-	17	19	-	-	173	117	-	117	-	-	-	-	-	117
		30,175	15,647	-	-	3,865	4,861	3,110	-	34,040	20,509	3,110	23,619	18,258	606	-	551	1,157	24,776

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

Average annual consumption calculated between 2014/15 and 2018/19

Unavoidable losses

Per Capita Daily Residential Drinking Water Consumption

We provide drinking water to a population of around 74,000. The total annual consumption of water was 15,647 megalitres across this population in our region. This equates to an average of 584 litres per person, per day. This calculation is based on the population figure provided by the 2016 Census - "average household population" multiplied by our water connections for each town.

Major Water Users (Non-Farming or Irrigation)

We have two customers who are not 'a natural person' and who have potable water supplied by us for purposes that are not farming, irrigation or domestic purposes. They are both wineries; being Qualia Wine Company Pty Ltd (less than 200ML) and Beringer Blass Wines Estates Limited (200ML to 300ML).

Volumetric Range - ML per year	No of customers	Participation in water conservation programs
Equal to or greater than 100ML and less than 200ML	1	No known participation
Equal to or greater than 200ML and less than 300ML	1	No known participation
Equal to or greater than 300ML and less than 400ML	-	
Equal to or greater than 400ML and less than 500ML	-	
Equal to or greater than 500ML and less than 750ML	-	
Equal to or greater than 750ML and less than 1000ML	-	
Greater than 1000ML	-	
Total Number Customers	2	

APPENDIX 5

Our Bulk Water Entitlement—Urban

Bulk Entitlement (River Murray—Lower Murray Urban and Rural Water—Urban)
Conversion Order 1999 as at June 2011

Water Supply System	Off-take Point	Clause 20.1(b)	Clause 20.1(d)
		Annual Amount of Water Taken	Amount of Water Returned
		(ML)	(ML)
Koondrook	Koondrook Pump Station	279.015	0
Murrabit	Metered Outlet No 4266A	47.454	0
Kerang	Kerang Pump Station Pump outlet 2542	617.131	0
Kerang	Koondrook-Kerang pipeline	583.951	0
Swan Hill	Swan Hill Pump Station	4238.319	0
Woorinen	Linked to Swan Hill	*	0
Nyah West	Linked to Swan Hill	*	0
Nyah	Linked to Swan Hill	*	0
Piangil	Piangil Pump Station	137.559	0
Robinvale	Robinvale Pump Station	677.244	0
Redcliffs	Red Cliffs Pump Station	1391.935	0
Mildura	Mildura Pump Station	10614.585	0
Mildura West	Mildura West Pump Station	3658.176	0
Mystic Park	Kangaroo Lake	12.71	0

* diverted through Swan Hill pumps

Notes

- Our Urban Bulk Entitlement has 30,970.9ML of high reliability share
- Permanent water savings rules applied to all urban areas of our region for all of 2018/19
- 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. The Koondrook-Kerang pipeline exceeds its volume listed in the bulk entitlement. Variances in the bulk entitlement 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 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 2,003 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

APPENDIX 6

Our Commitment to our Environment and Region

Social Sustainability

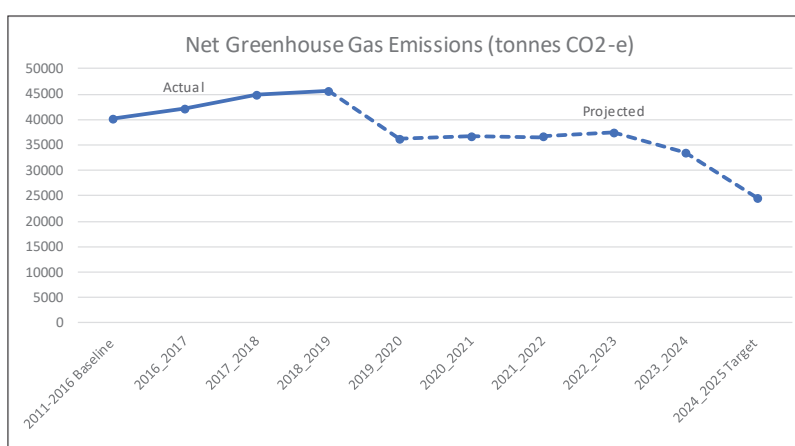
Meeting our Customer Service Obligations

Community Service Obligations	2018/2019	2017/2018
Concessions to Pensioners	\$2,205,015.78	\$2,192,309.05
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	\$209,316.24	\$209,242.40
Utility Relief Grants Scheme	\$16,879.81	\$12,023.10
Haemodialysis Life Support Machine Water Concessions	\$238.92	\$303.81
Hardship Relief Grant Scheme for Sewerage Connections	#	#
TOTAL	\$2,431,450.75	\$2,413,878.36

figures are not available to Lower Murray Water (payments go directly to the plumber if the customer is successful)

Greenhouse Gas and Energy Reporting

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



The total CO₂-e for 2018/19 was 45,698t CO₂-e which was 26% higher than projected, 36,148t CO₂-e, for 2018/19. Our total greenhouse emissions for 2018/19 result was up only 2% overall on 2017/18 despite an increase in population growth and higher demands on pumping of water for irrigation. Our tree plantation offsets adhere to the requirements under the Statement of Obligations (Emission Reduction) and this category has been included in our pledge documents.

Performance Indicator	2018/19 Greenhouse Gas Emissions (Tonnes CO ₂ -e)		Variance (%)	Comments
	Projected	Result		
Irrigation supply and drainage	NA	24830.5	NA	Projected individual values for business streams have not been finalised at present.
Water treatment and supply (Urban)		7374.2		
Sewerage/Wastewater collection and treatment		13012.4		
Transport and stationary fuel		800.1		
Corporate offices		520.6		
Offsets (Tree Plantation)		-840.0		
Total Emissions	36,148	45,698	26%	2017/18 saw a variance of 27% to the projected emissions target. 2018/19 saw a 1% decrease on this, compared to previous years this is not an unusual trend. Onsite solar power generation was not fully operational with sites being online for between one and six months. In 2019/20 the solar power generation project will be fully operational along with other ventures which will see a significant decrease in CO ₂ -e, decreasing the variance from the projected emissions value for FY19/20. Sites in our southern region are expecting to have solar installed this will also add to the overall expected decrease in CO ₂ -e for 2019/20

APPENDIX 6

Our Commitment to our Environment and Region

Energy Consumption

We are committed to reduce our carbon emissions. Toward this, 2018/19 saw the rollout of the solar power generation project across different operational sites, with \$1.2MW of solar panels operational over 2018/19.

A decrease in energy consumption at our sites which had solar installed for just on six months is a good indicator that 2019/20 should see a significant decrease in energy consumption.

Performance Indicator	Total Energy Use (MWh)		Comments
	2018/2019	2017/2018	
Irrigation supply and drainage	23,206.05	21,437.75	Figures show an 8% increase on 2017/18 which was due to a very hot dry year in 2018/19, which increased irrigator demands. FY19/20 will have all irrigation solar power generation fully operational resulting in a decrease in usage.
Water treatment and supply (Urban)	6,891.80	6,638.09	Figures show a 4% increase on 2017/18. 2019/20 will have all urban solar power generation fully operational, decrease in usage should be seen.
Sewerage/Wastewater collection and treatment (Urban)	3,414.68	3,881.72	Figures show a 12% decrease on 2017/18. This was partly due to treating 3% less influent over the business and having a 14% decrease in power usage at a major WWTP with solar generation fully operational for 6 months. Figures showed that we used 90.97MWh at this plant which was 12% of the total 779.05MWh used in 2017/18.
Corporate offices	486.54	666.20	Figures show a 27% decrease on 2017/18. This was partly due to having a 24% decrease in power usage at the 14th Street head office with solar generation fully operational for 6 months and other efficiencies. Figures indicate that we used 94.56MWh at these sites which was 15% of the total 623.9 MWh used in 2018/19.
Net total	33,999.07	32,623.76	Figures show a 4% increase on 2017/18. This was due to the biggest decrease in energy consumption only being on small energy using components of the business. 2019/20 will see large energy using components of the business with solar fully functional.

Our renewable streams are focused on solar due to our geographic location and other accessibility issues. 2018/19 of the solar projects operation resulted in an overall 2% usage of renewable energy over the last six months. The 2019/20 year should see this value increase significantly compared to 2017/18 with all of the solar projects being functional for the full reporting period.

Performance Indicator	Total Renewable Energy Used (MWh)		Comments
	2018/2019	2017/2018	
Solar	645.53	0	2018/19 saw the rollout of the solar power generation; this was not fully operational with sites only being online for 6 months. In 2019/20 a significant increase in solar energy usage should be achieved.
Hydroelectric	0	0	NA
Wind	0	0	NA
Biogas	0	0	NA
Greenpower	0	0	NA
Total	645.53	0	As above
Percentage Renewable Electricity (%)	2	0	As above

APPENDIX 6

Our Commitment to our Environment and Region

Office Based Environmental Impacts

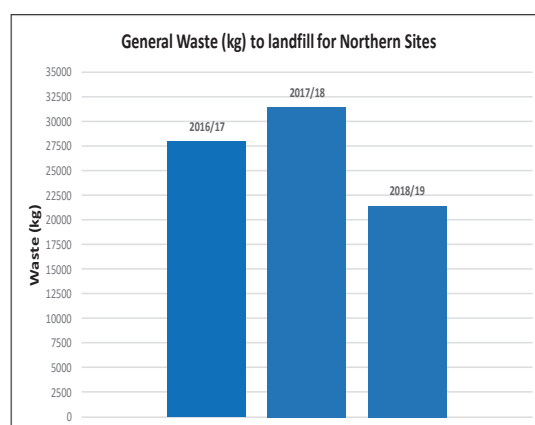
Energy Usage

Performance Indicator Energy Use	2018/2019 Megajoules	Tonnes CO ₂ -e
Corporate Offices (Total Electricity)	1,751,554	521
Mildura Solar (Generated)	340,416	101
Green Power (Purchased)	-	-
Total Use (Including Mildura Solar)	2,091,970	622

In 2018/19 energy used from electricity in our Kerang, Swan Hill and Mildura Offices (Corporate) was 2.6t CO₂-e or 8,904.7MJ per full time employee (FTE). Total energy usage across the offices was down 24% on 2017/18 even though we had an increase in FTE, partly due to the installation of solar panels at the Mildura office. The amount of office energy used across all of our offices which include Kerang, Swan Hill and Mildura (Corporate) is 432.1MJ per m².

Waste and Recycling

We try 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 2018/19 was 21,444kg, the equivalent of 109kg per FTE. This was a decrease on 2017/18 that saw 31,463kg, the equivalent of 172.5kg per FTE. This figure includes waste generated by the workshop, urban and rural water supply, irrigation and sewer maintenance crews. The total GHG emissions associated with this waste disposal is 30.02t CO₂-e, this is a 32% decrease on 2017/18 figure of 44.04t CO₂-e all other waste goes to recycling streams that do not require GHG emissions reporting.



We are committed to the principle of “reduce, reuse and recycle”. Our waste procedure is continuously updated and new opportunities for recycling are adopted as and when they arise. At our Fourteenth Street office in Mildura, 11,478 kg of waste was sent for recycling, this is a 71% increase on 2017/18 where only 6,697kg was sent to recycling. This figure represents the combined total of the commingle waste as well as paper and cardboard. It does not include any other recycled wastes. The amount of waste recycled represents 35% of the total amount of waste generated, compared to 17% for 2017/18. The increased recycling rate can be attributed to lower volumes of general waste generated, together with a higher recycled volume which can be partly attributed to a significant number of archive boxes removed and recycled during the 2018/19 period.

APPENDIX 6

Our Commitment to our Environment and Region

We are a participant in the *drumMUSTER* program, which is a volunteer initiative that seeks to divert chemical drums from the general waste stream. Empty drums are appropriately cleaned, rinsed and stockpiled for collection by *drumMUSTER* for reuse by industry. Twenty eight drums were delivered to *drumMUSTER* during 2018/19.

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

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

Recycled Waste	2014/15	2015/16	2016/17	2017/18	2018/19
Commingled (kg)	1,709	1,657	1,634	1,267	747
Paper (kg)	4,301	4,798	8,629	5,430	10731
Printer Cart. (kg)	70.12	66.68	28.42	30.44	25.1
Batteries (kg)	3,867	3,380	6,035	3,670	705
Scrap Metal (kg)	58,973	35,560	24,262	18,542	29,187
Styrofoam (m3)	14.25	7.5	8	11	13
Fluorescent Lamps (kg)	~120*	~180*	~240*	~300*	~180*

* *estimated*

Biosolids

The Environment Protection Authority (Victoria) (EPA) has recognised the potential of biosolids to improve soil health and is promoting their application to land as a safe recycling method in line with this the *Biosolids Regional Environment Improvement Plan (REIP)* was developed and approved by the EPA. In 2016/17 the first step towards achieving our goal through the beneficial land application of stockpiled biosolids from Koorlong and Mildura Waste Water Treatment Plants (WWTP) which saw 1,883 tonnes of biosolids from the Koorlong WWTP applied to a dry-land agricultural property 21km west of the plant. A further 498 tonnes of biosolids from the Mildura WWTP were applied to land onsite. This was proven to be a successful venture with the receiver of the biosolids reporting a significant increase in yield.

We completed the construction of the biosolids hardstand in the 2018/19 year and received EPA approval for use in February 2019. The Hardstand aims to improve the handling and processing of the biosolids on site helping to achieve the best possible treatment grading (ie: T1) for the biosolids making a more valuable and applicable product.

Currently there are two proposals with the EPA aiming to be approved during 2019/20 for reuse of old biosolids that have been depleted of a large amount of their nutrients and vermicomposting trials.

Paper Use

All copy paper purchased for the year was manufactured from 100% recycled paper, in line with our environmental aims. Electronic timesheets were introduced in 2018/19, eliminating the need for paper timesheets. During the 2018/19 year, we purchased 800 reams of A4 copy paper at our northern offices, which represents 4.07 reams per FTE, down from 4.93 reams per FTE in 2017/18.

APPENDIX 6

Our Commitment to our Environment and Region

Water Consumption

Water consumption at our Kerang, Swan Hill and Mildura Offices for the 2018/19 year was 17,541KL. This equates to 89.2KL per FTE and the units of water used are 4.3KL per m2 for the 2018/19 financial year.

This is the gross total consumption figure and includes all corporate facilities, garden irrigation, and water used in the workshop, warehouse, and the plant wash-down facilities that are located at our Fourteenth Street office complex.

Transportation

The total kilometres travelled by our vehicle fleet during 2018/19 was approximately 1,641,901km for the diesel fleet and 543,175km for the unleaded fleet. Based on the fuel usage, the energy consumption for the diesel fleet was 9,604,844.95MJ; and 1,742,618.59MJ for the unleaded fleet, equivalent to 798.60tCO₂-e total (0.36tCO₂-e per 1,000km). The overall tCO₂-e per 1,000km was down 29% on 2017/18 reflecting the increase in availability of tele-conferencing and video conferencing facilities both at our offices and other agencies.

We continue to encourage alternatives to private vehicle use for commuting to and from work, although options are limited due to the availability of public transport.

We also encourage the use of technologies such as tele-conferencing and video conferencing where possible as due to our location we are required to travel for meetings by air frequently with a total distance traveled by air being 23,228km a month which is down by 35% on 2017/18.

Greenhouse Gas Emissions

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

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

APPENDIX 7

Consultancies over \$10,000

Consultancy Name and Project Reference	Total Project Fees Approved (Excl GST) \$	Expenditure 2018/2019 \$	Future expenditure (Excl GST) \$
AITHER PTY LTD	28,195		
Water Market Strategy		28,195	
ALAN ARTHUR	10,849		
Cyber Security Strategy		10,849	
CAREY ANDERSON CONSULTING SERVICES	11,250		
VMFRP Project Control Group Chair		11,250	
CIVIL TEST PTY	38,658		
GeoTech Services		18,658	20,000
CORRISION	45,110		
Internal Inspection and Report		25,110	20,000
CURO PROJECT MANAGEMENT	96,625		
VMFRP Interim Engagement Manager Services		96,625	
DAVIDSON EXECUTIVE	53,566		
Recruitment Process Managing Director		53,566	
DELOITTE FINANCE	43,062		
VMFRP Governance		43,062	
DM ENGINEERING	98,318		
Mildura /Red Cliffs Upgrade to clear SCADA		3,520	
Red Cliffs - PLC Upgrade		1,815	
SMP2 Consultancy		75,189	
SMP2 - Storage Dam		17,794	
EDA PROJECT MANAGEMENT	699,301		100,000
General Consultancy Services		14,007	
Mildura WTP Roadworks and Surfacing		12,211	
Mildura West Storage Tank Upgrade		17,154	
Mildura WTP Power Supply Upgrade		17,008	
Asset Performance Monitoring		3,780	
Red Cliffs WTP Capacity Upgrade		1,000	
Main replacements - Various		40,641	
UV Treatment Upgrade - Various		4,300	
Install Isolation Valves - Various		16,966	
Install Air Release Valves		13,874	
Mildura/Red Cliffs - Upgrade to clear SCADA		77,549	
Mildura Drainage PS Switchboard Replacement		3,043	
Mildura - Pipeline Replacement		13,023	
Mildura/Merbein Main Replacement		88,107	
Red Cliffs PLC Upgrade C Relift		20,009	
Mildura WWTP Repair Carousel		114,472	
Mildura Sewerage Pumping Station		11,354	
Northern Sewer Rehabilitation		92,343	
Sewer Pump Replacement Program - Various		5,115	
Subdivision Consultancy - Various		23,221	
LMW Office Renovation		10,125	
ERNST & YOUNG	96,587		
VMFRP assistance		47,019	
VPDSS assistance		49,567	

APPENDIX 7

Consultancies over \$10,000

Consultancy Name and Project Reference	Total Project Fees Approved (Excl GST) \$	Expenditure 2018/2019 \$	Future expenditure (Excl GST) \$
GHD PTY LTD	3,088,268		1,000,000
Technical Services		150,004	
Red Cliffs WTP Capacity Upgrade		72,620	
Mildura - Install DN250 Water Main		1,029	
UV Treatment Upgrade - Various		23,456	
Mildura Central PS Replace Manifold/Rising Main		239,642	
Solar Consultancy		123,999	
Robinvale - HPPS Surge Vessel 1 Restoration		7,288	
Additional Channel Flow Works - Various		563,134	
SMP2 - Storage Dam		91,392	
SMP2 Consultancy		91,392	
Merbein WWTP Divert to Koorlong		204,138	
Swan Hill Replace Waste Water Treatment Plant		7,411	
Northern Sewer Rehabilitation Program		3,858	
Koorlong - WWTP Construct 400ml Wet Weather Storage		436,599	
Mildura - Sewerage Trunk Main DN300 Extension		9,205	
Red Cliffs - SPS17 Calotis St Sewer Pump Installation		20,600	
Kerang - Install high capacity point to point link		1,950	
Subdivision Consultancy		8,820	
Refurbish/Increase Hardstand Area 14th St		9,114	
Air Conditioning Upgrade 14th St		22,617	
HUNTER H2O HOLDINGS	425,810		250,000
Fluoride Systems Gap Analysis		54,974	
Nyah West Relift PS		38,133	
Mildura WT Power Supply Upgrade		72,257	
UV Treatment Upgrade - Various		10,446	
INSIDE INFRASTRUCTURE	56,983		
Water Plan		36,983	20,000
INTEGRITY GOVERNANCE	37,736		
Board Performance review		37,736	
JACOBS GROUP	609,714		350,000
Engineering Consultancy		99,345	
Mildura Central PS Replace Manifold/Rising Main		54,645	
Millewa Replace River Pump Station		29,094	
Red Cliffs - PLC Upgrade Red Cliffs C Relift		76,630	
JFE GLOBAL PTY	22,000		
VMFRP Recruitment		22,000	
LANDER & ROGERS	17,550		
Workplace Relations Advice		17,550	
MADDOCKS	14,235		
VMFRP Professional Services		14,235	
MICHAEL PIKO	18,777		
IT strategy		18,777	

APPENDIX 7

Consultancies over \$10,000

Consultancy Name and Project Reference	Total Project Fees Approved (Excl GST) \$	Expenditure 2018/2019 \$	Future expenditure (Excl GST) \$
MOSAIC LAB	15,750		
Board Strategic Planning		15,750	
NORTHERN LAND SOLUTIONS	20,650		
Surveying		7,850	10,000
Title Re-establishment		2,800	
PITCHER PARTNERS	21,715		
Probity Advice VMFRP		6,065	
Probity Advice SMP2		15,650	
PRAGMATIC CULTURE	11,742		
Preliminary Aboriginal Heritage Test		11,742	
PRATT NALDER	23,265		
Procurement Review		23,265	
SEAN BROWN T/AS ZEROHARM	70,920		
Safety Consultancy		70,920	
SJ CORPORATE	36,311		
Specialist Board Services		36,311	
SOUTHERN CROSS CONSULTING GROUP	18,390		
2018 Tax Effect Accounting		18,390	
SUNRAYSIA ENVIRONMENTAL	21,556		
Soil Sampling		11,556	10,000
W - FLOW PTY LTD	69,738		
VMFRP Project Consultancy		69,738	
TEN CONSULTING	334,325		150,000
Technical Services		57,760	
Piangil Replace Main from Waste Treatment Plant		20,890	
Kerang Main Replacement Various		18,050	
UV Treatment Upgrade - Various		62,565	
Subdivision Consultancy		12,560	
TONKIN CONSULTING	361,361		250,000
Mildura Roadworks and Surfacing		22,783	
Main replacements - Various		77,567	
VICTORIAN WATER	11,545		
Smart Power Strategy		11,545	
W - FLOW PTY LTD	157,163		
VMFRP Project Consultancy		157,163	
YARRA VALLEY WATER	47,050		
HR Resource		47,050	
GRAND TOTAL	6,734,076	4,442,602	2,180,000



NOTES

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Mildura (Head Office)
T 03 5051 3400
741-759 Fourteenth Street
Mildura Victoria 3500
PO Box 1438
Mildura Victoria 3502

Swan Hill (Area Office)
T 03 5036 2150
73 Beveridge Street
Swan Hill Victoria 3585
PO Box 1447
Swan Hill Victoria 3585

Kerang (Area Office)
T 03 5450 3960
56 Wellington Street
Kerang Victoria 3579
PO Box 547
Kerang Victoria 3579

Email: contactus@lmw.vic.gov.au



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