

2020–2021

Yarra Valley Water Annual Report



Our purpose

To support the health and wellbeing of our customers and create a brighter future for communities and the natural environment

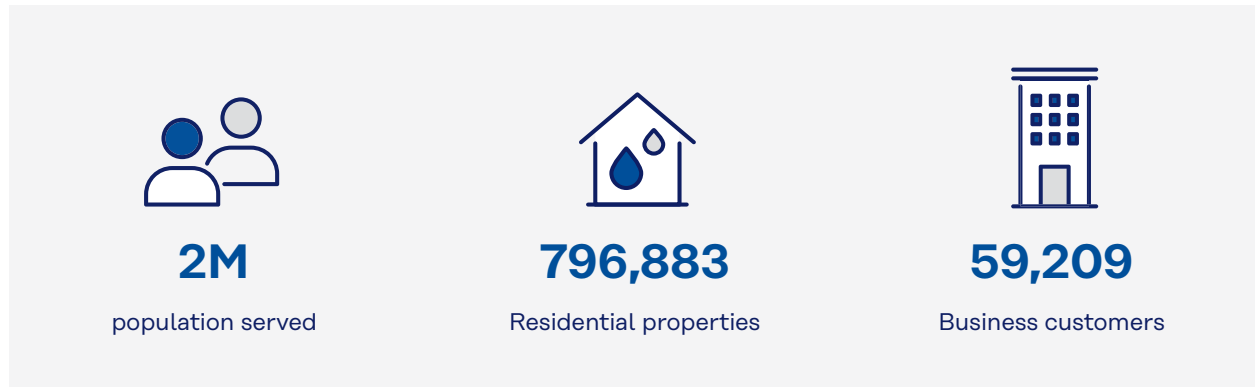
Acknowledgement of Traditional Custodians/Owners

Yarra Valley Water proudly acknowledges the Traditional Custodians/Owners of the land and water on which we rely and operate. We pay our deepest respects to their Elders past, present and emerging. We acknowledge the continued cultural, social and spiritual connections that Aboriginal Victorians have with the land and waters and recognise and value the care and protection provided by Traditional Custodians/Owners over thousands of generations. We also recognise and value the continuing rich cultures and contribution of Aboriginal people to the Victorian community.

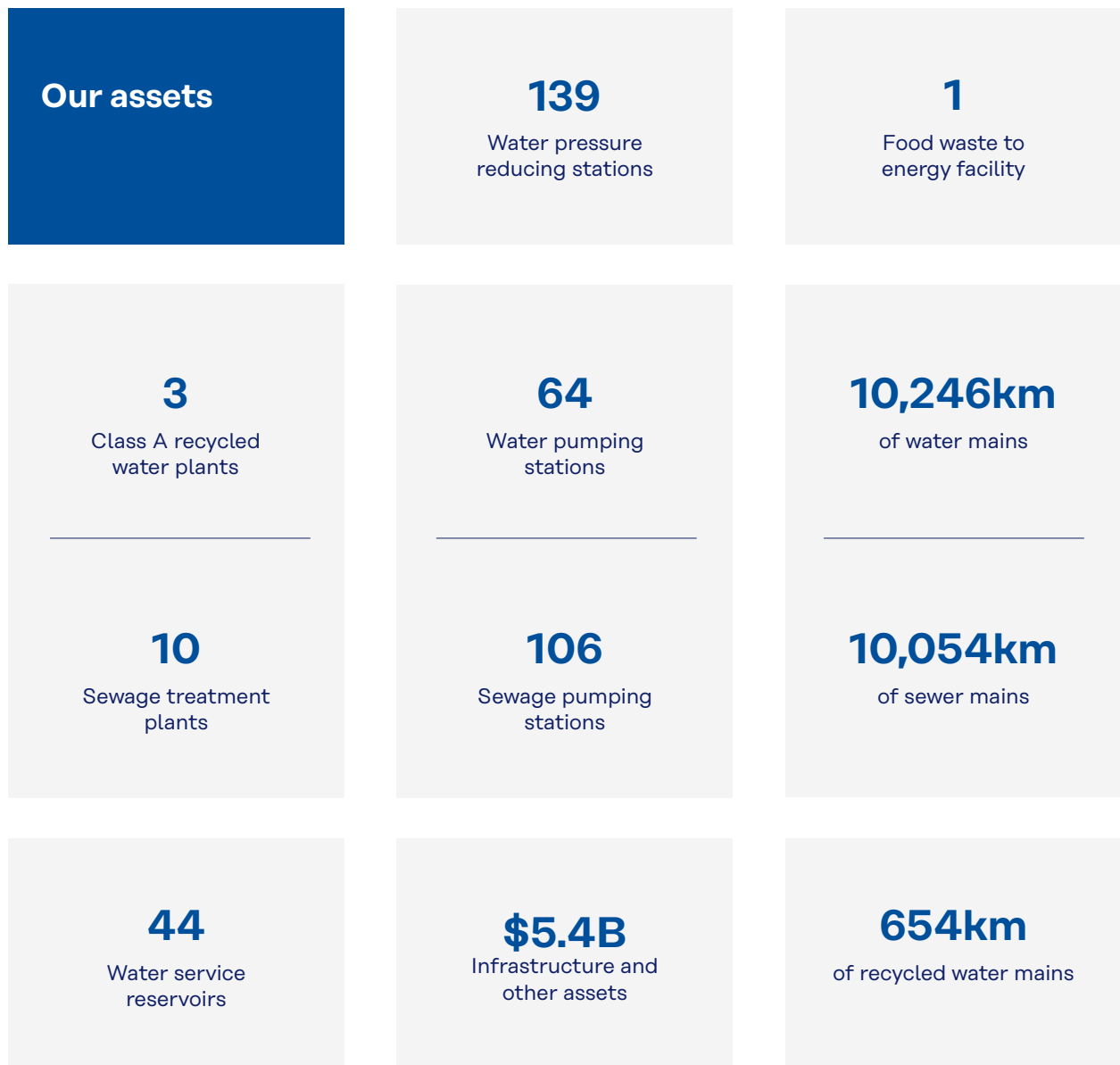
Language statement

We recognise the diversity of Aboriginal people living throughout Victoria. We have used the term "Aboriginal" to include all people of Aboriginal and Torres Strait Islander descent who are living in Victoria. The use of the words 'our' and 'we' throughout this document refers to Yarra Valley Water.

Key statistics



Our assets





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Introduction





1



About us

Yarra Valley Water delivers essential water and sanitation services to two million people. We're one of Australia's largest water utilities with more than 30 per cent of Victorians relying on us daily.

We manage \$5.4 billion worth of assets and our service area covers more than 4000 square kilometres, stretching from Wallan in the north to Warburton in the east.

Our purpose is to support the health and wellbeing of our customers and create a brighter future for communities and the natural environment. We're forward looking and committed to ensuring we meet evolving community expectations.

Our primary function is to supply safe, reliable and affordable water and sanitation services to our customers. This includes the provision of high-quality drinking water sourced mostly from protected catchments to Melbourne's east, delivering reliable water supply to customers and removing and treating sewage in a way that protects the environment. While the majority of sewage is treated at Melbourne Water's Eastern and Western Treatment plants, we also have 10 regional treatment plants that process sewage and several of these also produce recycled water for use in homes and public spaces as part of our work to secure water supplies for the future.

We generate renewable energy from our award-winning food waste to energy facility at Wollert and through solar arrays across our sites. We also participate with other water corporations in the Zero Emissions Water Limited initiative producing renewable energy from one of the largest solar farms in Victoria. We're planning to expand our commercially viable renewable energy production through a second food waste to energy facility in Lilydale and an innovative floating solar system at our Wallan treatment plant.

Our workplace culture is globally recognised and we have a highly engaged workforce. Staff live our values – putting people first, working as one team, being brave, delivering what matters and having a positive impact. In 2021 we achieved international recognition for our diversity and inclusion efforts, receiving Isle Utilities' Global Leadership Award.

We're now delivering our 2030 Strategy with commitments to transform around customers, help communities thrive and lead for our environmental future.

Our activities are overseen by an independent Board of Directors appointed by the Victorian Government. The *Water Act 1989* and the Statement of Obligations issued by the Minister for Water govern our activities.

During the 2020-21 financial year, we were accountable to the Minister for Water, the Hon. Lisa Neville MP, and Acting Minister for Water, the Hon. Richard Wynne MP. The Essential Services Commission is our economic regulator. Every five years we're required to submit a Price Submission which sets out the services and standards we propose to deliver to customers and proposed prices they will pay for our services. Our current five-year submission, containing commitments based on what our customers told us was important to them, came into effect on 1 July 2018. We're also regulated by the Department of Health in relation to drinking water quality and by the Environment Protection Authority Victoria for compliance with environmental legislation.

A message from the Chair and Managing Director

In accordance with the *Financial Management Act 1994* we're pleased to present Yarra Valley Water's Annual Report 2020-21, which provides an overview of our performance, including key achievements and audited financial statements.

This report marks the first year of our 2030 Strategy, which will enable us to deliver on our purpose to support the health and wellbeing of our customers and create a brighter future for communities and the natural environment.

Our approach is centred around three pillars that bring this purpose to life:

- Transforming Around the Customer
- Helping Communities Thrive
- Leading for our Environment

During 2020-21 our customers and way of work continued to be impacted by coronavirus. Building on the strong foundations of our well-established WaterCare and early COVID assistance programs, we further enhanced our systems, processes and support options to continue to meet the needs of affected residential and commercial customers. Our WaterCare program is currently helping more than 9500 customers experiencing hardship and vulnerability and our dedicated COVID Customer Care phone line responded to almost 26,000 calls in 2020-21.

This year we introduced new ways of working to ensure we could continue to safely deliver our essential water and sewerage services and encourage flexibility for staff. Our strong workplace culture has seen us embrace the transition to a hybrid way of work as we build a robust workforce of the future. We launched our new People Strategy – Better for Being Here – which will ensure we continue to focus on being a high-performance organisation which is purpose-led, achievement-oriented and values-driven.

We continue to target high failure areas of our network for renewal and increasingly harness technology to

reduce leaks and bursts. We're also expanding our recycled water network and this year we've joined forces with all of Melbourne's metropolitan water corporations and the broader community to collectively identify ways to secure water supplies for the next 50 years. This collaborative work will produce the first ever single joint Greater Melbourne Urban Water and System Strategy, known as Water for Life.

Our commitment to the United Nations Global Compact and work to advance the Sustainable Development Goals (SDGs) is ongoing and aligns with our 2030 business strategy. We believe the water industry has a vital role in helping to achieve the SDGs and deliver environmental and social value. The SDGs and the Universal Declaration of Human Rights are also in line with our commitment to customers and the broader community.

Price is critical for customers and we remain strongly focused on efficiency. We work hard to keep bills flat and have robust support systems in place to assist customers experiencing hardship and vulnerability. This was reflected in 93 per cent of customers who accessed our support believing Yarra Valley Water helps customers experiencing difficulty in paying for our services.

As custodians of the world's most precious resource, we also take our environmental responsibilities seriously. We're proud of our strong credentials and efforts to enhance the health of our planet. Through our solar installations, award-winning food waste to energy operations and membership of Zero Emissions Water Limited, we're now producing enough renewable energy each year to meet about 50 per cent of our overall requirements.

Other highlights this year include:

- Delivering 145 billion litres of high-quality water to our customers, all 100 per cent compliant with stringent water quality regulations

- Investing \$332m in water and sewerage infrastructure to improve services and support growth
- Doubling the number of digital water meters installed as part of our ongoing trial and obtaining a provisional patent for our own custom-designed meter which has commercial potential
- Undertaking extensive community engagement and inviting tenders for our second food waste to energy facility to be built alongside the Lilydale Sewage Treatment Plant
- Working to install a large 1296 kW floating solar panel system at our Wallan Sewage Treatment Plant which will generate about 1500 megawatt hours of energy per year
- Introducing new initiatives to encourage consumers to Choose Tap instead of bottled water, including the installation of public drinking fountains and expansion of the Refiller program encouraging cafes to offer free tap water refills
- Deepening engagement with Traditional Custodians/ Owners, Aboriginal Victorians, Aboriginal Community Controlled Organisations and Aboriginal and Torres Strait Islander businesses, building trust and connection to support economic opportunities and enable prosperity
- Meeting or exceeding our customer satisfaction targets and winning two awards for our Customer Experience (CX) work
- Investing in digital technologies to improve overall customer and employee experience, realise process efficiencies, protect customer information and critical systems from cyber attack, and maintain business continuity

Climate change and population growth continue to put pressure on our network and the long-term availability of water. Two devastating storms this year highlight the importance of our ongoing climate resilience planning to ensure our systems can cope with severe weather impacts. The Silvan Dam Boil Water Alert in August was the result of power outages and subsequent equipment failure at Melbourne Water's Silvan Reservoir. While the alert was precautionary, as all water quality tests came back clear, this event reinforced the need to be ever vigilant. We have implemented enhancements with Melbourne Water and the broader metropolitan water sector to further strengthen reliability of drinking water supplies.

Our system was also put under pressure in June when destructive storms and floods affected parts of Victoria, including suburbs and townships in our service area. Teams worked around-the-clock to manage impacts of flooding and restore safe water supply to customers in The Patch, Kallista and Sherbrooke, who were affected by a Do Not Drink notice following damage to a water tank. Customers were promptly notified by SMS and email and kept updated. We also provided drinking water through tankers and bottled water throughout the three-day incident.

2020-21 was the third year of our current Price Submission, which sets out commitments to customers across seven key service areas. We've made great strides to record our strongest results to date, achieving the targets for five of the seven outcomes our customers tell us they expect and value. We were just short of meeting our ambitious annual target for water use per person per day (214 litres, including all residential and business use, against a target of 213 litres) and our service reliability target around customers who experience multiple interruptions in a year (0.98% against a target of 0.96%). In a world-leading innovation, we voluntarily pledged to give money back to customers each year via reduced prices if we did not meet a target in any given year. In line with this, we will return \$3m to customers in 2021-22.

We met or exceeded our targets in other areas including timely response and restoration, customer satisfaction, carbon emission reduction, and fair access and assistance for all.

We're now looking to the future and planning for our fifth Price Submission covering the period 2023-2028. A key challenge in this will be finding the right balance between service and affordability given the increasing pressures of climate change, population growth and the need to continue to ensure our assets are maintained to meet the community's needs. Our focus is on delivering value for money and working with customers to find the best possible outcomes for current and future generations.

We outperformed our financial targets this year with a net profit after tax of \$94.1 million. This was driven by better than expected revenues from developer growth related activities, efficiencies achieved against budgeted operating expenditure, and the impact of COVID-19 not being as severe as expected on cash flows. This result has flowed through as an increased community dividend back to the State of Victoria.

Finally, we want to acknowledge our talented and resilient team of people for their valued contribution during this challenging year. Thanks for living our values and striving to provide exceptional service to our customers every day. Our Board's governance and leadership and active and thoughtful contributions are also crucial to our success and we thank members for their diligence and oversight. We also appreciate and value our government, community, private sector and industry partnerships which provide insights and collaboration to help us continually evolve and improve.



Sue T O'Connor
Chair



Patrick J McCafferty
Managing Director

Our strategic context

Our purpose is to support the health and wellbeing of customers and create a brighter future for communities and the natural environment.

Three key pillars bring our purpose to life:

Transforming around
the Customer

Helping
Communities Thrive

Leading for our
Environment

These are underpinned by the enabling streams of People and Culture, Safe and Well, Always Efficient and Digital Enablement powering our work. Together with our Price Submission customer commitments, these aim to deliver exceptional results for our customers, stakeholders, owners and staff.

We're committed to the United Nations Global Compact and work to advance the Sustainable Development Goals (SDGs). The water industry has a vital role in helping to achieve the SDGs and deliver environmental and social value. We've embedded the SDGs in our business strategy to provide a global context for how our activities contribute to a more sustainable and liveable future.

We are also guided by the Victorian Government's Letter of Expectations, which focuses on:


- Climate change
- Customer and community outcomes
- Water for Aboriginal cultural, spiritual and economic values
- Resilient and liveable cities and towns
- Leadership and culture
- Financial sustainability
- Recognising recreational values

Our Strategic Drivers



 SUSTAINABLE DEVELOPMENT GOALS



Strategic theme	Price submission customer commitments	Letter of expectations	Sustainable development goals
<p>Transforming around the customer</p>	<ul style="list-style-type: none"> • Safe drinking water • Reliable water and sanitation services • Timely response and restoration • Modern flexible service 	<ul style="list-style-type: none"> • CR1 – Water quality complaints • C1 – Customer satisfaction • CR4 – Billing payment issues • L3 – Water bills 	





Strategic theme	Price submission customer commitments	Letter of expectations	Sustainable development goals
<p>Helping communities thrive</p>	<ul style="list-style-type: none"> Fair access and assistance for all Water availability and conservation 	<ul style="list-style-type: none"> C2 – Customer and community engagement L4 – Payment management and hardship AC1 – Engagement of Aboriginal communities AC2 – Engagement of Traditional Custodians/ Owners AC3 – Aboriginal inclusion plan/ Reconciliation Action Plan E3 – Adaption to climate change and variability L1 – Integrated water management L2 – Water efficiency 	
<p>Leading for Environmental Future</p>	<ul style="list-style-type: none"> Care for and protect the environment 	<ul style="list-style-type: none"> E1 – Emissions reduction E2 – Energy and Renewable Electricity Consumption 	
<p>High Performance</p>		<ul style="list-style-type: none"> G1 – Diversity and inclusion F1-8 – Financial indicators G3 – Health and safety 	

2020-21 Highlights





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Transforming around customers

We're committed to providing exceptional customer care and seamless service and ensuring our essential water and sewerage services are affordable and accessible. Our promise is to care for customers, work together for a seamless, affordable service and earn trust in everything we do.



Key initiatives

Safe drinking water

Providing safe and pleasant drinking water is a key priority for us and we take great pride in our role to help Melbourne maintain its reputation for having some of the world's best drinking water. We have a comprehensive water quality monitoring program to ensure full compliance with Safe Drinking Water regulations. An independent laboratory collected and tested over 7000 water samples this year, and we monitored and tested the water from over 1200 randomly selected customer taps in 34 different water quality zones – achieving 100 per cent compliance. Our customer research shows high satisfaction with the quality of our drinking water. In 2020-21 we achieved 93 per cent customer satisfaction.

Responding to severe weather events

This year we faced two severe storm events that significantly impacted our services. These events serve as a stark reminder that our network is susceptible to the impacts of climate change and increasing weather variability. We're examining what additional investments are needed to ensure our systems are as robust as they can be in the face of these challenges.

The first occurred in August 2020, when a damaging storm caused a power outage at Melbourne Water's Silvan Reservoir, resulting in their treatment plant losing power. Treatment processes were offline for about six hours and undisinfected water entered Melbourne Water's transfer mains, flowing into both Yarra Valley Water and South East Water's networks. This was an unprecedented event for the metropolitan water industry.

In consultation with the then Department of Health and Human Services (DHHS), a precautionary Boil Water Advisory Notice was issued to customers in 98 suburbs across both service areas. In consultation with the department, we worked 24/7 across the weekend to manage risks to public health and keep our customers informed. We used an all-channels approach to alert customers, including calling critical health providers and dialysis customers, and delivered emergency drinking water where needed. We sent over 1.7 million SMSs across three days, to about 75 per cent of account holders in impacted suburbs. In a joint statement with Melbourne Water and South East Water, we apologised to affected customers and offered a refund to those who had to buy bottled

water, including people who could not boil water at home due to extended power outages in their suburbs. We followed this up with a letter to all residential and business customers in our area, detailing the cause of the incident and our response.

We undertook an extensive review process following this incident to examine our response and focus on strengthening our contingency plans, emergency response protocols, network design and communication approaches.

The destructive storms and floods of June 2021 also affected our services, leading to sewer spills and other network impacts due to power outages and falling trees. We directly notified customers in parts of The Patch, Kallista and Sherbrooke of a Do Not Drink notice, which was in place across three days following storm damage to a water tank. In challenging circumstances, teams worked around-the-clock to make repairs, keep customers informed, distribute drinking supplies in the affected towns and carry out extensive water sampling to ensure the water supply was safe to enable the notice to be lifted as quickly as possible.

Affordability

We know that price is critical for customers and maintaining affordable bills is a key focus. Access to safe, reliable and affordable water and sanitation are basic human rights and essential to realising all human rights. We're driving affordability by building efficiencies into our business that ensure downward pressure on bills and providing appropriate support systems so everyone can access our services.

Our WaterCare team provides case-managed support for customers experiencing hardship. We're currently helping more than 9500 customers through our WaterCare program - up 12 per cent compared with the previous year. Some 93 per cent of people who accessed our services believe we help customers experiencing difficulty paying for their water and sewerage services (against a target of 89 per cent). WaterCare offers tailored options including instalment plans, short-term payment extensions, access to government grants and concessions as well as more comprehensive assistance where needed. This includes supporting customers affected by family violence.

Transforming around customers continued...

Responding to Coronavirus (COVID-19)

Building on the strong foundations of our WaterCare program and initial COVID response in early 2020, we reviewed our systems and support options to ensure we continued to meet the needs of COVID-affected customers. Our COVID Customer Care phone line received 25,879 calls from customers in 2020-21. Affected accounts are flagged in the system so we can check in with customers and discuss support options. We observed that many people who had been financially affected by COVID were uncomfortable talking about their circumstances so we enhanced self-service options on our website, including registration of concessions and applications for Utility Relief Grants so that reluctance to talk to us wasn't a barrier to receiving support. COVID support services included payment extensions and deferrals, tariff adjustments, matching of government grants, waiving of certain fees for small businesses and bill discounts tied to reduced water use during trade restrictions.

We found new ways to communicate and engage with our customers throughout 2020-21. Due to coronavirus restrictions, our primary communication and engagement channels were online. We also worked with council and community networks, financial counsellors and other stakeholders to help reach our customers - sharing information, staying in touch and keeping abreast of the emerging issues facing the community. Improving our engagement with culturally and linguistically diverse communities was an important focus.

Thriving communities partnership

We are actively involved in the Thriving Communities Partnership (TCP), a cross-sector collaboration founded by Yarra Valley Water, which works to ensure all Australians have access to the essential services they need to thrive. TCP has more than 300 participants and over 80 partners from sectors including business, community, government and academia. This year, along with Telstra, AGL, the Commonwealth Bank, Sydney Water and Transurban, we've provided seed funding for TCP to develop and pilot a unique online portal that will make it easier for Australians experiencing vulnerability to connect and access support services. This Australian-first digital platform – known as the One Stop One Story Hub – will allow people to connect to the extensive support they're eligible for across sectors, instead of needing to individually contact organisations to navigate the often complex systems of support available.

Reliable water and sewerage services

We work to reduce service failures and continually renew our extensive network so customers enjoy an uninterrupted water supply. Our target is less than 0.96 per cent of customers experiencing three or more unplanned water or sewerage service interruptions a year. While we just fell short this year at 0.98 per cent, our targeting of high fail areas reduced the number of impacted customers by 35 per cent compared with the previous year.

During 2020-21 we:

Renewed

60km

of poor performing water mains

Renewed

55km

of poor performing sewer pipes

Installed more than

800

new hydrants and water valves to reduce unplanned service interruptions

Inspected

210km

of sewer pipes to assess their condition and identify blockage risks

Inspected

1650

house connection sewer branches to access the integrity of pipes

Renewed

1318

house connection sewer branches which were impacting customers.

We've also expanded use of the Hydrant Wizard, which allows us to repair fire hydrants without disrupting supply to customers. The Hydrant Wizard works by creating a seal in the hydrant riser using a pressurised balloon so that repairs can be made without the need for a shutdown. In 2020-21 it prevented more than 2000 unplanned customer interruptions. We continue to work with our maintenance partners to expand use of this versatile tool across our network.

Timely response and restoration

Service interruptions are frustrating for customers and we work hard to respond quickly to restore supply. We aim to restore water and sewerage services within four hours for 91.1 per cent of customers – this year we achieved this result for 96.7 per cent of customers. We also exceeded our target of 86 per cent of customers satisfied with our emergency response, achieving 98 per cent satisfaction with our emergency phone service and 91 per cent satisfaction with our emergency works service.

As part of our commitment to seamless service we're leveraging technology to make life easier for our customers. Our refreshed online Fault Map was accessed more than 88,000 times in the nine months to April 2021, providing our customers with access to real time information about reported faults. Data from over 95 per cent of our field works now flows through in near real time. We're using the Snap Send Solve app to make it easier for people to report faults and issues while on the go. And we've introduced PipeTracker, a mobile-friendly website which allows plumbers to check our asset map on their mobile phone. This makes it quicker and easier for them to identify sewer points when diagnosing blockages on customer premises, saving them from having to call us to find this type of information. PipeTracker has been used over 23,000 times since it was launched and saved plumbers from making over 2000 calls to us.

Transforming around customers continued...

Digital transformation

We're implementing a range of digital technologies to build an intelligent asset network that anticipates and addresses potential issues before they happen and delivers a seamless customer experience. Our Foundational Technology Program will ensure we have modern, flexible systems which make it easy for customers to interact with us. It will also allow employees to better serve customers by having the right information available when they need it.

In 2020-21 we established the building blocks of this transformation by selecting and commencing implementation of the new platforms required, including:

- An experience-led customer portal to deliver better customer and employee experiences
- A platform to enable a single view of our asset networks powered by near real-time network information to help minimise customer disruptions, improve responsiveness and address root causes
- A platform and communications network to manage and connect internet enabled devices like digital water meters and sensors to our existing backend systems
- A tool to integrate these new technologies together with our existing systems and share both functionality and information between them

Improving customer experience

We exceeded our key customer satisfaction target this year and we won two major awards in 2020-21 for our Customer Experience (CX) work, including being named Team of the Year at the Ashton Media 2020 CX Awards. We also received a Good Design Australia Public Sector Services Award for our work to create a better experience for customers impacted by water main renewal work. These awards recognise our customer experience journey mapping work, which has resulted in improvements to our systems, processes and communication to ensure we're meeting or exceeding customer expectations.

Over the past five years we've also been on a journey to enhance complaint handling processes and align them with the Australian and New Zealand Standard for Complaint Handling. This started at a grassroots level with frontline teams, to our Board, to advocating across the industry nationwide for better processes and fairer outcomes for customers. Our complaint culture has evolved to actively welcome complaints, manage them fairly and learn and improve from them. This change has driven an increase in complaint volumes for comparative reporting, but this acceptance and understanding of accurate complaint data means we can make meaningful changes to create better outcomes for customers.

Our approach involved developing a consistent set of principles for how we handle, record and report complaints. This is supported by a framework centred around finding fair outcomes for both customers and our business. The results led us to successfully advocate for the establishment of a complaint handling working group within the Water Services Association of Australia (WSAA). This group aims to create a consistent approach to the classification of complaints and drive a cultural shift among Boards and Executives to see complaints as a "gift", and to provide recommendations to a review of the National Performance Reports in relation to customer service. In 2021 WSAA published a Guideline for Complaint Management aimed at building consistent national practices and there's great progress in water businesses across Australia seeing the true value of complaints.

Digital metering

This year we expanded our successful digital water meter trial. More than 1500 customers, mostly in our Vermont South Smart Precinct, are now using digital meters. Digital meters enable us to quickly detect any hidden water leaks within a customer's property and notify them so they can fix and avoid bill shock. They also allow customers to monitor their daily water use and compare it with other similar households, ultimately driving behavioural change and an overall reduction in consumption. Customers in our digital meter trial have collectively saved more than four million litres of water and \$15,000 off bills per month through the detection and rectification of almost 400 leaks.

We've also developed our own digital water meter, which is being manufactured in Victoria. Our meter has a provisional patent and has been approved for customer billing by the National Measurement Institute following a rigorous certification process. We installed 800 of these in late 2020 as part of our second trial phase in Vermont South. In 2022 we expect to run a further extended trial, rolling out approximately 25,000 meters into other areas to test our update business processes and technology. We

continue to closely monitor the costs and benefits of digital metering and if the business case is viable (and we have both customer and regulatory support), we'll look at installing digital meters across our service area to help save water for Melbourne.

Digital metering



More than
1500

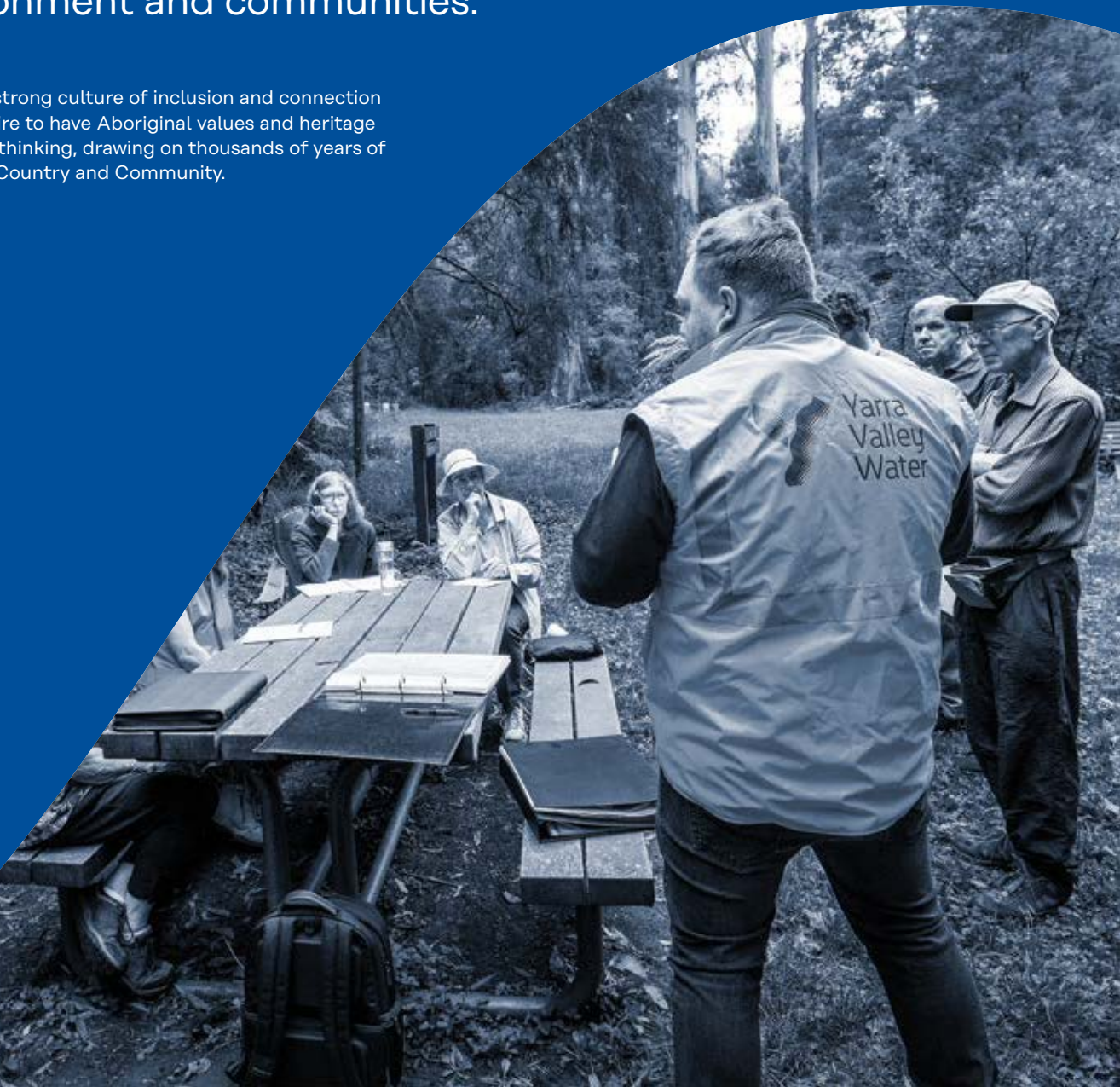
customers, mostly in our Vermont South Smart Precinct, are now using digital meters.



Helping communities thrive

We know our customers value our role in helping to shape resilient and prosperous communities. We were the first water utility in Australia to sign up to the United Nations' Global Compact and Sustainable Development Goals, which guide our efforts to enhance the environment and communities.

We have a strong culture of inclusion and connection and we aspire to have Aboriginal values and heritage inform our thinking, drawing on thousands of years of Caring for Country and Community.



Key initiatives

Water security

Climate change, population growth and weather variability continue to put pressure on our network and the availability of water. Relying on rainfall and dams is no longer enough to secure long-term supplies. Desalinated water now makes a critical contribution to the state's water security. In 2020-21 the Victorian Desalination Project delivered 125 billion litres of water into storages.

To address these challenges we're working together with the Department of Environment, Land, Water and Planning (DELWP) and the other water authorities to play an integral role in planning and securing Melbourne's water supplies now and in the future. We do this through the development of key strategies, along with producing annual water outlooks and modelling and advice to support desalinated water orders.

This year, we're working collaboratively with the other metropolitan water corporations to produce a single joint urban water and system strategy for Melbourne. Known as Water for Life, this strategy will outline plans for securing water supplies over the next 50 years, including specific actions for the next five years. Collectively, we've invited community members to share their thoughts and ideas through an online survey and a series of public workshops. A community panel will be convened in the second half of 2021 with input helping to shape this important work. The strategy will be finalised in March 2022.

We're working with DELWP to integrate Water for Life with their Central and Gippsland Region Sustainable Water Strategy (CGRSWS), which is also due to be finalised in March 2022. The CGRSWS takes a 50 year planning view for the wider region's water security and looks at how water is shared among multiple users.

Climate Resilience

In 2020-21 we continued to implement our Climate Resilience Plan, which sets out our response to the impacts of climate change and supports long-term planning. Work this year included:

- Successfully piloting adaptive planning in the Upper Merri Creek Placebased Plan and in the Northern Growth Corridor Treatment Strategy. This process is now embedded in Place-based Planning Guidelines for the organisation.
- Focusing on reducing service vulnerabilities, developing a partnership with the Bureau of Meteorology, and holding climate outlook workshops each quarter to help prepare resources for the following three months.
- Reviewing emergency management plans with a climate lens and employing a new emergency management coordinator to help with this work.
- Assessing our asset vulnerabilities to climate change in the high-fire risk Healesville region, sharing findings with stakeholders and updating our risk assessment and renewals programs.
- Completing organisational resilience benchmarking (receiving the highest Australian water utility score) and reviewing our governance, risk, and evaluation processes to ensure we are aligned with the recent Department of Environment, Land, Water and Planning (DELWP) guidelines on Managing Climate Risk.
- Working in partnership with DELWP and the other water authorities on the Victorian Climate Change Adaptation Action Plan, extensive long-term water planning and other industry collaborations.
- Commencing a review of our Climate Resilience Plan, which will give us a fresh perspective on the biggest climate change risks and how we can address them.

Recycled water

Developing recycled water infrastructure is crucial to long-term water security. Our recycled water network now services 37,000 homes and businesses, mostly in Melbourne's northern growth corridor, and continues to expand. We've started planning and design work to increase capacity at our Aurora recycled water treatment plant at Wollert. This will provide a significant increase in recycled water production capacity for this important growth area.

Through integrated growth planning, working with the Victorian Planning Authority and other stakeholders, we've also identified a site for a new recycled water treatment facility, also at Wollert. This critical piece of infrastructure will ultimately enable us to supply recycled water to more than 100,000 customers as per the Integrated Water Management strategy. We've also begun planning and designing the supporting transfer network we'll need to get water from the facility to customers' taps.

We've advanced plans to build an underground recycled water facility in Doncaster with the project approaching completion of functional design. We're preparing to submit applications for planning and environmental approvals with relevant authorities from mid-2021. The facility will reduce reliance on our precious drinking water by servicing close to 6000 new apartments and houses at Doncaster Hill and provide a drought-proof water supply for irrigating local parks

Helping communities thrive continued...

and reserves. We're continuously engaging with the community to keep people informed as the project progresses and to seek feedback to assist the development of our design.

Non-revenue water

We continue to focus on reducing water losses through our network with great results. In 2020-21 the amount of water lost between the source and customer properties - mainly through leaks and bursts – is forecast to be at its lowest ever level (<12.9 billion litres - equating to 8.5 per cent of total water supplied). This result sees our leakage rates amongst the lowest both in Australia and internationally. Our focus on active leak detection and drainage

monitoring, reticulation mains renewals, creating district metering zones and trialling intelligent network technologies have all helped to minimise non-revenue water, which had historically hovered around 10-12 per cent per annum. Now 23 per cent of our entire water network of over 10,000km is monitored in near real time through our District Metering Program. We're continuing work to reduce the size of District Metered Areas across our network, which will allow us to detect smaller losses and proactively develop targeted initiatives to address them.

A potential full-scale rollout of digital water meters would enable further reductions in non-revenue water.



Water conservation campaigns

Overall water use, including all residential and business use, decreased significantly this year - from 221 litres per person, per day in 2019-20, to 214 litres per person, per day in 2020-21. The reduction is largely due to mild summer weather, COVID-19 restrictions impacting commercial customers and significant work to reduce water losses in our network. A series of public awareness campaigns also supported water conservation efforts. These included:

- A successful pilot showerhead exchange program that distributed 1000 water-efficient showerheads and an end-use study identifying opportunities for a larger roll-out in 2021-22
- Creating the Water Watchers education program using biodegradable natural rubber toy characters that attach to taps around the home and in schools to remind children (and adults) to “watch” their water use. Research from the pilot for this program demonstrated heightened awareness and reduced water use in families who participated
- Onboarding 11 more schools in our service area to join the Victorian Government’s School Water Efficiency Program, which encourages schools to use technology to track their water use. We now have more than 300 schools involved and since 2012 they’ve collectively saved over 1.7 billion litres of water

Choose Tap

Our work to encourage consumers to choose tap over bottled water, reducing plastic waste, included:

- Partnering with Metro Trains and local councils to install drinking fountains in public spaces including busy railway stations and high street shopping strips
- Enlisting cafes to support the Refiller campaign inviting people to fill up their reusable drink bottles for free to reduce reliance on single-use plastic bottles

Inclusion and connection



Community Water Efficiency Program provided

\$150,000

Inclusion and connection

We’re committed to ensuring all our customers have access to our essential services in the way that they need. This means embedding inclusion and accessibility into the design and delivery of services. In 2020-21 we continued to review and update our customer communication to ensure accessibility and partner with community organisations to help connect with customers from diverse backgrounds. We distributed packs to 85 organisations across our service area, with key information on support options (including translations) for them to disseminate via their channels. We delivered targeted social media messages following the billing cycle so that customers see information as they receive their bill, including messages in key languages based on regional demographics.

In early 2021, we were able to recommence face-to-face engagement and took part in a Bring Your Bills Day to help customers understand their water charges and access support if needed. We also developed ‘Easy English’ brochures, which are now on our website and shared with key stakeholders.

We have worked with key culturally and linguistically diverse (CALD) organisations in our region to seek feedback and build our understanding of the issues relevant to different communities. We attended community network meetings and held a focus group with the Adult Migrant Education Service, where we met with leaders from emerging communities across our region. Internally, we have identified a range of system and process improvements to create a better experience for CALD customers.

Our Community Water Efficiency Program provided \$150,000 this year to fund water-efficient plumbing improvements for community centres and not-for-profit organisations – saving them money to channel back into supporting community members in our service area.

Helping communities thrive continued...

Reconciliation

We're delivering our Stretch Reconciliation Action Plan (RAP) to achieve our vision for reconciliation - that all who live on this land acknowledge our shared history and move forward, together, in a respectful way. Respect is a key pillar in the reconciliation framework and we recognise that we have a lot to learn about Aboriginal people's histories, cultures and aspirations in relation to connection to Country. Along with Melbourne's other water corporations, this year we've committed to investigate the history of our sector to unpack past stories as they relate to water on the lands in which we operate and to understand any past injustices.

We strive to create a work environment where Aboriginal and Torres Strait Islander employees feel secure in their identity, culture and community, and to build a culture of respect that values the skills, experiences and different perspectives of Aboriginal and Torres Strait Islander employees and communities. We do this through training and employment, support for Aboriginal and Torres Strait Islander businesses, and by working in partnership with Traditional Custodians/Owners and Aboriginal communities. We also celebrate significant events including National Reconciliation Week and NAIDOC Week with a range of activities.

Yarra Valley Water's Aboriginal Cultural Learning Strategy engages all employees in cultural learning opportunities and empowers staff to be more culturally responsive. The strategy supports all staff to take culturally informed approaches to their work and ensure programs, policies and service delivery are appropriate to the needs of Aboriginal Victorians.

We're committed to increasing the current Aboriginal and Torres Strait Islander workforce to 3 per cent by the end of 2022 and diversifying suppliers to include 3 per cent of contracts awarded to Aboriginal and Torres Strait Islander businesses. This will not only provide employment and opportunities for more Aboriginal and Torres Strait Islander people within the water sector, it will also increase cultural capability across the organisation. Working alongside Aboriginal and Torres Strait Islander people and businesses more often and more closely also leads to attraction and

retention outcomes. We'll continue to expand engagement with Aboriginal Community Controlled Organisations and Aboriginal and Torres Strait Islander businesses, building trust and connection to support economic opportunities and enable prosperity.

This year all employees were invited to participate in Reconciliation Australia's RAP Workplace Barometer survey. The survey creates a baseline for our business to help sharpen our focus and build upon the foundations of our previous RAP. The survey also assists us to work with staff and stakeholders to enable a better understanding of how they contribute to reconciliation both through their roles and as individuals.

Essential infrastructure works can disturb sites of Aboriginal significance and we're working with Traditional Custodians/Owners in impacted areas. In 2020 we unearthed more than 2700 Aboriginal artefacts, believed to be up to 4000 years old, during excavation works as part of a sewerage upgrade near the banks of the Mullum Mullum Creek in Donvale. We're working with the Wurundjeri Woi Wurrung Cultural Heritage Aboriginal Corporation to appropriately rebury the artefacts for future protection.

Subsequent efforts to preserve and protect Aboriginal cultural heritage on the Lockerbie Main Sewer project demonstrate leading best practice in the making. We're working with the Wurundjeri Woi Wurrung Cultural Heritage Aboriginal Corporation and our partner Jacobs to understand the history of the land and to recover cultural artefacts prior to construction. From the outset, this project was designed to avoid sites of significance where possible by working around or underground. In impacted areas, Jacobs and Aboriginal-owned business Have a Dig Excavations used a combination of manual and mechanical excavation to recover over 6000 artefacts. Each one will be analysed and the results documented. We're planning to publish findings in a research paper and present them at the annual meeting of the Australian Archaeological Association in late 2021. Once the project is complete, artefacts will be repatriated as close as possible to their original location.



Helping communities thrive continued...

Social procurement

In 2020-21 we released our second Social Procurement Strategy as we continued to embed social procurement frameworks across the business. Our procurement objective is to purchase goods, works and services at competitive prices that provide the best value for money for our business and customers.

Targets are in place to increase the diversity of our suppliers, so we can support improved economic and social outcomes. Key results this year include the creation of a database of 230 social and Aboriginal and Torres Strait Islander businesses and increasing the number of contracts with Aboriginal and Torres Strait Islander businesses from 14 to 15, with spend also increasing by 10 per cent. We've also developed a working group of champions across the organisation and trained all staff involved in procurement. We're members of Social Traders and Kinaway Chamber of Commerce Victoria Ltd and continually look for opportunities to support social and Aboriginal and Torres Strait Islander enterprises.

Projects supporting the Social Procurement strategy this year include:

- Completion of a large mural at our Mitcham head office. The mural was produced by artists through The Torch Project, which works with Aboriginal and Torres Strait Islander men and women both in prisons and post-release to explore their culture and identity through art
- Purchase of stationery from Muru Office Supplies, which uses a percentage of their profits to fund projects in Aboriginal communities
- Sourcing of Who Gives a Crap toilet paper for office use. This Australian-based social enterprise sells ethically made toilet paper and donates 50 per cent of its profits to fund sanitation projects in developing countries

Placemaking through integrated water management

We have partnered with Wurundjeri Woi Wurrung Cultural Heritage Aboriginal Corporation, Hume, Whittlesea and Mitchell councils, Melbourne Water and the Victorian Planning Authority to develop a draft integrated water management (IWM) plan for the Upper Merri Creek sub-catchment.

This project has successfully piloted a new partnership approach to create a vision for community building with water at the heart of its design. The Upper Merri Creek sub-catchment encompasses the northern growth area of Melbourne with a diverse community living in both urban and rural areas. This approach has enabled people who live in the sub-catchment, which covers suburbs including Broadmeadows, Campbellfield, Yuroke, Mickleham, Kalkallo, Donnybrook, Beveridge and Wallan, to have input into the management of water and planning for how their areas will evolve. IWM plays an important role in both local placemaking and long-term water security outcomes.

A detailed action plan is being developed to shape the future of the area, embedding the objectives of Traditional Custodians Wurundjeri Woi Wurrung and the aspirations of the community in the initial iteration of this ongoing partnership process. It's created water sensitive outcomes and positioned the water industry to collaboratively and proactively plan for greenfield, infill and renewal development. The plan aspires to ensure that infrastructure is built not just to service individual development needs, but to fulfil broader public objectives. Most importantly, it engages all organisations with an influence on water, and includes Traditional Custodians/Owners, customers and the community in decision-making. Recognition of Wurundjeri Woi Wurrung people's inherent rights is fundamental to this process, which was selected as a case study in the Water Services Association of

Australia's Integrated Water Management Principles and Best Practice for Water Utilities (October 2020).

We're now applying the same innovative approach in other sub-catchments across our service area in Wurundjeri Woi Wurrung, Bunurong and Boon Wurrung Country. Planning has started for Gardiners Creek (incorporating Box Hill redevelopment and the suburban rail loop), Koonung Creek (incorporating North East Link) and the Upper Birrarung sub-catchments of Brushy Creek, Little Yarra River and Hoddles Creek, Olinda Creek, Steels and Pauls Creek (rural and source), Stringybark Creek and the Yarra (middle, upper and source). We aim to have IWM sub-catchment plans progressively developed for our entire service area, supporting future pricing submissions and the achievement of our 2030 strategy.

Whittlesea community farm

Plans are progressing for the development of the Whittlesea Community Farm alongside our Aurora recycled water treatment plant at Wollert, with the Victorian Government providing a \$1.5m grant to start construction later in 2021. We're providing land, recycled water and renewable energy for the farm, which is being developed in partnership with the City of Whittlesea, Melbourne Polytechnic and Whittlesea Community Connections. Our shared vision is to create a farming enterprise and community food hub which uses best-practice sustainable agriculture and demonstrates the circular economy in action.

We're working through a cultural heritage management plan process and cultural values study with the Wurundjeri Woi Wurrung Cultural Heritage Aboriginal Corporation. The study will allow us to capture the intangible heritage elements of the site so we can incorporate them into the design of the farm, through features such as an interpretative trail.

Hazelwynde

Discussions with stakeholders are continuing to progress the vision for our Hazelwynde project in Melbourne's north. We are exploring the opportunity to engage the private sector to deliver a development on land that will become surplus to our needs in 2023. This has a focus on achieving outstanding environmental performance and an emphasis on water management, renewable energy and waste reduction. Hazelwynde is a unique opportunity for us to bring to life our purpose to create a brighter future, showcasing a sustainable, self-sufficient community. By adopting a 'suburb as a catchment' mindset we believe a community can be delivered as a net exporter of water and renewable energy. Hazelwynde has the potential to set new benchmarks in urban development and environmental performance, demonstrating the benefits from circular economy thinking and mitigating the impacts of climate change on urban living. It will also enable downward pressure on customer water bills.

Whittlesea community farm



\$1.5m

grant for the development of the Whittlesea Community Farm alongside our Aurora recycled water treatment plant at Wollert

Leading for our environmental future

We rely on a healthy environment to deliver our services. We use innovative thinking to adapt to ecological challenges and help enhance the health of our planet.

We're leaders in exploring how the water industry can source its energy needs from renewable sources to remove reliance on fossil fuels and reduce greenhouse gas emissions. We believe our industry is ideally placed to contribute to the production of clean, green energy and we're excited about our potential to help create a circular economy for Victoria.



Key initiatives

Towards zero carbon

We are pursuing an aspirational target of producing all of our energy needs from renewable sources by 2025. Generating and consuming renewable energy is also key to achieving our greenhouse gas emissions reduction target of 11,664 tCO₂-e by 30 June 2025. We're also measuring the carbon impact of everything we do as we move towards making our operations carbon neutral to lessen the impact of our energy-intensive core services. This year, for the first time, 50 per cent of the electricity we used came from renewable sources and we're on track to achieve our 2025 target.

Zero Emissions Water

We're an active partner in Zero Emissions Water Limited (ZEW) and we're committed to purchasing up to 7000 MWh of renewable energy from the project each year. This year ZEW started to receive a solar energy offtake from Victoria's largest solar farm at Ouyen. The renewable energy received from the farm is allocated to ZEW's 13 participating water corporations. The renewable energy we receive will mark a major contribution towards meeting our emissions reduction target. The expected savings from this deal will also help offset rising energy costs.

Food waste to energy

Our food waste to energy facility at Wollert reached a major milestone this year. Since its commissioning, more than 100,000 tonnes of food waste otherwise bound for landfill has been processed, producing more than 23 million kilowatt hours of clean, renewable electricity. The amount of energy produced is the equivalent of powering our Mitcham head office for 11 years. Food waste to energy production is central to our commitment to transition to a circular economy and reduce waste and our carbon footprint. Over the past three and a half years, the food waste to energy facility has reduced our energy costs and generated over \$8 million in benefits – savings that help to maintain affordable bills for customers. The facility powers itself as well as the adjoining Aurora sewage and recycled water treatment plant, with excess energy (about 70 per cent) exported to the electricity grid. The facility is performing better than expected, which presents an opportunity to explore ways we can harness more energy and realise the benefits of increased biogas production. We've partnered with more than 20 businesses, including shopping centres, markets and restaurants, which send food waste to the facility as an alternative to landfill.

In 2020-21, after COVID-19 caused a hiatus in our schedule we adjusted our approach, undertook extensive community engagement and subsequently tendered for our second food waste to energy facility to be built alongside the Lilydale Sewage Treatment Plant. The new facility will operate at an even greater capacity than Wollert, capable of taking up to 150 tonnes of waste per day to convert into 33,000 kWh of renewable energy. That's around 33 per cent of our energy needs. We are preparing to engage with the community again before submitting applications for a planning permit and EPA development licence in late 2021.

Generating solar energy

We're expanding our solar energy generation through new projects. This includes installing a large 1296 kW floating solar panel system at our Wallan Sewage Treatment Plant, which will be four times the size of the solar carpark system at our Mitcham head office. It will generate about 1500 megawatt hours of useable energy per year with the potential for this to increase in future. This project has the added benefit of preventing algal growth in our treated water storage pond onsite, which will ultimately improve the reliability of our recycled water production which many customers in the north of Melbourne rely on. We have also investigated the installation of non-invasive large market ground-mounted solar systems at five sites.

A circular economy

We're working to fulfil the Victorian Government's objectives for a circular economy where resources are maximised and nothing is wasted. Our knowledge has helped inform the development of the Water Services Association of Australia's paper, Transitioning the water industry with the circular economy, which guides water utilities to unlock the circular economy to better manage resources. Along with the expansion of our food waste to energy business, installation of more solar panels and building on our recycled water network, we're also working to transform our treatment plants to focus on resource recovery. We're increasingly using recycled and reprocessed materials with a lower carbon footprint in our construction and maintenance practices. We're also pursuing opportunities to make our supply chain more circular and divert construction waste from landfill. Together, our Aurora recycled water treatment plant, food waste to energy facility, community farm and proposed hydrogen plant will use world best practices to showcase the circular economy in action.

Leading for our environmental future continued...

Green hydrogen

We have partnered with engineering firm Jacobs to explore the potential for the water sector to participate in the new hydrogen economy. One of the challenges of creating hydrogen sustainably is that it requires inputs of high-quality water and renewable electricity. We're producing high-quality water from wastewater treatment and renewable energy by processing food waste. Green hydrogen (which is hydrogen produced with zero emissions) is a way of storing renewable energy that can be injected into the gas grid and used for heating and cooking, and in transport to displace fuels such as LPG, petrol and diesel.

Together with Jacobs, we've delivered a thought leadership paper that investigates the viability of sustainable hydrogen production based on a case study using our Aurora recycled water treatment plant at Wollert. The report found that at Aurora, which operates alongside our food waste to energy facility, it is both technically feasible and commercially viable to produce green hydrogen. This ground-breaking work paves the way for us to continue with the technical and commercial feasibility work required to underpin the business case for construction of a hydrogen facility. A key to delivering this project will be selecting appropriate partner organisations to allow us to bring this vision to reality.

Community Sewerage Program

In some outer suburban areas residents are still relying on septic tanks to treat sewage, but these systems can be unsuitable if they are failing, not maintained properly or on properties that are not large enough to support sustainable irrigation of effluent. Our Community Sewerage Program provides these communities with access to our modern, piped sewerage system. We have about 10,000 properties on the program, to be serviced over the next 10-15 years.

In 2020-21 we connected 600 properties in suburbs including Donvale, Yarra Junction, Launching Place, Wesburn, Kallista, Menzies Creek and The Patch. In the coming year we'll connect another 1170 properties, many in the Monbulk township as well as Eltham and Park Orchards. We're introducing 'smart' sewerage in the Dandenong Ranges to allow us to deliver a more economical system and improved service experience

for our customers. Properties with a smart system will have a control box that transmits data back to us, allowing us to coordinate the pumping and flushing of individual units to optimise capacity of the network. Compared with traditional gravity, pressure or hybrid options, smart pressure sewer systems are up to 50 per cent cheaper to construct because they require smaller pipe infrastructure. The smart control box can also alert us to faults and issues, and maintenance crews can respond quickly, often before the customer is even aware of a problem.

We work closely with communities on the program to ensure people are aware of the benefits of connecting and to keep them informed during construction. In 2020 we launched the first stage of our Customer Experience Digital Platform for community sewer customers, streamlining our communications and better tracking our commitments.

In Park Orchards, we've completed an industry-leading trial to better understand the benefits, challenges and feasibility of modern onsite sewerage services as an alternative to a piped sewerage network. We will share the results with the broader industry and stakeholders to assist others to improve environmental outcomes. The trial also led to us developing an onsite treatment system that has now been certified for domestic use. We're in the process of building a trial installation at our Kinglake Sewage Treatment Plant and we're undergoing design and cultural heritage approvals for an installation at Coranderrk for the Wandoo Estate Aboriginal Corporation. It will replace an existing aging septic system, reducing the risks of environmental impact to the adjacent creek, and enabling development of community engagement programs at Coranderrk. We're monitoring waterways in unsewered areas to inform planning for our Community Sewerage Program. This will also allow us to demonstrate the positive impact sewer works have on waterways and public health. We're trialling new monitoring methods and testing different sewage indicators in partnership with local councils, universities and Melbourne Water.

Healthy ecosystems

This year, working with Nature Glenelg Trust, we developed a biodiversity audit report, which assessed all our land for its biodiversity value and potential. The audit aimed to determine which sites currently provide the greatest value, and to highlight and prioritise those that can contribute to biodiversity outcomes. This will inform the development of a biodiversity framework, which will engage both Traditional Custodians/Owners and other key stakeholders. The audit found that despite the operational focus of our land, much of it retains significant biodiversity values, ranging from remnant woodland, riparian vegetation, native grassland and artificial – but valuable – constructed habitat, such as storage dams and treatment ponds. Threatened fauna species inhabit some sites (including the Growling Grass Frog, Eltham Copper Butterfly and threatened waterbirds), providing additional impetus to understanding how we can manage and enhance land for these species.

We've also partnered with Greening Australia to undertake a study to investigate the feasibility of creating habitat for the Helmeted Honeyeater and Lowland Leadbeater Possum at our Upper Yarra Sewage Treatment Plant. Initial findings have been positive, showing our site may be suitable for this habitat, which would help these endangered species and other wildlife. It would also have the added benefit of absorbing carbon. We're now discussing our findings with key stakeholders to determine if we can help meet the needs of conservation efforts for these species. We'll continue to pursue the biodiversity benefits we can achieve at our plant in partnership with local conservation groups and Traditional Custodians/Owners.



High Performance

We pride ourselves on our exceptional workplace culture and strive to ensure we continually stand out as a high-performing organisation. People and Culture is a key theme powering this commitment, along with Safe and Well, Always Efficient and Digital Enablement.



Key initiatives

People and culture

This year we launched our new People Strategy - Better for Being Here. It identifies ways we can improve employee experience and maintain our position as an employer of choice. Our strategy is underpinned by four core themes – Workforce of the Future, Culture and Purpose, Safe and Well and Performance through Potential. Driven by the challenges of coronavirus (COVID-19) we've developed a new hybrid way of work. This flexible mix of home and office-based staff means teams work effectively together even when physically separated. Our Mitcham head office has evolved into a COVIDSafe space where we come together to connect and collaborate.

In the field, our treatment plants remained fully operational during all stages of COVID-19 work restrictions. Staff and contractors worked with the COVID Response Team to continually adapt and maintain COVIDSafe plans and practices, including contract tracing systems and tests. Our focus ensured we kept our plants running and our people safe.

We're measuring our engagement levels and workplace culture through continuous listening via regular surveys across the business using the Culture Amp tool. These surveys give voice to our employees and allow us to measure the current sentiment of our people. Survey results are used to ensure our internal processes and systems are meeting employee needs and expectations and allow us to adapt as required.

Diversity and inclusion

Our Diversity and Inclusion Strategy purposefully creates an employee base which reflects the diverse community we serve. With the *Gender Equality Act 2020* demanding greater transparency, along with our Stretch Reconciliation Action Plan commitments, diversity and inclusion is integral to our organisation.

We're committed to creating a culturally safe workplace and increasing the number of Aboriginal and Torres Strait Islander employees. We're reviewing our current recruitment processes to enhance the experience of Aboriginal and Torres Strait Islander candidates and increase support for successful candidates and their reporting leaders. This will include working with key partners and suppliers on how we might encourage different employment pathways.

Our ground-breaking Pride in Water alliance, which works to create an inclusive water industry where all LGBTIQ+ people feel safe and valued, was a finalist for an organisational excellence award at the Australian Water Association (AWA) Victorian Awards this year.

We also received international recognition for our diversity and inclusion efforts, receiving Isle Utilities' Global Leadership Award.

Gender equity

50%

Female representation at Board and Executive level.

41%

Female representation for all people manager position.

Gender equity

We support a range of gender equity programs to nurture female talent and encourage women in leadership. Our YVW Women network aims to empower employees through support and mentoring. Our Chief Financial Officer Natalie Foeng is involved in the network and the Insight - Executive Leadership for Women in Water program to create gender equity in the water industry and support women to lead at the highest level. Along with our Growth Futures General Manager, Chris Brace, Natalie is also involved in the Bridging the Gap program, which brings male and female colleagues together to bridge gender gaps at executive level. In 2020-21 several high performing female employees completed the Compass Leadership Program for women. This program is aimed at linking a woman's ambition with their deepest sense of purpose and core values. Chair Sue O'Connor and Managing Director Pat McCafferty are also on the Women in Water Leadership Oversight Committee, established by the Minister for Water to guide and oversee the development of the Women in Water program.

In 2020-21 several high performing female employees completed the Compass Leadership Program for women. This program is aimed at linking a woman's ambition with their deepest sense of purpose and core values.

Our commitment to gender equity is demonstrated at Board and Executive level with over 50 per cent female representation and we're working towards 50 per cent female representation for all people manager positions, which currently stands at 41 per cent.

High Performance continued...

Safe and well

Health, safety and wellbeing are central to the way we work. A safe workplace enhances and promotes positive wellbeing and high performance. We're focusing on high potential hazard identification and rectification as well as supporting early intervention to prevent physical and psychological injuries. Wellbeing underpins our employee engagement and high-performance culture.

During 2020-21 we commissioned a psychosocial risk review and we are now developing a risk register, which will inform the creation of a psychological wellbeing strategy and occupational violence aggression plan in 2021-22. The transition to remote working also led to the implementation of a range of initiatives to support our people's mental and physical wellbeing. These included additional leave to cover coronavirus illness, free flu shots, financial support to set up safe home offices and online activities throughout Safe and Well Month, including a mental health and wellbeing webinar.

Learnings are being used to support our new hybrid workforce which offers staff flexibility to work from home and in the office. Support systems are being expanded to focus on the eight dimensions of wellbeing: intellectual, occupational, social, spiritual, emotional, environmental, physical and financial.

We successfully migrated to the new international Occupational Health and Safety Management System ISO 45001, ahead of the March 2021 deadline, which brings our safety standards in line with world's best practice. We're benchmarking our safety performance against the Water Services Association of Australia's Health and Safety Maturity Model. We've developed an action plan which is currently being implemented and we're on track to move forward one dimension from "Progressing" to "Leading" status in 2021.

Other safety initiatives included:

- Progressing a review of the Contractor Management Framework to align it with industry best practice and ensure it's a match with our current operating environment
- Establishing three new safe and well committees, comprising staff representatives from across the business, gives a safety voice to our people to empower them to enact change
- Developing a suite of safe and well lead indicators to measure safety and focus on injury prevention efforts

Always efficient

We continue to meet our Price Submission commitment of flat bills, with a slight reduction in the annual average bill for 2021-22. Our financial sustainability is focused on providing affordable services and optimising community returns on invested funds to deliver economic benefit to our stakeholders.

We've started an integrated planning project to streamline and consolidate all our strategic planning processes - ensuring stronger links between our corporate strategy, Price Submission, business planning and budgeting. Our aim is to enable more effective short and long-term prioritisation of projects and resources, with a sharp focus on our strategic goals, achieving our productivity targets and the ability to adapt course as needed.

We're committed to continue being one of Australia's most efficient water utilities as confirmed through recent Water Services Association of Australia (WSAA) benchmarking. This year we completed the WSAA benchmarking project, which identified that about 74 per cent of our functions are in the first or second (lowest) quartile of costs - placing us on the efficiency frontier for the national water sector. We're now exploring the reasons for areas at the higher end of the cost comparison, working with others to learn and understand best practice, and looking at opportunities for improvements to optimise our operations.

We're continually improving our analytics capability to gain insights from our data to make tangible improvements in asset utilisation, customer and employee experience, cost allocations and productivity. Particular areas of focus for business improvement include sewage treatment plant operations, enhancement of our self-service portal to increase customer use and redesign of our land development portal to increase the amount of straight-through processing. This reduces avoidable contacts and optimises the handling of necessary contacts, as well as eliminating complexity in our business processes and supporting systems. We'll leverage government and industry relationships to actively identify and explore opportunities and gain insights about where to focus our efforts for the best reward.



High Performance continued...

Capital expenditure

We're now three years into our five-year capital expenditure program and delivering on our commitments under the Essential Services Commission's PREMO – performance, risk, engagement, management, outcomes - framework. To maintain service levels and reliability for our customers, we're making significant investments to replace ageing assets in our network. This includes replacing more than 100km of water and sewer mains a year.

Capital expenditure in 2020-21 is almost \$332 million, driven largely by growing our sewer network in the north and renewing our existing water and sewer network. High levels of capital investment to service the fast-growing northern corridor are predicted for the next few years. This year we extended our recycled and drinking water network by 124km and our sewerage network by 66km to provide essential services to new customers.

We've made significant progress on several of the top 10 major projects listed in our current Pricing Submission. The Lockerbie Main Sewer, a 9km long sewer pipeline between Donnybrook and Beveridge in Melbourne's northern growth area, is ahead of schedule and on track for completion next financial year. Work has also advanced on a major project to upgrade the sewerage network in Craigieburn, Wollert and Epping. Most of the pipeline and pump system components of the Doreen Pressure Sewer Project are nearing completion, with final commissioning due in September 2021. This new sewer transfer pipeline, pump installation and odour treatment facility will help service the growing area of Doreen. This year we also completed the M47 Water Main Renewal Project to replace century old infrastructure supplying customers in Kooyong and Malvern.

Capital expenditure



Replacing more than

100km

of water and sewer mains this year

Cyber security

The security of our customer data and critical systems is paramount. We have robust controls in place to protect our Information Technology and Operational Technology and ensure everyone in the organisation understands the risks and their role in protecting against them. This includes the implementation of an industry leading Operational Technology Security Operations Centre. The centre provides around-the-clock security monitoring and visibility of our critical operational assets. In line with our rolling three-year Cyber Security Plan, we added new security measures in 2020-21 including some powered by Artificial Intelligence and Machine Learning capabilities, which reduce false alarming and allow us to streamline our operations.

New horizons

We have developed a long-range plan for innovation and research. Known as New Horizons, the plan has established four focus areas for new value creation efforts: water security, the circular economy, customer experience 2025 and regenerative urbanism. The New Horizons framework has enabled us to establish our most important strategic priorities for innovation, research focus areas, innovation methods, a prioritisation approach and principles of partnership. In the first year of our 2030 Strategy, New Horizons explorations have included investigating the potential to produce green hydrogen as an alternative to fossil fuels and creating our custom-designed digital water meter, which has commercial potential.

Digital enablement

Technology is crucial for us to deliver our desired customer and employee experience and streamline our internal business processes. We're establishing roadmaps to communicate how and when our technology needs to evolve in support of our 2030 Strategy. These will consider people, processes, technology and data, and will ultimately roll together to produce a multi-year integrated delivery roadmap. Part of our integrated business planning, the delivery roadmap will align funding to strategic outcomes and priorities, transparently linking our investment in technology with the work it enables.

We're excited for the future, with our digital transformation enabling new ways of working and allowing us to harness data to make the best decisions for the business and our customers. It will also empower our customers, giving them real time information to make more informed choices about their water use.



Overview of 2020-21 performance

Price submission customer commitments

Outcome	Measure	Target	Result
		1 April 2020 – 31 March 2021	
Safe drinking water	Compliance with Safe Drinking Water Regulations 2015	100%	100%
Reliable water and sewerage services	Customers who experience three or more unplanned water interruptions or three or more sewerage service interruptions in 12 months (five-year rolling average)	<0.96%	0.98%
Timely response and restoration	Customers whose interrupted service (water and sewerage) has been restored within four hours	>91.1%	96.7%
Fair access and assistance for all	Customers who, having accessed its support programs, believe Yarra Valley Water helps customers experiencing difficulty paying for their water and sewerage services	89%	93%
Water availability and conservation	Total water usage (litres/per person/per day)	213	214
Modern flexible service	Customers who are satisfied with their most recent interaction	86%	87%
Care for and protect the environment	Reduction in carbon emissions (cumulative) (baseline is 34,083 tonnes CO ₂ e in 2016-17)	31.5%	31.7%

Financial summary

Yarra Valley Water recorded a net profit after tax of \$94.1 million in 2020-21. The net profit after tax result is \$10.3 million lower than the 2019-20 result and \$31.6 million higher than budgeted. The additional profit above budget was generated primarily as a result of the following:

- Service charges attributed to higher than estimated customer numbers
- Residential water usage as a result of customers working from home
- Revenue from developer related activity, in particular new customer contributions, not being as severely impacted by COVID-19 as anticipated
- Impairment writeback from land and building revaluation
- Operating expenditure savings from efficiencies delivered across a range of areas including maintenance and information technology
- Finance charges due to lower borrowings and lower interest rates experienced in the market.

Capital expenditure of \$332.8 million was incurred during 2020-21 primarily to renew, augment and upgrade water and sewer infrastructure. Yarra Valley Water focuses on the efficient and effective use of its capital expenditure to deliver the planned outcomes in accordance with our approved price submission.

A final dividend of \$25.5 million for the 2019-20 financial year and an interim dividend of \$10.6 million for 2020-21 was paid during the year. The amount of the final dividend for the year ended 30 June 2021 will be determined after consultation between the Board, the Water Minister and the Treasurer of Victoria.

During 2020-21 total assets have increased by \$281.7 million due primarily to the growth in infrastructure, property, plant and equipment.

Total liabilities increased by \$212.7 million in 2020-21 as a result of additional borrowings of \$233.8 million, which were used to fund payments to the Government, operating costs and capital investments for our water and sewerage infrastructure.

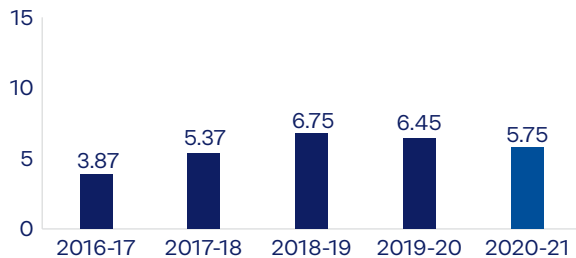
Overview of 2020-21 performance continued...

Five-year financial summary

Statement of comprehensive income	2021 \$'000	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000
Service and usage revenue	968,728	951,083	957,613	936,265	886,081
Other revenue	162,683	192,491	166,440	110,532	103,262
Total revenue	1,131,411	1,143,574	1,124,053	1,046,797	989,343
Operating and other expenses	749,083	747,486	724,304	684,073	676,265
Depreciation and amortisation	116,318	114,505	107,486	107,843	96,872
Finance costs	130,264	132,886	132,207	130,127	127,440
Total expenses	995,665	994,877	963,997	922,043	900,577
Profit before income tax	135,746	148,697	160,056	124,754	88,766
Income tax	(41,632)	(44,299)	(48,356)	(36,252)	(27,202)
Net profit after tax	94,114	104,398	111,700	88,502	61,564

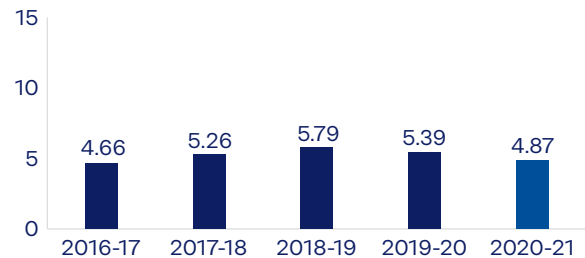
Balance sheet	2021 \$'000	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000
Current assets	189,093	166,412	171,358	196,849	184,292
Non-current assets	5,410,964	5,151,903	4,949,698	4,769,483	4,546,209
Total assets	5,600,057	5,318,315	5,121,056	4,966,332	4,730,501
Current liabilities	548,085	505,071	505,272	477,154	424,582
Non-current liabilities	3,380,871	3,211,136	2,981,543	2,814,871	2,681,759
Total liabilities	3,928,956	3,716,207	3,486,815	3,292,025	3,106,341
Net assets	1,671,101	1,602,108	1,634,241	1,674,307	1,624,160

Return on equity



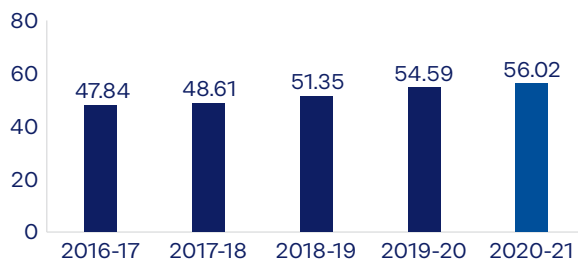
Return on equity decreased in 2020-21 primarily due to lower profit after tax as a result of delays in the release of statements of compliance for developer contributed assets, higher environmental contribution levy and higher rainfall resulting in lower demand for water trading sales.

Return on average assets (%)



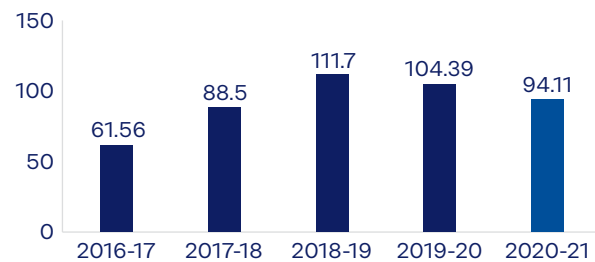
Return on assets has decreased primarily due to growth in the average assets value associated with the 2020-21 capital works program.

Gearing Ratio (%) interest bearing debt to assets



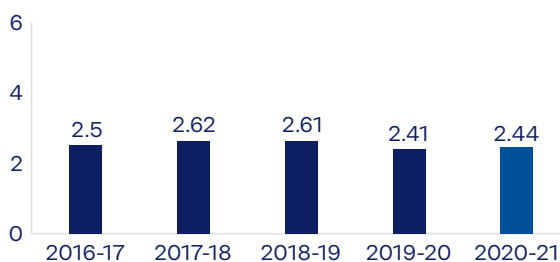
Gearing ratio has increased in 2020-21 due to an increase in borrowing levels to fund capital and operating payments.

Net profit after tax (\$M)



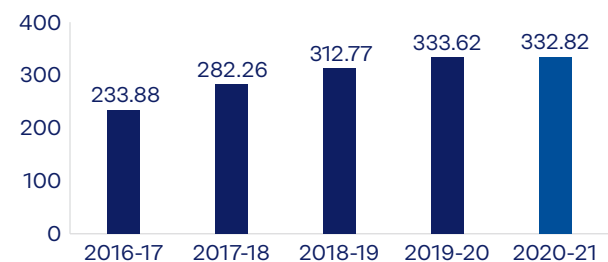
Net profit after tax has decreased in 2020-21 due to lower profit after tax as a result of delays in the release of statements of compliance for developer contributed assets, higher environmental contribution levy and higher rainfall resulting in lower demand for water trading sales.

Interest cover times



Interest cover ratio in 2020-21 has increased slightly due to lower interest payments from lower interest rates achieved on new borrowings.

Capital expenditure (\$M)



2020-21 capital expenditure remained in line with 2019-20 to deliver the planned outcomes in accordance with our approved price submission.

Delivering value





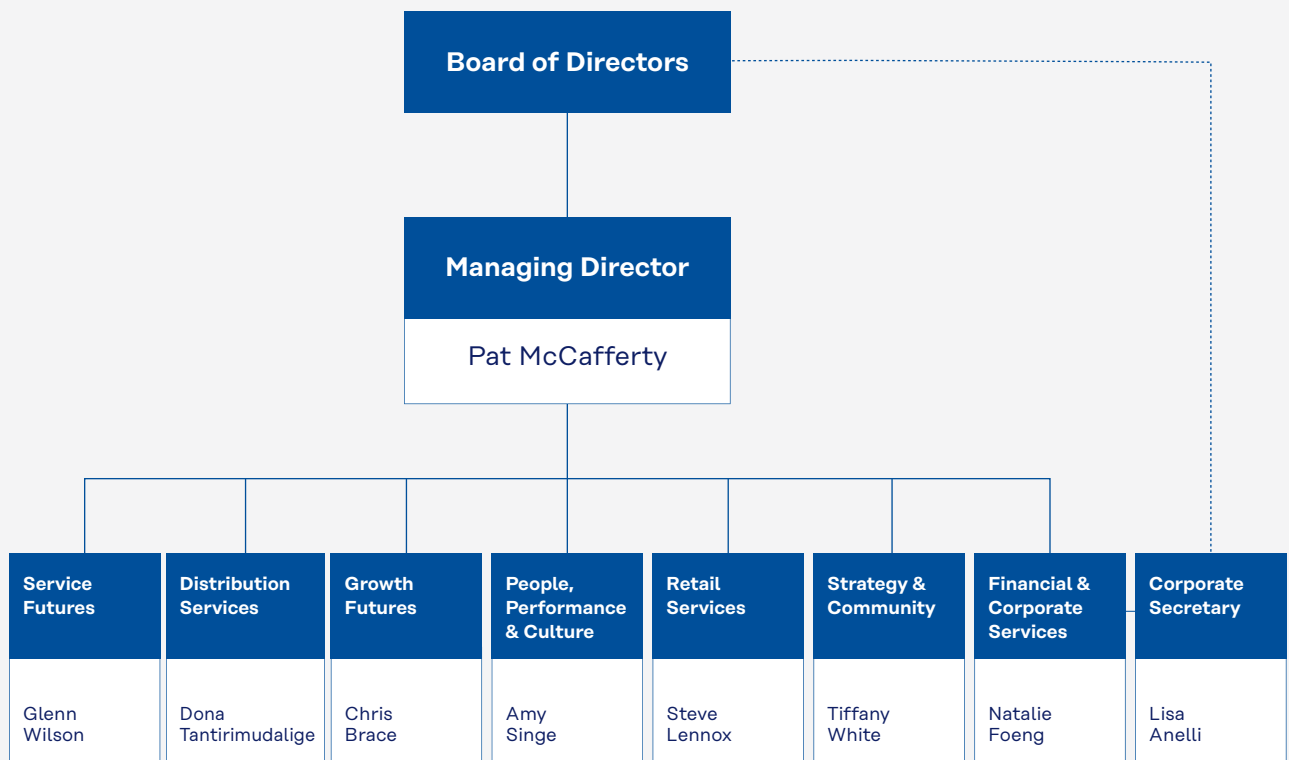
3

Our leadership

Our leadership team is focused on sustaining our high-performance culture and driving decisions and actions that lead to better outcomes for our customers and community.



Organisational chart



A high standard of corporate governance

The Yarra Valley Water Board has overall responsibility for corporate governance including:

- setting the strategic direction
- establishing goals for management and monitoring the achievement of these goals
- monitoring the business' performance.

We are committed to ensuring a robust Corporate Governance Framework is in place and reviewing the framework regularly to ensure it aligns with best practice.

This section sets out the main Corporate Governance practices in place during the 2020-21 financial year.

The Yarra Valley Water Board comprises eight independent Non-Executive Directors and one Executive Director, with the Non-Executive Chair and Non-Executive Directors appointed by the Minister for Water.

Board

The Managing Director is appointed by the Board in accordance with the *Water Act 1989*. Our Directors have a wide range of backgrounds and bring an appropriate mix of skills and experience to the Board.



**Sue O'Connor –
Chair**

**BAppSc, GDipBus
Mgt, FAICD**

Sue became a Director and Chair of Yarra Valley Water on 1 October 2015. She has been a Non-Executive Director/ Chair for over 13 years.

Sue is a Director of Mercer Superannuation, ClimateWorks Australia, Kordia Group Limited and President of Bush Heritage Australia. Sue is also a member of the Leadership Oversight Committee for the Women in Water Leadership Program and an advisory committee member of the Monash Sustainable Development Institute.

Sue is an experienced business leader who has served as a Chair, Director and senior business leader with ASXTop10 and global unlisted companies as well as high profile statutory authorities and not for profits. This included 13 years as a senior executive at Telstra Corporation.

Committee membership:

- Hazelwynde Steering Committee - Chair
- Service, Community, Assets and Regulation Committee
- Risk Management and Audit Committee
- Leadership, Culture and Diversity Committee.



**Rob Skinner AM –
Deputy Chair**

**BE (Hons), MSc,
FIEAust, FAICD**

Rob Skinner became a Director on 1 October 2015.

He is a Professorial Fellow at the Monash Sustainable Development Institute, Deputy Chair of Co-operative Research Centre For Water Sensitive Cities, Chair of Victorian IWM Reference Group, Lead Chair of the DELWP's Integrated Water Management Forums and Chair of SDG6 Working Group. He is also a Distinguished Fellow of the International Water Association (IWA).

Rob was Managing Director at Melbourne Water from 2005 to 2011, and Chief Executive Officer of the City of Kingston from 1996 to 2005.

Over the past 20 years, Rob has been on a number of boards and involved in numerous advisory panels and reviews related to water policy and strategy in Victoria and elsewhere.

Committee membership:

- Service, Community, Assets and Regulation Committee – Chair
- Risk Management and Audit Committee
- Hazelwynde Steering Committee.



Ian Hamm

MAICD FIPAA

Ian Hamm became a Director of Yarra Valley Water on 1 October 2019.

Ian is currently the Chair of First Nations Foundation (National), Connecting Home Ltd (Stolen Generations Service), the Community Broadcasting Foundation and the Koorie Heritage Trust, Non-Executive Director of Aboriginal Housing Victoria Ltd, National Trust of Australia (Vic), Australian Red Cross, Inclusive Australia, Community First Development (formerly Indigenous Community Volunteers), Killara Foundation, and Holmesglen TAFE. Ian is also a sessional member of Planning Panels Victoria and the Australian Financial Complaints Authority.

Ian has had a wide level of exposure to Policy Development and Program Management at executive level through his work with the Federal Government (Office of Aboriginal and Torres Strait Islander Health) and the Victorian Government (Department of Justice, Department of Planning and Community Development, Department of Economic Development, Jobs, Transport and Resources). Ian was also previously the President of the Western Region Football League, one of the major Australian Football leagues in Melbourne.

Committee membership:

- Risk Management and Audit Committee
- Service, Community, Assets and Regulation Committee.

Our leadership continued...



Victoria Marles

BA, Dip Ed, Dip Arts (Dramatic Arts), LLB (Hons), LLM, FAICD



Karen Milward

GAICD

Victoria Marles became a Director on 1 October 2017.

Victoria is the Chief Executive Officer of Trust for Nature (Victorian Conservation Trust) and is currently the Chair of the Abbotsford Convent Foundation and the Consumer Action Law Centre. She has practised as a lawyer in the private, not-for-profit and public sectors in media/communications and consumer complaints law.

Victoria has held the positions of Chief Executive Officer of the Legal Services Board (Victoria), Legal Services Commissioner (Victoria), Deputy Telecommunications Industry Ombudsman and has been a trustee of the Victorian Arts Centre Trust.

Victoria brings to the Board extensive knowledge in the areas of natural resource management, climate change adaptation, biodiversity conservation/offsets and consumer law.

Committee membership:

- Risk Management and Audit Committee
- Service, Community, Assets and Regulation Committee.

Karen Milward became a Director on 1 October 2017.

Karen is the owner of Karen Milward Consultancy Services and is currently the Chair of Mullum Mullum Indigenous Gathering Place, Kinaway Chamber of Commerce Victoria Ltd, Community First Development (formerly Indigenous Community Volunteers), Co-Chair of the Victorian Aboriginal Employment and Economic Council and Deputy Chair Major Projects Victoria - Aboriginal Advisory Council and a lead evaluator with the DELWP Biodiversity 2037 Implementation Evaluation Panel.

Karen brings to the Board extensive experience in working with Aboriginal and Torres Strait Islander communities, having worked on complex projects commissioned by public sector agencies responsible for policies, programs and services impacting on Aboriginal communities and also having served on numerous committees and reference groups, including Ken Wyatt's Local and Regional Voice to Parliament Group, Victorian Aboriginal Economic Board and the Premier's Aboriginal Advisory Council.

Committee membership:

- Leadership, Culture and Diversity Committee
- Service, Community, Assets and Regulation Committee.



Victor Perton

**BEC, LLB, LLM, Dip
Chinese Law, GAICD**



Anita Roper

FAIM, GAICD

Victor Perton became a Director of Yarra Valley Water on 1 October 2015.

Victor is the founder and Chief Optimism Officer of The Centre for Optimism asking, "What makes you Optimistic?" He is the author of "The Case for Optimism: The Optimists' Voices" and "Optimism: The How and Why." The Centre for Optimism is the legacy of the Australian Leadership Project founded by Victor too.

Victor brings 18 years' experience as a Parliamentarian, practice as a barrister, mediator, arbitrator, businessman, private sector board service and mentor. He is a former Commissioner to the Americas promoting foreign direct investment in Victoria, supporting Victorian exporters, building global supply chains and expatriate and alumni networks. He was a Senior Adviser to the Australian G20 presidency.

His experience in governance includes service on Boards including that of the Transport Accident Commission, the Global Integrity Summit, the Australian Centre for Financial Studies and patron of the Digital Leadership Institute.

He has chaired public sector inquiries and committees on technology, justice, equal opportunity, regulatory efficiency, subordinate legislation and several other topics.

Committee membership:

- Service, Community, Assets and Regulation Committee
- Hazelwynde Steering Committee
- Leadership, Culture and Diversity Committee.

Anita Roper became a Director of Yarra Valley Water on 1 October 2015.

Anita is currently Chair of the Stroke Association of Victoria and Chair of the Aluminium Stewardship Initiative. She previously served as a Member of the Board of Inquiry into the Hazelwood Coal Mine Fire and has served on numerous boards, councils and working groups including as a non-executive director of Pacific Hydro, Director of the Fitzroy Football Club, member of the Victorian Public Sector Commission Advisory Board, member of AngloGold Ashanti's Global Panel on Sustainability and Board Member of the Women's Network for a Sustainable Future.

Anita has over 30 years' experience in senior management roles working with business, government, communities and multilateral agencies in Australia, Canada, UK and the USA. Her executive career spans the private and public sectors, including Chief Executive Officer at Sustainability Victoria and Global Director of Sustainability with Alcoa in New York.

Committee membership:

- Leadership, Culture and Diversity Committee – Chair
- Service, Community, Assets and Regulation Committee.

Our leadership continued...



Helen Thornton

BEC, ICA, GAICD

Helen Thornton became a Director of Yarra Valley Water on 1 October 2015.

Helen has more than 30 years' experience in finance roles across a wide range of industries. Helen is currently Deputy Chair of the Treasury Corporation of Victoria. She is also a Director of Industry Super Property Trust Pty Ltd, Ansvr Insurance, Austin Health and Legal Practitioners Liability Committee. Helen is also an Independent Member of Audit and Risk Committees for the Department of Health and Department of Education and Training.

Helen was previously Deputy Chair of Zoos Victoria and a non-executive director of Big Sky Building Society and Rural Finance Corporation.

A Chartered Accountant, Helen has extensive experience in finance, governance, audit and risk management. She has held senior roles at Deloitte, KPMG, BHP Ltd and BlueScope Steel Ltd where she was responsible for the global risk management function.

Committee membership:

- Risk Management and Audit Committee – Chair
- Hazelwynde Steering Committee
- Service, Community, Assets and Regulation Committee.



**Pat McCafferty –
Managing Director**

**BBus (Acc), Exec. MBA,
GAICD, FWCLP, FIWA**

Pat McCafferty was appointed Managing Director of Yarra Valley Water on 1 July 2014.

In a career spanning over 30 years in the water industry, Pat has extensive experience across the water sector with previous executive roles at Yarra Valley Water from 2001, covering a wide range of strategic leadership positions, including strategy, planning, regulation, finance and operations.

He has also worked in the USA water sector and advised the Australian Federal Government as part of the National Water Initiative.

Pat is past Chair and a current Board member of the Water Services Association of Australia (Australia's peak body for major urban water utilities) and Chair of the Thriving Communities Partnership (a cross-sector collaboration to improve support for vulnerable customers of essential services). Pat is also a member of the Leadership Oversight Committee for the Women in Water Leadership Program (a Water for Victoria initiative) and Advisory Group Member for the Brotherhood of St Laurence Energy Assistance Program.

Committee membership:

- Leadership, Culture and Diversity Committee
- Hazelwynde Steering Committee
- Service, Community, Assets and Regulation Committee.

Board charter

The Board Charter sets out clearly the role, responsibilities and powers of the Board and incorporates all aspects of Board governance.

Code of conduct

The Board has adopted a Directors' Code of Conduct based on the minimum standards of behaviour that support the Corporation's cultural aspirations and the Victorian Public Sector Commission's Directors' Code of Conduct, which articulates the duties of Directors.

Declaration of private interests

All Directors have completed a declaration of private interests.

All executives, senior managers, officers and contractors/ consultants with delegation to approve expenditure in excess of \$20,000 have completed a declaration of private interests.

Independent professional advice

The Board has adopted a number of measures to ensure that independent judgement is achieved and maintained. Directors are entitled to seek independent professional advice on matters relating to the business of Yarra Valley Water at Yarra Valley Water's expense, subject to the prior approval of the Chair. No Director exercised this right during the year.

Board performance review

In accordance with the Board Policy, an internally facilitated Performance Review of the Board was conducted in May 2021. The objective of the review was continuous governance improvement – identifying board performance improvement opportunities and governance framework gaps.

The review process involved each Director completing an assessment questionnaire followed by a round table discussion on the findings and improvement opportunities drawn from the questionnaire. The results were strong across all surveyed topics with positive commentary regarding the way the Board and Executives interact to drive outcomes, demonstrating the organisation's values through those interactions, alignment on strategic priorities and a thorough approach to managing risk and business performance. The questionnaire also included assessment on new ways of working in a hybrid world and reflections on how the Board responded to the COVID pandemic.

The review identified some opportunities of focus by the Board with such opportunities aimed at further elevating the Board's performance.

Induction and training

The Board has adopted a training and development policy for Directors. This policy facilitates appropriate training and development opportunities for Directors to enable them to fulfil their role, broaden their knowledge and share this knowledge with the rest of the Board. All newly appointed Directors are required to undertake an induction program to help them understand their role and encourage fulfilment of their Board responsibilities.

The induction program includes an overview of the Yarra Valley Water business, the water industry and the linkages with Government. Directors also attend seminars and other events to broaden their exposure to water industry issues and initiatives including the VicWater Director Development Program held earlier this year, and also exposure to seminars, webinar events outside of the water sector.

Learning and development

In 2020-21 the Directors undertook a number of activities to support their ongoing learning and development, including exposure to senior management submissions and presentations and external presentations from water and non-water representatives. These presentations focused on learning about various operations of the business, topics that informed the strategic direction of the business, reorienting Directors in regard to the Essential Services Commission's Price Submission Framework as the business commences the development of Price Submission 5, and to ensure the Directors are continually mindful of their obligations regarding key strategic risks including safety and wellbeing, safe drinking water, environmental and cyber security risks. Some noteworthy learning and development opportunities undertaken by the Board during the year are discussed further below.

With the recent introduction of new legislation under the *Environment Protection Amendment Act 2018*, which will come into effect on 1 July 2021, the Board was provided training on the key legislative changes including how the Environment Protection Authority Victoria regulates pollution, waste and contamination in Victoria, emerging risks for the organisation and the roles and responsibilities of the Board in order to ensure compliance with the Act.

Our leadership continued...

One of the key components of our Reconciliation Action Plan is the recognition that the business is on a continuous journey, learning about Aboriginal and Torres Strait Islander peoples' histories, cultures and their connection to Community, Country and water so as to use this understanding to build better, strengthened, respectful relationships that contribute to achieving reconciliation in Australia. During the year some of our Directors attended the Reconciliation Australia Conference and participated in events held during National Reconciliation Week. Connection with Aboriginal and Torres Strait Islander peoples not just at the Traditional Custodian/Owner level but also with various Aboriginal and Torres Strait Islander groups/communities to build trust, rapport and understanding is vital to further the Board's journey towards reconciliation. It is therefore an ongoing focus of the Board.

On 1 July 2020, the 2030 Strategy came into effect and building on the work of both the Board and Executive to develop the Strategy in the previous year, the Board in 2020-21, in partnership with the Executive reviewed the strategic direction and aspirations in light of the changing environmental context include post COVID-19 prosperity and innovation to assess emerging risks, opportunities and shifts to shape the current strategic priorities, in order to further refine the new era of the Strategy for the business.

Directors' development took a different meaning this year with COVID-19, presenting an opportunity for the Board to shift to a more agile way of operating. The Board continues to evaluate what they have done well over the past 12 months. Many of the learnings that have come through responding to the pandemic will be applied during the transition from restrictions to a modern, flexible, adaptable and resilient organisation.

Board committees

The Board has established four Committees of Directors to assist with carrying out its responsibilities and to allow detailed consideration of complex issues. Each Board Committee has its own terms of reference, which set out the Committee's objectives, duties and responsibilities, composition, meetings, authority and reporting responsibilities.

The Committees are as follows:

Risk Management and Audit Committee

The Risk Management and Audit Committee assists the Board in fulfilling its duties and responsibilities relating to risk management, the effectiveness of internal controls and the accounting and reporting practices of the business, reviewing financial reports and overseeing the audits conducted by the internal and external auditors.

Leadership, Culture and Diversity Committee

The Leadership, Culture and Diversity Committee assists the Board in reviewing strategies and policies to ensure critical actions and plans are in place to implement and develop the business' people and culture, the adequacy of the Executive Remuneration Framework, the Management Succession Plan and the business' Diversity Policy, Strategy and Action Plans.

Service, Community, Assets and Regulation Committee

The Service, Community, Assets and Regulation Committee assists the Board with oversight to ensure the business is currently meeting customer needs, community expectations and regulatory obligations. It also provides insight and has oversight of the business' future plans to meet customer needs, engage with community and address regulatory requirements.

Hazelwynde Steering Committee

The Hazelwynde Steering Committee assists the Board with strategic oversight and expert input into progressing the Hazelwynde Project including independent advice in relation to greenfield development, stakeholder management and best practice project governance.

Directors' attendance at Board and Committee meetings – 1 July 2020 to 30 June 2021

	Board	Risk Management & Audit Committee	Service, Community, Assets and Regulation Committee	Leadership, Culture and Diversity Committee	Hazelwynde Steering Committee
S O'Connor	7 of 7	3 of 4	4 of 4	3 of 3	4 of 4
R Skinner	7 of 7	3 of 4	4 of 4	-	4 of 4
I Hamm	7 of 7	4 of 4	4 of 4	-	-
V Marles	7 of 7	4 of 4	4 of 4	-	-
K Milward	7 of 7	-	4 of 4	3 of 3	-
V Perton	7 of 7	-	3 of 4	3 of 3	3 of 4
A Roper	7 of 7	-	4 of 4	3 of 3	-
H Thornton	7 of 7	4 of 4	4 of 4	-	4 of 4
P McCafferty ¹	7 of 7	-	4 of 4	3 of 3	4 of 4

1. P McCafferty is not a member of the Risk Management and Audit Committee however attends in his capacity as Managing Director.



Our leadership team

Pat McCafferty

**Managing
Director**



BBus (Acc), Exec. MBA, GAICD, FWCLP, FIWA

As Managing Director, Pat is also a member of the Board.

Refer to details in the Board section.

Chris Brace

**General Manager
Growth Futures**



BE (Chem), BS, GCert (Man)

Chris is responsible for the provision of water and sewerage services to new customers.

A key focus for his function is partnering with the community to develop new urban water futures that generate greater shared benefits for all stakeholders.

He is accountable for the procurement of new infrastructure to service growth as well as the delivery of major upgrade projects for existing infrastructure.

Chris has extensive experience in water and sanitation engineering and growth servicing. He has held a series of technical and senior leadership roles across all aspects of the asset lifecycle.

Steve Lennox

**General Manager
Retail Services**



BBus (Acc), CPA, ACIS, AGIA

Steve is responsible for customer operations.

He leads a group that delivers meter reading, billing management, debt collection, customer care centre operations and commercial and development services, along with the development and implementation of support programs for customers in financial difficulty.

Steve has wide-ranging experience in the water sector across a number of disciplines at senior leadership level including finance, technology and operations.

Natalie Foeng

**Chief Financial
Officer**



BCom (Acc), CA, GAICD

Natalie leads the Finance and Corporate Services at Yarra Valley Water. This remit includes providing business partnering support on key strategic projects across the organisation as well as seamless financial planning, management accounting, statutory accounting, treasury and taxation support - all of which are focused on the financial sustainability of the organisation and delivering exceptional outcomes for customer and the community.

Her remit also includes leading various critical support functions for the organisation such as payroll, procure to pay, risk and compliance, property and facilities management.

Natalie has extensive experience as a finance executive and in senior leadership roles across a number of industries spanning the water sector, retail, consumer products and telecommunications.

Amy Singe

**General Manager People,
Performance and Culture**



BCom/LLB, GDipLegalPrac

Amy is responsible for developing and implementing the human resources strategy for the business, including workplace planning, organisational culture, capability development and diversity.

She is also responsible for developing and maintaining systems for recruitment, onboarding, succession planning and performance management.

Amy has extensive experience as a People and Culture executive and in senior leadership roles across a number of industries spanning the water sector, transport, hospitality, sports, retail, pharmaceutical and FMCG.

Dona Tantirimudalige

**General Manager
Distribution Services**



**BEng (Hons), M. Public Policy and Management,
MAICD, MIWA**

Dona currently holds one Non-Executive Director role in a not-for-profit organisation and is the President of the Institute of Water Administration.

Dona is responsible for managing our water, recycled water and sewerage infrastructure to ensure it delivers our desired customer service levels and meets applicable environmental performance standards. She is primarily responsible for optimisation of the existing infrastructure networks, maintenance and renewal of infrastructure, and safety and quality for Yarra Valley Water.

Dona has extensive experience across the water industry and not-for-profit sectors as an executive, senior leader, and Board Director, across a variety of functions including strategic planning, asset management, customer service delivery, compliance, and transformation.

Glenn Wilson

**General Manager
Service Futures**



BE (Civil), BBus (Admin)

Glenn is responsible for transforming our core products and services – ultimately leading to productivity, customer experience and/or employee experience benefits. This work is led by our Customer Experience practice, involves business process design, and is enabled through a range of information and operational technologies.

He is also accountable for our technology function, which supports day-to-day business operations as well as our range of digital customer offerings.

Glenn has over 20 years' experience in the water industry and in senior leadership roles across a range of functions including strategic asset planning, asset operations and maintenance, and technology.

Tiffany White

**General Manager, Strategy
and Community**



**BA (EngLit), MA (Comms), GradDip
(Project Management)**

Tiffany is responsible for providing strategy leadership and programs that achieve greater customer and community connection and value.

Her role includes long-term strategy development, business planning, pricing and economic regulatory affairs, corporate sustainability, strategic research, marketing and customer programs, community inclusion and engagement, communication and stakeholder engagement. She also represents the business in water industry policy and reform activities.

Tiffany has been a strategic communications and corporate affairs professional for over 25 years, with extensive experience in senior leadership roles across a range of sectors, including health, water, local government and tertiary education.

Lisa Anelli

**Corporate
Secretary**



BCom (Acc), CA, GAICD

Lisa is responsible for ensuring compliance with statutory and regulatory requirements and governance related administrative tasks of the Board and the organisation. This includes supporting the effective and efficient operation of the Board and providing advice and support on governance issues to the Board and the organisation.

Our people and culture

We believe that a great culture delivers great outcomes. Over the last decade, we have developed a high performance culture, high levels of employee engagement and effective workplace practices.



Organisational culture

Our culture provides the foundation for a high-performing workplace where we collaborate with partners and stakeholders to deliver exceptional outcomes for our customers and the environment.

Creating this constructive workplace culture requires a holistic approach, encompassing all aspects of the employment life cycle, such as recruitment, communication, role clarity, recognition, development, equity and leadership. Our focus on culture and engagement ensures we employ the right staff and provide them with clear direction and challenging work.

It also enables, performance through strong leadership and honest feedback, and provides ongoing development through targeted learning opportunities.

We're committed to continually developing our achievement-oriented culture to create the best possible outcomes for our community. We use several internationally recognised benchmarking tools to track our progress and develop targeted strategies to improve our culture and engagement including:

- The Human Synergistics' Leadership Impact and Life Styles Inventory, 360-degree feedback tools that measure managers' overall effectiveness and the ways their managerial approaches affect the behaviours and performance of those around them. These tools help us align our management and leadership practices with the organisation's overall vision, strategy and values
- The People Matter Survey undertaken by the Victorian Public Sector Commission
- The Culture Amp platform, which we use to measure employee employee engagement

Fair treatment at work

We aim to create a vibrant culture achieving exceptional business outcomes and successful partnerships through highly capable and engaged people. We're committed to providing fair and equitable treatment for everyone in the workplace including partners, contractors, work experience students, suppliers and agents, both on and off site.

We do not tolerate discrimination and take a proactive approach to ensure reasonable and proportionate measures are in place to monitor and improve practices and behaviours. All employees are required to comply with relevant federal and state legislation that establishes grounds on which discrimination is illegal including the Acts relating to Occupational Health and Safety, Equal Employment Opportunity, Discrimination and Human Rights. Employees are also required to complete discrimination awareness training which is renewed every two years.

Recruitment

We're committed to applying merit and equity principles when appointing staff. The selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of key selection criteria and other accountabilities without discrimination.

Diversity and inclusion

The diversity of our people is fundamental to our business performance. Our Diversity and Inclusion Strategy aims to build an inclusive workplace that reflects the community it serves.

We are in the second year of the Diversity to Inclusion Strategy 2019-22 and well on the way to creating a truly inclusive organisation. We do this through a range of initiatives including our Pride at YVW network for lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ+) staff and allies to connect and create opportunities for learning as well as holding events to celebrate days of significance for the LGBTIQ+ community. Our YVW Women network supports, mentors, empowers and recognises female staff.

Our people and culture continued...

We initiated and launched Pride In Water, a cross-sector pride network aimed at creating a more welcoming and inclusive water industry for LGBTIQ+ staff, contractors and customers.

The *Gender Equality Act 2020* will play a key role in shaping our gender equality work to ensure we have an inclusive workplace. As we move in to the next phase in the continuous journey of diversity to inclusion we have a roadmap of programs, policies, measures and targets that reflect the community we serve. This strategy will see us continue to develop, expand and embrace our diverse workforce and broader community through the Board endorsed vision:

We stand for a fair and equitable society. We embrace diversity and inclusion in everything we do, as we strive to reflect the community we serve.

Over 50 per cent of candidates shortlisted for technical and leadership roles are women. This is due to managers and the recruitment team adjusting their approach to shortlisting, as well as changes to our job advertisement and careers' website. The proportion of women in senior leadership positions include:

- Directors – 62.5 per cent female
- Executive leadership team – 57.1 per cent female
- People leadership – 41.3 per cent female
- Overall workforce – 50.6 per cent female.

Strategic initiatives have been implemented to ensure cultural diversity is a core component of our employee base to ensure we truly reflect our community. At Yarra Valley Water:

- 28 per cent of employees weren't born in Australia
- 52 per cent of employees have one or both parents who weren't born in Australia
- 27 per cent of employees speak another language other than English conversationally.

We're also committed to providing employment opportunities for Aboriginal and Torres Strait Islander peoples and will continue to take action to ensure we have a culturally safe environment and promote the attraction and retention of Aboriginal and Torres Strait Islander employees.

About 1 per cent of our workforce identifies as Aboriginal and/or Torres Strait Islander, based on our Diversity Census.

We have created an Aboriginal and Torres Strait Islander employment and learning strategy that spans the entire employment lifecycle including employee development. This includes leadership training for key Aboriginal and Torres Strait Islander employees and strengthening the cultural safety of our organisation. Our culturally specific Employee Assistance Program for Aboriginal and Torres Strait Islander employees and their families provides additional support when needed.

Ian Hamm, a Yorta Yorta man and Karen Milward, a Yorta Yorta woman, continue to serve on our Board, bringing a wealth of experience and knowledge to our organisation.

Our Reconciliation Leadership Committee is a key element of our governance for delivering our RAP actions. It includes Aboriginal and Torres Strait Islander staff and external representatives. The Committee's purpose is to ensure ongoing collaboration, capacity and relationship building at a senior level within the organisation with representatives from Victorian Aboriginal communities, and their active involvement in assessing the overall direction and effectiveness of outcomes being achieved.

We are safe

Our organisational purpose, which supports the health and wellbeing of our customers, is a statement about safety, and a commitment we make to all members of our community, including our own staff and contractors.

The continued safety and wellbeing of staff and contractors is of paramount importance. There is a shared belief across all levels of our business that every incident, and therefore every injury, is preventable. Safety and wellbeing underpin everything we do.

We strive to achieve our safety objective, and we're committed to making:

- Our workplaces safe
- Carrying out our work without harming ourselves or others.

What ultimately keeps us safe is a strong culture of literacy and awareness around safety and wellbeing. We have a range of initiatives to improve and embed safety literacy, increase employee engagement and promote awareness.

We use the Water Services Association of Australia's health and safety maturity model, which provides a benchmarked approach that we use to measure our safety culture. The tool assesses an organisation's safety culture across a range of principles.

The behaviours that support our safety culture include:

- Taking responsibility for the safety and wellbeing of ourselves and others
- Taking action when we see something unsafe
- Recognising and rewarding safe behaviours
- Taking opportunities to do things safely
- Talking regularly about safety
- Using the corporate risk framework to assess our safety risks.

The changing landscape of our safety culture means we need to create a robust health and safety environment – we do this through consistency of behaviours.

The three key enablers for safety and wellbeing that we focus on are:

- Leadership (safety culture, strategy, planning and risk management)
- Safety management systems (including contractor engagement)
- People (wellbeing and capability).



Our people and culture continued...

The strategic framework proposed is to set up positive and effective behaviours that result in safety excellence and strong safety performance.

The approach will include, but is not limited, to:

- **Safety culture** – Building culture programs that engage with the workforce, identify our people as the solution to safety matters and build psychological safety and wellbeing
- **High risk work** – embedding systems across our sites for identifying hazards, assessing risk and developing risk mitigating controls for high risk work
- **Contractor engagement** – involving contractors in our “One Team” safety culture transformation and collectively identifying positive performance indicators to measure and promote safe work environments
- **Innovation** – decluttering safety systems, removing duplication of processes and streamlining towards standardised physical and psychological safety performance.

The key measures we use to monitor safety performance are:

- Safety climate: This is measured by the roll-out and impact of our psychology of safety program and progression towards obtaining “Leading” status on the WSAA Leading our Way program
- Social and emotional safety and wellbeing
- Safety leadership
- Staff wellbeing
- Total Recordable Injury Frequency Rate (TRIFR). This is the number of recordable injuries (lost time injuries and medical treatment injuries) per million hours worked

Our safety and wellbeing focus continues to be on our people, systems, contractors and industry, with data providing us with insights. We continue to focus on our management systems with initiatives aligning us to the new ISO45001 standard and ensuring we are prepared for the new Industrial Manslaughter offence.

We have increased the level of engagement with our contractors and the broader industry, taking a collaborative approach to sharing insights and influencing for improved performance.

In the year ahead, we will continue to focus on engaging more broadly across the industry and sector to elevate the focus on safety and wellbeing, not just within the water industry, but with our contractors. We will also be implementing our revamped Safe and Well strategy.

Other key safety performance indicators	2018-19	2019-20	2020-21
Number of reported hazards/incidents for the year per 100 full time equivalent staff members	10.71	5.55	3.96
Number of ‘lost time’ standard claims for the year per 100 full time equivalent staff members	-	-	-
Average cost per claim for the year	-	-	-
Outstanding claim cost	-	-	-

Employment data

The following table discloses the head count and full-time equivalent (FTE) staff of all active Yarra Valley Water employees employed in the last full pay period in June 2021.

	Full time	Part time	Casual	Total	FTE 2020-21	Full time	Part time	Casual	Total	FTE 2019-20
Gender										
Male	377	11	15	403	393.0	361	12	14	387	377.0
Female	287	102	10	399	362.9	257	105	24	386	343.7
Total	664	113	25	802	755.9	618	117	38	773	720.7
Age										
15-24	20	7	20	47	34.9	21	7	27	55	37.7
25-34	168	21	5	194	185.8	189	15	3	207	200.8
35-44	226	42	-	268	254.4	184	45	5	234	219.7
45-54	160	26	-	186	178.4	141	30	1	172	163.3
55-64	73	11	-	84	80.7	68	16	-	84	80.0
65+	17	6	-	23	21.7	15	4	2	21	19.2
Total	664	113	25	802	755.9	618	117	38	773	720.7
Classification										
Executive	8	-	-	8	8.0	7	-	-	7	7.0
Senior manager	36	-	-	36	36.0	34	-	-	34	34.0
Administration and field staff	620	113	25	758	711.9	577	117	38	732	679.7
Total	664	113	25	802	755.9	618	117	38	773	720.7

Staff levels changed over the course of the year with roles insourced from external contractors to lower overall costs, additional customer service staff recruited to service growing work volumes and vacancies filled from the previous year.

The following table discloses the annualised total salary (excluding super) for senior employees, categorised by classification.

The salary amount is reported as the full-time annualised salary.

Income band (salary excluding superannuation)	Executive	Senior Manager
< \$160,000	-	1
\$160,000 - \$179,000	-	15
\$180,000 - \$199,999	-	17
\$200,000 - \$219,999	-	2
\$240,000 - \$259,999	1	-
\$260,000 - \$279,999	4	1
\$280,000 - \$299,999	2	-
\$400,000 - \$419,999	1	-
Total	8	36

Our people and culture continued...

Corporate information

Information and Communication Technology (ICT) Expenditure

For the 2020-21 reporting period, Yarra Valley Water had a total ICT expenditure of \$56.933 million, details shown below:

Business As Usual (BAU)	Non BAU			
	Total non-BAU ICT expenditure	Operational expenditure	Capital expenditure	ICT depreciation
\$'000	\$'000	\$'000	\$'000	\$'000
17,085	39,848	535	17,416	21,897

Consultancy Expenditure

The following is a summary of consultancy expenditure incurred by Yarra Valley Water during 2020-21.

Details of consultancies (valued at less than \$10,000)

In 2020-21 Yarra Valley Water engaged nine consultancies where the total fees payable to the consultants were less than \$10,000. Total expenditure incurred during the reporting period in relation to these consultants was \$60,546 (GST exclusive).

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

In 2020-21 Yarra Valley Water engaged 32 consultancies where the total fees payable to the consultants were \$10,000 or greater (GST exclusive). Total expenditure incurred during the reporting period in relation to these consultants was \$5,518,561 (GST exclusive).

Details of individual consultancies are outlined on Yarra Valley Water's website at yvw.com.au

Government advertising expenditure

Yarra Valley Water's expenditure on government campaign expenditure did not exceed \$100,000 in the 2020-21 reporting period.

Legislative compliance

Privacy and Data Protection Act 2014

Yarra Valley Water falls into the definition of a Victorian Public Sector agency under section 13 of the *Privacy and Data Protection Act 2014* (Vic), and consequently complies with the Act.

As the holder of our customers' confidential and personal information, we are conscious of the need to ensure that this information is protected, and to prevent any unauthorised access to, and improper use of, that information.

In respect to the Notifiable Data Breach Scheme, we're legally obliged to disclose privacy breaches.

A Privacy Policy and Code of Practice are in place for our employees, contractors and agency staff to ensure customer information is protected.

Public Interest Disclosure Act 2012

We have procedures in place to help employees and contractors understand the requirements and obligations under the *Public Interest Disclosure Act 2012*, and to facilitate making and handling disclosures and notifying such disclosures to the Independent Broad-based Anticorruption Commission. These procedures are available to the public on our website.

Freedom of Information Act 1982

The *Freedom of Information Act 1982* (the Act) gives the public a right to access documents held by us. The purpose of the Act is to extend as far as possible the right of the community to access information held by government departments, local councils, Ministers and other bodies subject to the Act.

An applicant can apply for access to documents both created by us or supplied to us by an external organisation or individual. This includes maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes.

The Act allows Yarra Valley Water to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include: cabinet documents; some internal working documents; law enforcement documents; documents covered by legal professional privilege; personal information about other people; and information provided in-confidence.

The Act specifies that Freedom of Information (FOI) requests should be processed within 30 days. In some cases, this time may be extended.

If an applicant is not satisfied by a decision made by Yarra Valley Water, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

Making a request

FOI requests can be lodged online at ovic.vic.gov.au. An application fee applies. Access charges may also be payable if the document pool is large, and the search for material is time consuming.

Access to documents can also be obtained through a written request to Yarra Valley Water's FOI team, as detailed in s17 of the *Freedom of Information Act 1982*.

When making a FOI request, applicants should ensure requests are in writing, and clearly identify what documents or materials are being sought.

FOI requests should be addressed to: Frank Portelli Manager, Risk and Corporate Services Yarra Valley Water Private Bag 1 Mitcham, Victoria, 3132.

General enquiries relating to FOI can be made by calling us on (03) 9872 2634 between 8.30am and 4.30pm, Monday to Friday.

Freedom of Information statistics

During 2020-21, we received 21 applications. All requests were received from the general public. We made 21 FOI decisions this year. Full access to all documents was provided in response to all requests. The average time taken to finalise requests was 28 days. One request was subject to a complaint/internal review by OVIC and none were appealed.

Building Act 1993

We own government buildings located at Lucknow Street, Mitcham and are consequently required to include a statement on compliance with the building and maintenance provisions of the *Building Act 1993* in relation to the buildings. We require that appropriately qualified consultants and contractors be engaged for all proposed works on land controlled by Yarra Valley Water and we require their work and services to comply with current building standards. All consultants and contractors are expected to have appropriate mechanisms in place to ensure compliance with the *Building Act 1993*, Building Regulations 2018 and the National Construction Code.

Our Facilities Department is responsible for mandatory testing of emergency and exit lighting and lift equipment in accordance with relevant standards, monthly, quarterly and bi-annual inspection and preventative maintenance of mechanical services and monthly and annual fire service audits. These inspections inform the works program, which is delivered annually through existing maintenance.

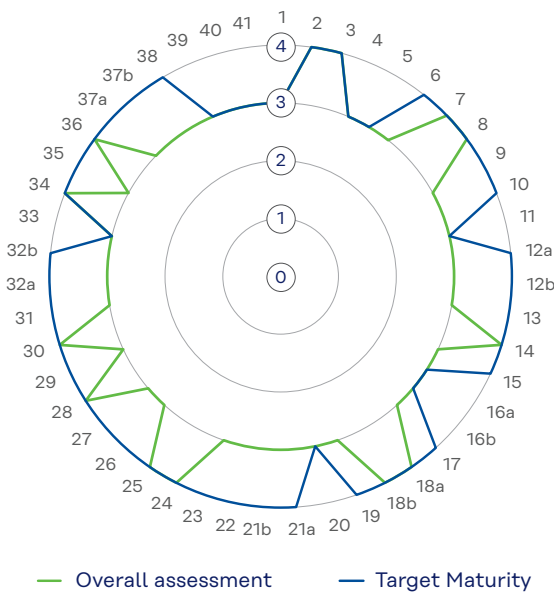
In 2020-21:

Number of major works projects undertaken by Yarra Valley Water (greater than \$50,000)	2
Number of building permits, occupancy permits or certificates of final inspection issued in relation to buildings owned by the entity	Nil building permits Nil occupancy permit Nil certificates of occupancy
Number of emergency orders and building orders issued in relation to buildings	Nil emergency orders Nil building orders
Number of buildings that have been brought into conformity with building standards during the reporting period	Nil buildings brought into conformity

Our people and culture continued...

Asset Management Accountability Framework maturity assessment

The following sections summarise Yarra Valley Water’s assessment of maturity against the requirements of the Asset Management Accountability Framework (AMAF). The AMAF is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements. These requirements can be found on the DTF website (dtf.vic.gov.au/infrastructure-investment/asset-management-accountability-framework). Yarra Valley Water complies with all requirements of AMAF and has self-assessed our maturity as either competence or optimising.



Status	Scale
Innocence	0
Awareness	1
Developing	2
Competence	3
Optimising	4

Leadership and Accountability (requirements 1-19)

Leadership and accountability include governance, performance management and continuous improvement of the asset life cycle. Yarra Valley Water has assessed itself as competence or optimising for all

categories and has met its target maturity level under some requirements within this category.

Planning (requirements 20-23)

The planning stage is where the need of an asset is identified, scoped, and planned. Yarra Valley Water has assessed itself as competence for all requirements of this stage of the asset life cycle.

Acquisition (requirements 24 and 25)

The acquisition stage is where the asset is purchased, constructed, or created. Yarra Valley Water has assessed itself as optimising for all requirements of this stage and has met the target maturity.

Operation (requirements 26-40)

The operation stage is where the asset is used for its intended purpose and includes periodic refurbishment, inspection, maintenance, or major repair. Yarra Valley Water has assessed itself as competence or optimising for all requirements of this stage of the asset life cycle.

Disposal (requirement 41)

The disposal stage is at the point when the economic life of the asset has expired or where there is no longer a need for the asset. Yarra Valley Water has assessed itself as competence, which aligns to the target maturity.

Target maturity

Our target maturity is set at ‘competence’ for some requirements and ‘optimising’ for others. They are defined as follows:

- **Competence** - Systems and processes are fully in place, consistently applied and systematically meeting the AMAF requirement, includes a continuous improvement process to expand system performance above AMAF minimum requirements.
- **Optimising** - Systems and processes are now leading practice, exceeding the AMAF mandatory requirement, and constantly being improved to align with support and drive organisations objectives.

The business will continue to reassess the target maturity taking into account asset base, risk, service objectives and strategic objectives.

Disclosure of major contracts

A major contract is a contract entered into during the reporting period valued at \$10 million or more (excluding GST).

Yarra Valley Water awarded one major contract during 2020-21, to MFJ Construction Pty Ltd for the construction of the Craigieburn Epping Transfer System (CETS) Stage 1. The contract was valued at \$10 million (excluding GST).

Local Jobs First Policy Disclosures

Yarra Valley Water implements the Local Jobs First Policy in accordance with the *Local Jobs First Act 2003*.

During 2020-21, we commenced 12 Local Jobs First Standard or Strategic projects where a Local Industry Development Plan (LIDP) was required. The value of these projects totalled \$60.7 million and they were all located in metropolitan Melbourne.

The outcomes expected from implementing the Local Jobs First -VIPP to these projects are:

- an average of 92.6 per cent local content commitment
- a total of 107 jobs (annualised employee equivalent [AEE]) were committed, including creating eight new jobs and retaining 98 jobs (AEE)
- a total of five positions for apprenticeships/trainees were committed.

During 2020-21, we completed five Local Jobs First Standard or Strategic projects that required either a VIPP plan or a LIDP. The value of these projects totalled \$22.4 million. Four were in metropolitan Melbourne and one in regional Victoria.

The outcomes from implementing the Local Jobs First - VIPP to these three projects were:

- an average of 95.5 per cent local content commitment was achieved
- a total of 46 jobs (AEE) were achieved, including creating 10 new jobs and retaining 36 jobs (AEE)
- a total of 1 full-time equivalent positions for apprenticeships/trainees were achieved, all of which were retained apprentices/trainees

For these completed projects, there were 51 small to medium sized businesses engaged as either the principal contractor or as part of the supply chain.

Two large projects, with combined value of \$90 million, are due to be completed in the coming months and will be reported in 2021-22.

Competitive Neutrality Policy

Competitive neutrality seeks to enable fair competition between government and private sector business. Any advantages or disadvantages that a government business may experience, simply as a result of government ownership should be neutralised.

Yarra Valley Water continues to comply with the requirements of the Competitive Neutrality Policy.

Other information

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

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by any senior officer as nominee or held beneficially in a statutory authority or authority
- details of publications produced by the entity about itself, and how these can be obtained
- details of changes in process, fees, charges, rates and levies charged by the entity
- details of any major external reviews carried out on the entity
- details of major research and development activities undertaken by the entity
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes
- a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved
- details of all consultancies and contractors including:
 - consultants/contractors engaged
 - services provided
 - expenditure committed to for each engagement.

Financial management compliance attestation statement

I Sue O'Connor, on behalf of the Responsible Body, certify that Yarra Valley Water has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



Sue T O'Connor
Chair

Liveability outcomes

Yarra Valley Water exists to enhance the liveability of our community, now and in the future.



Resilient and liveable cities and towns

Our purpose is to support the health and wellbeing of our customers, and create a brighter future for communities and the natural environment. We're proud of our role in helping to make Melbourne one of the world's most liveable cities.

Placemaking through Integrated Water Management (IWM)

Water is essential for liveability. The impact of climate change and increased urban density will require effective management of localised flooding and impacts of stormwater runoff - particularly during more frequent high intensity rainfall events. Access to cool, green open spaces will also be essential to support wellbeing as fewer homes will have private garden space. Providing an urban form with green open space has proven health and economic benefits. The design of our local areas plays a key role in a community's connectedness and resilience during times of stress. Through our integrated water management (IWM) planning work we are continuing to ensure our role in the placemaking and urban development planning processes across Melbourne address these challenges.

With community-based participation at its centre, we're striving to ensure planning processes incorporate IWM to harness water's role in supporting the creation of quality public spaces that contribute to people's health, happiness and wellbeing. This includes working closely with Traditional Custodian/Owner groups to ensure their requirements and vision for water management in each area is embedded in the planning process.

The place-based planning approach we're championing utilises sub-catchments as the geospatial framing for engaging with communities: interpreting regional and sub-catchment scale issues and opportunities at a local level, which then informs precinct and development/lot scale development requirements.

The Upper Merri Creek IWM pilot project which demonstrates our approach (see: www.uppermerricreek.com.au) was included in "Integrated Water Management: Principles and best practice for water utilities" (WSAA 2020) as setting a new benchmark for embedding Traditional Custodians into planning and management of water resources and engaging effectively with communities.

During 2020-21, we collaborated with a range of partners on IWM initiatives as part of a DELWP's Maribyrnong, Yarra and Dandenong IWM Forums, the Melbourne Region Urban Water Strategy (Water for Life) and Central / Gippsland Sustainable Water Strategies, and specific sub-catchment plans. This included place-based collaboration at various scales specifically through these projects:

Regional / Catchment Scale:

- Northern Recycled Water Trunk Main investigation - with potential to connect Yarra Valley Water and Greater Western Water (formerly known as City West Water) recycled water supply networks
- Improving sanitation through onsite Wastewater Management
- Hydraulic modelling of alternative water use for liveability outcomes (to support economic analysis)
- Greater Melbourne Urban Water Strategy (Water for Life)
- Central / Gippsland region Sustainable Water Strategy

Sub-catchments Scale:

- Upper Merri Creek IWM pilot project
- Gardiners Creek IWM plan
- Koonung Creek IWM plan
- Upper Birrarung IWM plans incorporating Yarra River (middle, upper and source), Woori Yallock Creek, Little Yarra River, Watts River, Stringybark Creek, Olinda Creek and Brushy Creek sub-catchments
- IWM Servicing Scheme for Moonee Ponds Creek (Melbourne Water lead)

Precinct Scale:

- Coldstream recycled water scheme
- Reimagining Taralla Creek
- Monash National Employment and Innovation Cluster IWM strategy
- Doncaster Hill Recycled Water Project
- Kinglake / St Andrews onsite servicing

Development / Lot Scale:

- Hazelwynde Development
- Wallan Restorative Project - native vegetation regeneration initiative
- Whittlesea Community Farm

Liveability outcomes continued...

Water use, conservation and efficiency

We are operating in a drying climate, with the challenge of population growth, so water efficiency is more important than ever. We have had a relatively stable level of per capita usage over the past five years, which is comparable with the metropolitan average. We continue to promote sensible and efficient use of water through the Target 155 program, education programs where we help schools and early learning centres integrate water as a topic into the curriculum for educators and students and through the Schools Water Efficiency Program. We also assist businesses and councils to become more water efficient and explore alternative sources. We support our customers and the community to use water sensibly for the things that they value.

Melbourne's water industry is working together to secure water supplies for the next 50 years. This approach is captured in the 'Water for a Future—Thriving Melbourne' document, which provides the common elements of the Urban Water Strategies of Yarra Valley Water, Greater Western Water (formerly City West Water) and South East Water, Melbourne Water's Melbourne Water System Strategy and the joint action of supporting the efficient use of water across the community.

To support the Victorian Governments target of '155 litres per person, per day', in 2020-21 we focused on efficient and sensible water use of Melburnians to preserve our state's precious water. We continue to do this through:

- Engaging customers around water efficiency through social media, videos, sponsorships, local media and website content, including the Target 155 program
- A newly developed children's program called the 'Water Watchers'. The Water Watchers are four characters made from natural rubber that sit on household taps acting as a reminder to turn off the tap when water is not required

- A reinvigorated education program that is built into the Victorian education curriculum and stars the new Water Watchers characters
- Participation in the Schools Water Efficiency Program, a Victorian Government initiative that enables schools to track and manage their water consumption continues to be encouraged
- A new campaign was developed and piloted across the Moreland and Monash council areas that aimed to educate customers on the impact that showers have on household water consumption and that reducing the time spent in the shower can generate significant water savings
- A research pilot which encourage customers to install water efficient showerheads was successfully delivered, with over 600 homes installing new efficient showerheads
- Communications reminding customers to 'make every drop count' was delivered in suburbs that historically have high household water usage.

Besides water conservation, extensive customer research has told us that our customers want us to focus our efforts on improving and innovating when it comes to alternative sources of water, such as stormwater and recycled water. We have a continued focus on alternative water sources and are actively participating in the government's Integrated Water Management forums.

Under the WaterCare program, we offer water audits – directly to residential customers experiencing vulnerability or hardship (Community Rebate Program – CRP) and via not-for-profit community housing (the Community Housing Retrofit Program – CHRP). Both these programs are funded by DELWP on an annually reviewed basis, and we also contribute an additional \$100,000 funding to the CRP program each year.

The objective of the CRP program is to support customers to gain greater control over their bills by fixing leaks or inefficient appliances. We organise a plumber if the customer can't afford to and pay them directly so there are no out-of-pocket expenses for the customer. There is strong demand for this program, with the allocated funding spent each year it has run. The number of customers assisted depends on the level of funding. The program has been very well received by the community sector with 417 customers assisted in 2020-21.

The CHRP program has a similar objective, however targets emergency and community housing across the Melbourne metropolitan areas (serviced by Yarra Valley Water, Greater Western Water (formerly City West Water) and South East Water) that are owned or managed by community welfare agencies. The

objective is to support their ability to effectively support vulnerable customers via their core business rather than unnecessarily high bills. The program has been very well received by the community sector.

Beyond water efficiency, these programs also enable customers experiencing vulnerability and hardship to take action to reduce their water use, giving them greater control of their bill.



Liveability outcomes continued...

Water consumption report 2020-21

Number of customers (as at 30 June 2021)

Residential customers	796,883
Non-residential customers	59,209
Total	856,092

Drinking water volume (ML)¹

Residential customers	118,716
Non-residential customers	26,071
(1)Total	144,787

Average annual drinking water consumption ²	143,506
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Recycled wastewater volume (ML)

Residential customers	378
Non-residential customers	1,247
(2)Total	1,625

(1)+(2) Total consumption (ML)³	146,412
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Non-revenue water (ML)

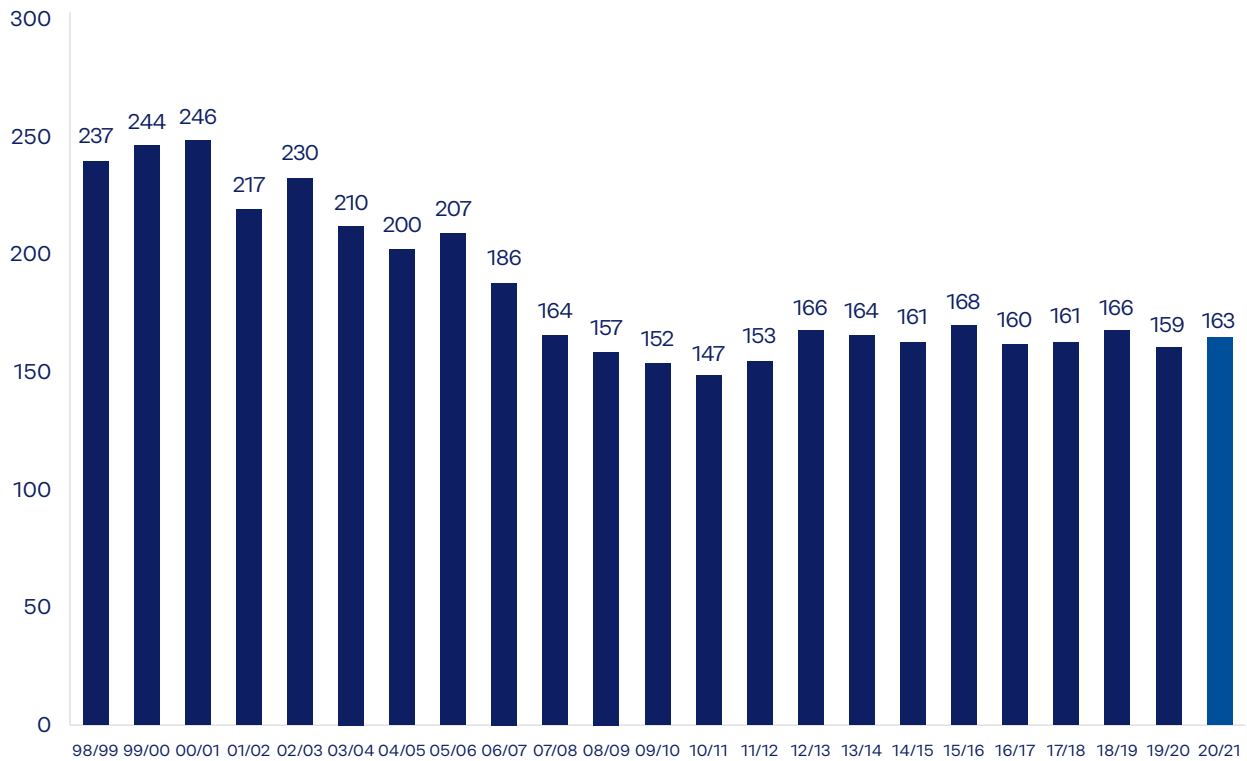
Leakage	6,845
Bursts	1,710
Other	3,080
(3)Total	11,635

(1)+(2)+(3) Total water all sources (ML)	158,047
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1. Includes a small amount of unchlorinated water supplied directly from aqueducts.
2. Average customer usage calculated over five years from 2016-17 to 2020-21.
3. Total consumption does not include water sourced from rainwater tanks or from greywater reuse.

The below figures include an estimate for customer usage for Quarter 4 (April – June 2021) which was not available at the time of preparing this report. Customers are billed three months in arrears and therefore customer usage for April to June 2021 is not

known until early October. There is additional uncertainty this year due to varying levels of coronavirus restrictions which impact customer water usage patterns.



Drought response report

The metropolitan water retailers have prepared common Drought Preparedness Plans (incorporating a Drought Response Plan) based around an adaptive framework to manage water shortages and potential use of four levels of water restrictions to control the use of drinking water outdoors.

During 2020-21, there was no requirement for drought preparedness measures. In March 2021, the Minister for Water announced a 125GL desalinated water order. Permanent Water Use Rules continued to apply for the whole of 2020-21.

Corporate water consumption

The amounts in the table below represent consumption at our Mitcham office excluding any treatment plants or other work sites.

Total water consumption for 2020-21 ¹	1747kL
Number of FTE staff on site ¹	170
Average water use per employee (kL per employee)	10.27kL
Total office space	10,000m ²
Average water use per m ²	0.175kL

1. Coronavirus response, particularly working from home directives and social distancing requirements, has impacted total water consumption and annual number of FTE staff reported.

Liveability outcomes continued...

Annual reporting of major non-residential water use

Requirement 1: number of customers who fall within each range

(Section 122ZJ of the *Water Act 1989*)

Table 1: Customer by volume range

Volumetric range – ml per year	Number of customers
Equal to or greater than 100ML and less than 200ML	10
Equal to or greater than 200ML and less than 300ML	3
Equal to or greater than 300ML and less than 400ML	-
Equal to or greater than 400ML and less than 500ML	1
Equal to or greater than 500ML and less than 750ML	1
Equal to or greater than 750ML and less than 1,000ML	1
Greater than 1,000ML	1
Total number of customers	17

Requirement 2: naming of major water users and whether or not they participate in water efficiency programs

(Section 122ZJ of the *Water Act 1989*)

Table 2: Names of major customers and their participation in water efficiency programs

Name of customer	Status of customers' participation in water efficiency program
Austin Hospital	Yes
Bertocchi Smallgoods	Yes
Chadstone Shopping Centre	Yes
Chiquita Mushrooms Pty Ltd	Yes
Continental Poultry Pty Ltd	Yes
CSL Behring Pty Ltd	Yes
Huhtamaki Australia Pty Ltd	Yes
Lang Tech Bottling Pty Ltd	Yes
Latrobe University	Yes
Monash University	Yes
Peters Ice Cream	Yes
PM Fresh	Yes
Sorbent Paper Company Pty Ltd	Yes
The Glen Shopping Centre	Yes
Visy Packaging Properties Pty Ltd	Yes
Visy Paper Coolaroo	Yes
Westfield Doncaster	Yes

To build business knowledge and support large water users to adopt local water solutions, we coordinate and facilitate seminars, undertake site visits (exploring process and procedural improvements), and document case studies that share the learnings of others' achievements. Furthermore, all large water users have access to a national benchmarking website to compare their water consumption with others in similar industries.

Water recycling

This year we produced 12,036ML of recycled water at our sewage treatment plants of which 3838ML or 31.89 per cent was reused.

We constructed 48km of recycled water mains and connected 5671 properties to Class A recycled water. This brings the total number of connected properties to 37,342.

We continued to lead a recycled water industry working group, allowing for collaboration and alignment between Victorian water corporations. We also worked with our regulators to revise existing recycled water guidelines to reduce barriers to recycled water use, while continuing to protect public health and the environment to the highest possible standard.

Water recycling continues to be a key component of our integrated water cycle management servicing strategy for the Northern Growth Corridor, and new estates in the eastern suburbs. Public open space irrigation, and providing recycled water to all homes via a third pipe system for toilet flushing, garden watering and laundry use, provides significant efficiency and environmental benefits to the entire community.

Water quality

During 2020-21, we maintained our commitment to provide safe, high-quality drinking water. This year we received 4.9 complaints for every 1000 customers, against our target of 3.2 complaints. Coronavirus restrictions meant more customers were working from home, which led to a higher than usual number of complaints reported for individual day time water quality events.

We continue to work to reduce the impact of water quality changes on our customers, including keeping customers informed about operational changes to their water supply, targeted cleaning of 600km of water mains using a combination of cleaning methods, and installing additional particle dispersion devices around our network.

We achieved 93 per cent customer satisfaction with the overall quality of drinking water provided.



Liveability outcomes continued...

Customer and community outcomes

Customer and community engagement

In 2020-21 our expanded Community Engagement team supported 66 projects and programs across the business.

We've also successfully adapted our customer and community engagement activities in a COVID-safe way when we've not been able to implement more in-person activities. Using a variety of online methods including webinars and surveys, we've expanded our communications channels to reach customers and promote our work internally and externally including use of social media, trade media, and internal communications. Recognising many of our customers do not use online communication we've also been proactively reaching out to them through mail outs, phone calls or through community networks.

Our trial of embedding community engagement specialists within specific project teams has also been very successful. They have built deeper community engagement capabilities in our staff and have also enabled us to establish stronger and more meaningful relationships with external stakeholders to support project delivery and expand reach into affected communities.

Affordability and assistance programs

Melbourne's water bills are currently the lowest in Australia for all capital cities. We have an important role in sustaining Victoria's productivity and a responsibility to deliver our services as efficiently as possible. In doing this we strive to relieve the pressure on household budgets and to ensure that the cost of water and sanitation services does not impact the competitiveness of our business customers. Because most of our investment decisions are long term we have an obligation to make financial decisions that optimise community value and intergenerational equity.

There was strong feedback from customers during our Price Submission process that they didn't want water bills to increase, though they valued increased service levels over a bill decrease. Nearly all customers told us that small annual bill changes are better than a single large change. As a result, we devised a price path for the five-year period of flat or below inflation annual bill increases.

In 2020-21, the typical annual residential bill (based on 150kL consumption per annum) was \$1062 - a decrease from 2019-20 of \$2. For homes with 200kL consumption per annum, the 2020-21 bill is \$1254 - a decrease from 2019-20 of \$3.

Despite this, keeping on top of bills remains a challenge for many Victorians. We continue to evolve our programs to support customers who find it difficult to pay their water bill.

We are also committed to improving awareness of our programs among customers from culturally and linguistically diverse backgrounds, concession card holders and those accessing emergency relief. Coronavirus has led to a significant increase in customers seeking support. We've built on the strength of our existing WaterCare program to rapidly respond and we're continually reviewing our processes as the situation evolves.

Key elements of our response include:

- Temporarily pausing standard collection activities while we developed new strategies and products to deal with newly vulnerable customers. Although standard debt collection would never apply to customers experiencing hardship, we were especially conscious of the adverse impacts during this difficult time
- Introducing new measures to support customers including longer payment extensions, tariff adjustments, waiver of charges, Utility Relief Grant payment matching, deferral of payment due dates and long term payment plans, and a discount on fixed service charges
- Where we were unable to read meters due to businesses being closed in lockdown, we contacted customers and worked with them to agree on what they thought their usage would have been before their business closed
- Created a new team to help customers through our tailored support options
- Enhancing our website so that customers who did not feel comfortable talking about their vulnerability could still access support such as registering concessions and applying for Utility Relief Grants online
- Introducing new support options for commercial customers impacted by coronavirus, including a 50 per cent reduction in service charges where there had been a 30 per cent reduction in water usage
- Ensuring our call centre staff could safely deliver our services from home. This included monitoring the wellbeing of our staff interacting with people experiencing hardship and vulnerability and workshops and working groups of these staff to co-design initiatives that would support their wellbeing
- Adapting our engagement strategy – using a mix of face to face engagement when social distancing permitted, and using virtual meetings, calls and a stakeholder newsletter to stay in touch.

By the end of June 2021, we had 9548 customers being managed within WaterCare, which is 9 per cent higher than June 2020. In addition:

- 7915 customers have told us they have been impacted by COVID-19 and are being supported with a COVID assistance solution

- 7465 customers applied for and received grant assistance
- The total number of URGs granted for 2020-21 was almost \$3.1m, benefiting 6710 customers
- We referred 392 customers to our external support partner who can provide additional services, including financial counseling, emergency relief, housing support, energy audits, employment coaching, drug and alcohol support, to customers at no cost
- At 30 June 2021, 50,282 instalment plan arrangements were in place

Accessible and inclusive services

Our 2030 Strategy embeds our commitment to inclusive and accessible services, ensuring that everyone can access our services in the way they need and that we leave no one behind.

In 2020-21, we completed a baseline evaluation with the Australian Network on Disability's Index to understand our maturity and opportunities for improvement. We also engaged Uniting to do a diagnostic review of our products and practices, in particular focused on financial vulnerability. These reviews have given us a strong evidence base to inform our priorities moving forward.

We have also invested in our strengthening our language services through establishing a dedicated translation service provider alongside our existing interpreter service contract. This provides staff with greater access to quality language services. We have also really benefitted from our multilingual employees who can speak to customers in their language. Our relationships with organisations such as Whittlesea Community Connections, AMES and the Migrant Information Centre East are also a critical part of understanding, connecting with and responding to different communities within our service area.

Liveability outcomes continued...

Thriving community partnership

The Thriving Communities Partnership (TCP) is a cross-sector collaboration with the goal that everybody has fair access to the modern essential services they need to thrive in contemporary Australia, including utilities, financial services, telecommunications and transport.

TCP now has over 250 organisations participating across Australia and is currently hosted by Yarra Valley Water. As Australia has faced the impact of bushfires and coronavirus, TCP has played a pivotal role in bringing organisations together to collaborate in how to best respond to these and other challenges. Throughout 2020-21, their Navigating COVID Together webinar series brought together leaders across sectors to discuss the different impacts of coronavirus on our community and share learnings. The second series is now focusing on Embedding the Good.

Family violence

We have a well established practice around supporting customers and staff experiencing family violence, which we continue to evolve. We use 'safety flags' to identify and provide greater safety to people experiencing family violence and provide training for our customer support team to help them assist customers who may be affected by family violence. We also internally promote our proactive family violence policies to all staff.

In 2020-21 we continued to provide our training for all new starters and managers and ran refresher training for our customer-facing staff with specialist family violence service, EDVOS. This builds on the baseline training we provided to all staff, and ensures that staff are as equipped as they can be to safely and respectfully respond to someone who may disclose family violence to them. This training was particularly timely given the significant increase in rates of family violence due to COVID. We have also continued to work with family violence organisations to monitor the trends they are seeing in the family violence sector as a result of COVID.

We continue to be actively involved in raising awareness and collaborating with other organisations to strengthen and evolve our collective responses to family violence. Some examples from 2020-21 include:

- Working with other utilities and service providers to share our learnings from the family violence program of work we have implemented, including our challenges and how we overcame them
- Participating in a range of activities supporting action against family violence, including during 16 Days of Activism against Gender-Based Violence, and International Women's Day and International Men's Day - acknowledging the important role they play in promoting conversations around family violence
- Building the capabilities of our WaterCare team members through training and development opportunities including being part of the facilitation team for the family violence training run for all new staff into the business
- Actively working with networks across our service area to promote our family violence supports for customers and to collaborate on strengthening response and prevention
- Working with external networks and community organisations to gain insight into the intersectionality present for those experiencing family violence and expanding our presence into those communities to raise awareness about our support options. This includes culturally and linguistically diverse communities and people living with disabilities

Community service obligations

In addition to our own assistance programs, many customers are eligible for support via government initiatives and programs. In 2020-21, the amount of assistance provided to customers in these programs increased. This was partially due to a significant increase in customers seeking support as well as the implementation of targeted programs to increase the number of eligible concessions registered.

Community service obligations	2020-21 \$'000	2019-20 \$'000	2018-19 \$'000
Provision of concessions to pensioners ¹	56,168	51,299	49,229
Rebates paid to not-for-profit organisations under the Water and Sewerage Rebate Scheme ²	1,270	1,263	1,235
Utility relief grant payments ³	3,074	2,701	1,377
Water concessions for life support machines – haemodialysis ⁴	18	18	16
Total	60,530	55,281	51,857

Notes

1. Provision of concessions to pensioners

Customers who hold either a Pension Concession Card, a Gold Repatriation Health Care Card for All Conditions or a Health Care Card are entitled to pay a concessionary amount instead of the full balance outstanding on their accounts. When a customer pays this lesser amount, the difference is billed to and paid by the Department of Families, Fairness and Housing (DFFH).

2. Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme

Customers who are not-for-profit entities are entitled to pay a concessionary amount instead of the full balance outstanding on their accounts. When a customer pays this lesser amount, the difference is billed to and paid by the State Revenue Office.

3. Utility relief grant scheme

The Utility Relief Grant scheme provides assistance for residential customers unable to pay their utility accounts due to a temporary financial crisis. Customers need to demonstrate that unexpected hardship has left them seriously short of money so that they cannot pay their utility account without assistance.

4. Water concessions for life support machines – haemodialysis

The State Government of Victoria provides a rebate for customers required to use a dialysis/life support machine at home, to compensate for water use and sewage disposal charges relating to its use. The rebate amount is determined by the Department of Families, Fairness and Housing based on the estimated annual water usage of a dialysis machine (168kL). This rebate is in addition to any other pension or concession entitlements.



Liveability outcomes continued...

Water for Aboriginal cultural, spiritual and economic values

We proudly acknowledge the Traditional Custodians/Owners of the land and waterways on which we work and live and pay respects to Elders past, present and emerging. We recognise and value traditional responsibilities in caring for water and land. We also value the continuing rich cultures and contribution of Aboriginal and Torres Strait Islander peoples and communities to the Victorian community.

Our commitment to reconciliation is woven throughout the different elements of our 2030 Strategy and underpins our purpose as an organisation.

Aboriginal inclusion plan/reconciliation action plan

We launched our first Reconciliation Action Plan (RAP) in April 2017. In December 2020 we launched our second RAP, moving from a Innovate RAP to a Stretch RAP. This outlines the overall, holistic approach that we are committed to - strengthening how we engage and work with Aboriginal and Torres Strait Islander peoples, organisations and Traditional Custodians/Owners.

Our vision for Reconciliation is that all who live on this land acknowledge our shared history and move forward, together, in a respectful way.

We have continued to learn and grow over the past year, including listening to the communities in our service area and reflecting on the importance of truth-telling in reconciliation in line with our vision. We are committed to continuing this journey and are embarking on a truth-telling research project to take ownership of the role that the water industry has played in past injustices so we can move forward, creating a better future for all.

This builds trust and our understanding of how we can contribute through listening and responding to the needs and aspirations of Aboriginal community organisations and Traditional Custodians/Owners. Through conversations and project work, we have gained a better understanding of the mutual capability and capacity building that is required to achieve inclusion of the inherent rights of Traditional Custodians/Owners and enable full participation by Aboriginal Victorians within the water sector.



Liveability outcomes continued...

Cross-cultural training

A key part of our RAP is to engage employees in cultural learning opportunities to increase understanding and appreciation of Aboriginal and Torres Strait Islander cultures, histories and achievements. We have revised our cultural learning framework to further provide opportunities for our staff to learn more; further enabling staff's confidence to build their relationships with Aboriginal stakeholders.

During 2020-21, 51 staff completed face to face cultural awareness training (moved online). This covers history from an Aboriginal perspective, Aboriginal people and communities today and mechanisms to support engagement. This training has been extremely well received and provides a good basis for our staff to build their awareness and capability to engage further and understand broader issues related to reconciliation. As well as this, 326 staff have completed our online cultural awareness training module, which was introduced in 2020 - first to new starters and now as mandatory for all staff.

The impact of coronavirus restrictions meant a shift in the way that we had planned to deliver complementary training, so we delivered a range of online and face-to-face sessions. Staff were able to learn about the Uluru Statement from the Heart with Inala Cooper via an online lunch and learn session. Staff also attended a face to face session at Coranderrk where a cultural heritage management plan is being developed. This included a smoking ceremony before any digging began and tour of the area owned by Wandooon Estate.

Broadening engagement across all areas of the organisation has been a key focus over the last year, including promoting self-directed activities and learning at a team level. Roadshows were held with all Groups across the business to share the RAP and discuss engagement at a Group and Divisional level. Various strategies have been developed from this, tailored to different areas - in particular those that have traditionally had less engagement. For example, quarterly updates on relevant topics and monthly 'small bites' for other teams. We have also used our internal communication channels to share information and stories about our actions, and resources such as articles, music and books to support people's learnings.

Engagement of Aboriginal communities

Our RAP includes a commitment to increase supplier diversity to support improved economic and social outcomes and includes a target of 3 per cent of the total number of our contracts by 2023 and maintain commercial relationships with at least 10 businesses. During 2020-21, the number of active contracts with Aboriginal and Torres Strait Islander businesses reached 19, which represents 2.8 per cent of the active contracts within this period. This is an increase of 18 per cent from the previous year.

Developing staff capacity in social procurement has been identified as an area for continual development. We are members of the Kinaway Aboriginal Chamber of Commerce Victoria Ltd, which has provided training and helped connect our business with Victorian Aboriginal and Torres Strait Islander businesses.

Within our procurement system, we actively maintain a database of Aboriginal and Torres Strait Islander businesses (based on our Kinaway Chamber of Commerce Victoria Ltd membership) and have implemented a number of enhancements to highlight opportunities to promote take-up. This includes prompts to invite Aboriginal and Torres Strait Islander businesses as part of the request for quote process and embedding relevant evaluation criteria within tender processes.

We continue to work closely with Mullum Mullum Indigenous Gathering Place with staff attending their community lunches and looking at ways that we can support their desire to run their own Food Ladder project.

Engagement of Traditional Owners

Recognising the pressure we are placing on Traditional Custodians/Owners and their time, we continue to work with the other metropolitan water authorities through a First Nations Working Group to try and streamline our approach and collectively build our capability with this engagement. This includes a coordinated and prioritised approach to the parallel activities of the Central and Gippsland Region Sustainable Water Strategy, Greater Melbourne Urban Water and System Strategy and now our price submissions. The First Nations working group meets monthly and is committed to long-term relationships between the water industry and Traditional Custodians/Owners. In particular, we are working with Wurundjeri to support their involvement in the various programs of work.

During 2020-21, we continued to support Wurundjeri Woi Wurrung in undertaking their water justice assessment for the Upper Merri Creek sub-catchment area. All Registered Aboriginal Parties and non-registered Traditional Custodian/Owner organisations were invited to participate in the Gardiners and Koonung Creek integrated water management planning process. As with the Upper Merri Creek, partnership agreements between the water corporations, councils and other Government agencies will be developed to support the aspirations of Traditional Custodian/Owners for the areas.

We strengthened our approach to cultural heritage management planning (CHMP) and delivery through increased engagement with contractors and repatriation processes. We continue to look for opportunities in the CHMP process that enable us to assist in telling the history of an area through a shared learning lens. For example, the reburial of artefacts from three different projects supports Wurundjeri Woi Wurrung in sharing their history of an area where we work prior to colonisation. We had planned on the reburial of the Donvale project in partnership with

Whitefriars College, however this was prevented during COVID and will now take place later in 2021. This will provide students and staff of the College with the opportunity to learn first-hand from the Elders, about the history of their Country where they go to school.

We recognise that there is so much for us to learn about sustainable land and water management from Traditional Custodians/Owners. In 2020-21 we met with Wurundjeri Woi Wurrung's Narrap Team to discuss and review the management and biodiversity of several sites, including the protected grassland at our Aurora treatment plant. As a result of initial consultations, we are looking more broadly across all our larger sites that may hold biodiversity values that we can help preserve, such as protecting the environment for the Lowland Leadbeater Possum and the Helmeted Honeyeater. We are exploring a long-term partnership arrangement for this opportunity with Wurundjeri Woi Wurrung.

Environmental outcomes

We rely on a healthy environment to deliver our services and we're proud of our innovative approach to ecological challenges.



Climate adaptation

Climate change projections from the Bureau of Meteorology predict a hotter and drier climate over the long term, with up to double the number of very hot days in the 2050s, lower stream flows to our reservoirs and greater variability, including an increased number of storm events with more intense downpours. These challenges will require new approaches in the way we provide our services. We're committed to being forward-thinking and customer-focused in how we face these challenges.

A recent study by Sustainability Victoria found that three in four Victorians are interested in knowing more about the health impacts of climate change, and 78 per cent of Victorians are interested in knowing more about mitigation actions that will help curb climate change.

The Stockholm Resilience Centre planetary boundaries model defines a 'safe operating space for humanity'. We now know that humanity is overstepping four of the nine boundaries we rely on including nitrogen and phosphorous flows and climate change. Recognising this, we are working towards a regenerative approach, which partners people and their places to help both thrive.

Our 50-year Urban Water Strategy and Drought Preparedness Plan apply the Department of Environment, Land, Water and Planning's guidelines for forecasting the impacts of climate change on water supplies, and we have monitored progress against these.

Consideration of climate change impacts has also been embedded in the Melbourne Sewerage Strategy, in the scenarios explored and in the adaptive planning responses developed during implementation.

Our Climate Resilience Plan outlines our approach to further integrate climate change adaptation into our decision making across the business. In 2020-21 we implemented key actions from this plan, including:

- Obtaining an independent assessment of our approach to managing climate risk based on the 2019 Department of Environment, Land, Water and Planning (DELWP) guidelines for board members and executives. Implemented recommendations, such as including cumulative risks, transitional risks and opportunities in our strategic risk assessment, building more consistency across our long-term strategies and strengthening our governance and reporting
- Embedding adaptive planning in our business processes, our Place-Based Planning Guidelines and our Servicing Strategy Guidelines, in addition to our servicing strategy for the Northern Growth Corridor
- Applying results from our vulnerability analysis to our Asset Management Framework, including how we can incorporate climate hazards and adaptive capacity in our risk assessments, how we can provide decision support structures in our renewals planning, and how we can build a greater understanding of our interdependencies with other service utilities
- Holding quarterly seasonal outlooks with the Bureau of Meteorology to enable operational staff to prepare for the likely weather patterns in the upcoming season
- Supporting actions arising from DELWP's Pilot Water Sector Climate Change Adaptation Action Plan, including Project Control Board member for the development of the Adaptation Business Case Guidelines, contributing to the Scenario Planning Guidelines, contributing to the development of catchment targets in the IWM forums, participating in the water grid stress test, and contributing to industry knowledge sharing.

Environmental outcomes continued...

Through these actions we have embedded climate change considerations more deeply into our decision making processes across our asset planning, water and sewerage resource planning and product delivery functions. We have also worked closely with industry colleagues to ensure our actions are aligned with broader adaptation actions undertaken across the industry. The following table outlines how each of the key actions in our Climate Resilience Plan relates to core functional areas.

Actions	Action timeframe	Core functional areas					
		Source waters & demands	Built assets	Natural environment	People & workplace	Inter-dependencies	Customer & product delivery
Enhance adaptive planning							
Scenario based modelling	Medium term	●	●	●			
Pilot adaptive planning	Short term	●	●	●	●		●
Embedded adaptive planning	Long term	●	●	●	●		●
Reduce service vulnerabilities							
Asset vulnerability assessment	Medium term		●	●		●	
Contingency planning support	Short term		●	●	●		●
Emergency management responses	Short term		●		●	●	●
Foster collaborative partnerships							
Climate change resilience benchmarking	Short term				●		
Partner with DELWP	Ongoing	●					
Develop industry and customer partnerships	Ongoing	●	●	●	●	●	●

Bulk entitlements report

Yarra Valley Water holds Bulk Entitlements to the water resources of the Greater Yarra River — Thomson Basin and to the Victorian Desalination Project. In addition, we hold Bulk Entitlements in the River Murray and Goulburn System of up to 25,000ML annually of water savings, as a result of investment in Goulburn-Murray Water's (GMW) Connections Project.

Reporting obligation	Greater Yarra system – Thomson river pool ^{1,2}	Victorian desalination project ⁴	Goulburn system ^{7,8}	River Murray ^{13,14}
The volume of water taken by Yarra Valley Water in 2020-21	Clause 16.1 (a) 156,422ML	Clause 13.1 (a) OML	Clause 14.1 (b) 12ML ^{9,10}	OML
Annual water allocation made available to Yarra Valley Water	Clause 16.1 (b) 165,895ML	Clause 13.1 (a) 47,458ML ⁵	Clause 14.1 (c) 4,287ML	Clause 11.1 (a) 3,553ML
Share of storage volume at 30 June 2021 for carryover	Clause 16.1 (b) 208,700ML	Clause 13.1 (a) 47,458ML	4,022ML ¹¹	3,510ML ¹⁵
Compliance with the entitlement volume	Clause 16.1 (c) Yes	N/A	N/A	N/A
Any assignment of water allocation or temporary/permanent transfers of the bulk entitlement	Clause 16.1 (d) Nil	Clause 13.1 (b) Nil	Clause 14.1 (d) ¹² Net 5,480ML Clause 14.1 (e) Nil	Clause 11.1 (b) Net 3,625ML ^{16,17} Clause 11.1 (c) Nil
Approval, amendment and implementation of approved metering program	Clause 16.1 (e) Continued implementation ³	N/A	N/A	N/A
Any amendment to the bulk entitlement	Clause 16.1 (f) Nil	Clause 13.1 (c) Nil	Clause 14.1 (f) Nil	Clause 11.1 (d) Nil
Any new bulk entitlement granted to Yarra Valley Water	Clause 16.1 (g) Nil	Clause 13.1 (d) Nil	Nil	Nil
Compliance with the bulk entitlement	N/A	Clause 13.1 (e) Continued compliance ⁶	N/A	N/A
Any failures to comply with any provision of the bulk entitlement	Clause 16.1 (h) Nil	Clause 13.1 (f) Nil	Clause 14.1 (g) Nil	Clause 11.1 (e) Nil
Any difficulty experienced in complying with the bulk entitlement and if so, any remedial action taken or proposed	Clause 16.1 (i) Nil	Clause 13.1 (g) Nil	Clause 14.1 (h) Nil	Clause 11.1 (f) Nil

Notes for compliance with bulk entitlements

Greater Yarra system - Thomson River pool

- Yarra Valley Water holds the following Bulk Entitlement to the Greater Yarra System – Thomson River Pool Bulk Entitlement (Greater Yarra System – Thomson River Pool – Yarra Valley Water) Order 2014 – WSE000081 (previously BEE072377).
- The metropolitan retailers make water available in Tarago Reservoir to Gippsland Water under a Bulk Water Supply Agreement. This is used by Gippsland Water to supplement their Tarago Bulk Entitlement during periods of high demand. Yarra Valley Water provided 18.6ML under the Agreement in 2020-21.
- Continued compliance with approved metering program through Bulk Water Supply Agreement between Melbourne Water and Yarra Valley Water and Melbourne Water's System Management Rules.

Environmental outcomes continued...

Victorian desalination project

4. Yarra Valley Water holds the following Bulk Entitlement to the Victorian Desalination Project. Bulk Entitlement (Desalinated Water – Yarra Valley Water) Order 2014 – WSE000054 (previously BEE050816).
5. The Hon Richard Wynne MP, Acting Minister for Water, announced a 125GL desalinated water order for the 2020-21 year, of which Yarra Valley Water's share is 47,458ML.
6. Compliance with our Desalinated Water long term average diversion limit of 56,951ML is assessed using a 5-year rolling average diversion.

Goulburn system

7. Yarra Valley Water holds the following Bulk Entitlement to the Goulburn System. Bulk Entitlement (Goulburn System – Yarra Valley Water) Order 2012 – WSE000010 (previously BEE072239).
8. Yarra Valley Water's Bulk Entitlements in the Goulburn System provide for the progressive annual assignment of entitlement volumes as water saving works and measures from GMW's Connections Project are completed. The 2020-21 entitlement volume was 11,774.8ML.
9. 12ML of the bulk entitlement was used to maintain the operational capacity of the North-South Pipeline and keep the pipeline charged for fire-fighting purposes, as allowed under clause 6.1 (b) of the Statement of Obligations (System Management).
10. Compliance with the combined annual diversion limit of 75,000ML for the holders of Bulk Entitlement (Goulburn System – City West Water, trading as Greater Western Water) Order 2012, Bulk Entitlement (Goulburn System – South East Water) Order 2012 and Bulk Entitlement (Goulburn System – Yarra Valley Water) Order 2012 is assessed using the actual measured annual diversion. Diversions are subject to clause 6.1 of Yarra Valley Water's Statement of Obligations (System Management).
11. Yarra Valley Water's commencement volume on 1 July 2020 was 5,227ML. At 30 June 2021, Yarra Valley Water held 4,022ML.

12. Yarra Valley Water has in place water management strategies to manage water allocation holdings in the River Murray and Goulburn System to maximise the value of the resources held to their customers and minimise the risk of spilling water allocation. These strategies include the transfer of allocations between Bulk Entitlement Allocation Accounts and trading water allocations. Net total trade out was 5,480ML.

River Murray

13. Yarra Valley Water holds the following Bulk Entitlements to the River Murray. Bulk Entitlement (River Murray – Yarra Valley Water) Order 2012 – WSE000145 (previously BEE072242).
14. Yarra Valley Water's Bulk Entitlements in the River Murray provide for the progressive annual assignment of entitlement volumes as water saving works and measures from GMW's Connections Project are completed. The 2020-21 entitlement volume was 9,455ML (4,639ML in Zone 6 (Vic Murray - Dartmouth to Barmah) and 4,816ML in Zone 7 (Vic Murray - Barmah to SA Border).
15. Yarra Valley Water's commencement volume on 1 July 2020 was 3,583ML (1,599ML in Zone 6 and 1,984ML in Zone 7). At 30 June 2021, Yarra Valley Water held 3,510ML (1,805ML in Zone 6 and 1,705ML in Zone 7).
16. Yarra Valley Water has in place water management strategies to manage water allocation holdings in the River Murray and Goulburn System to maximise the value of the resources held to their customers and minimise the risk of spilling water allocation. These strategies include the transfer of allocations between Bulk Entitlement Allocation Accounts and trading water allocations.
17. Net total trade out for River Murray system was 3,625ML (1,600ML in Zone 6 and 2,025ML in Zone 7).

Greenhouse gas emissions and net energy consumption

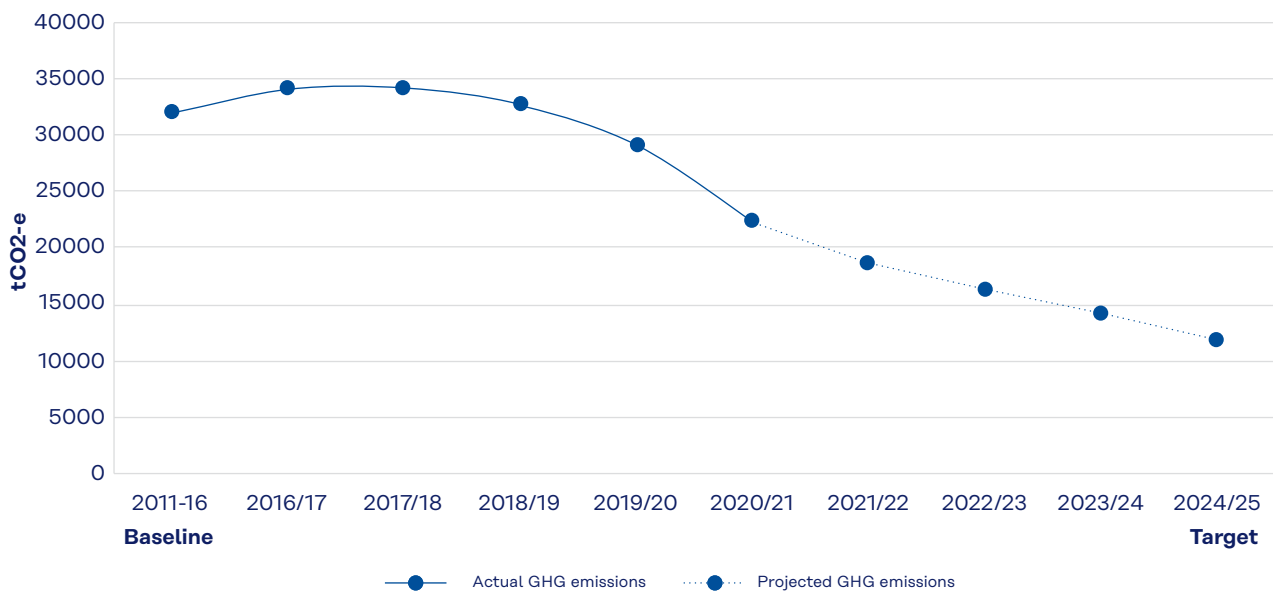
We pledged to reduce our greenhouse gas (GHG) emissions by 64 per cent by 1 July 2025. This commitment is necessary as we operate against a backdrop of population growth and increased demand for our services. To measure our performance, we set a target of emitting no more than 23,347 tCO₂-e (tonnes of carbon dioxide equivalents) in 2020-21.

We achieved our target mostly through increased renewable energy use - reporting 22,226 tCO₂-e for the financial year. To achieve carbon neutrality for the twelfth year in a row, we offset our reported emissions through a voluntary surrender of international Certified Emission Reduction units. Further, we are

working with our partners and suppliers to encourage them to reduce their emissions year on year.

We rely on electricity to pump and treat water and wastewater as well as power our head office. We currently operate close to 400 network connection points that use grid electricity and this carbon-intensive consumption is the largest source of our emissions. This year we used 50 per cent renewable electricity and we continue to look for additional ways to be more efficient, reduce consumption where possible and source an increasing amount of electricity from renewable generators.

Progress toward 2025 greenhouse gas emissions target



Environmental outcomes continued...

Greenhouse gas emissions (t CO₂e)

Service delivery category	2020-21 Projected emissions	2020-21 Result			Variance	Notes
		Scope 1 emissions	Scope 2 emissions	Total Emissions		
Water treatment and supply	8,500	-	8,425	8,425	-0.9%	-
Sewage collection, treatment and recycling	13,700	2,703	10,231	12,934	-5.6%	1
Transport	1,000	747	-	747	-25.3%	2
Other (eg. office)	147	120	-	120	-18.4%	3
Total GHG emissions (a)	23,347	3,570	18,656	22,226	-4.8%	
Carbon Offsets (self-generated) retired	-	-	-	-	-	-
Total offsets (b)	-	-	-	-	-	-
Net emissions (a-b)	23,347	3,570	18,656	22,226	-4.8%	

Notes

1. Reduction in nitrous oxide emission factor, has reduced scope 1 emissions. In addition an increase in use of renewable energy to achieve 50 per cent renewable energy consumption, has reduced scope 2 emissions associated with sewage collection, treatment and recycling activities.
2. Response to coronavirus, particularly working from home directives, has reduced transport related emissions.
3. Response to coronavirus, particularly working from home directives, has reduced energy consumption at our head office.

It is important to note that for Yarra Valley Water the Statement of Obligations (Emission Reduction) accounting method only recognises emission reduction activities that occur in Victoria. While we support this local approach to emissions reduction, we still want to

offset any emissions that we generate to maintain carbon neutrality. Below are details of our recent voluntary surrender of international Certified Emission Reduction (CER) units that were created under the Kyoto Protocol.

CACNS eligible offsets retired

Project	CANCS eligible offset unit	Offset quantity	Retirement date	Public registry	Offset serial numbers	Vintage year
Kyoto Project # CN-1990	CER – CP2	3,570	26/07/2021	ANREU	1,099,516,180 - 1,099,539,527	-
Kyoto Project # CN-1990	CER – CP2	18,656	26/07/2021	ANREU	1,099,519,750 - 1,099,538,405	-

Total electricity consumption

Service delivery category	2019-20 Result (MWh)	2020-21 Result (MWh)	Notes
Water treatment and supply	8,233	8,597	-
Sewage collection, treatment and recycling	19,254	19,193	-
Other (eg. Offices, depots)	1,313	988	1
Total	28,800	28,778	-

Notes

- Response to coronavirus, particularly working from home directives, has reduced energy consumption at our head office.

Renewable energy

We aspire to generate 100 per cent of our energy needs from renewable sources by 2025. This year, 50 per cent of our electricity needs were supplied from renewable sources. 26.1 per cent came from our food waste to energy facility, which operating at capacity generated 7,504 MWh of renewable energy. 46 per cent of this was used to run the facility and the adjacent sewage treatment plant leading to a 3,365 tCO₂-e reduction in emissions compared to sourcing this electricity from the grid. Solar systems at our head office and three sewage treatment plants produced 651 MWh of renewable electricity for the year. We consumed 90 per cent (586MWh) of this renewable energy onsite, with the surplus 10 per cent exported to the grid. This year our head office was again 100 per cent powered by renewable energy, with 27 per cent coming directly from our solar carpark and the rest being sourced from the grid by utilising exports from our food waste to energy facility. In the last year our co-investment in Zero Emissions Water Limited (ZEW) began to provide us with renewable electricity sourced from the Kiamal Solar Farm, which pushed our renewable electricity consumption beyond 50 per cent for the first time.

We are currently deliver a cutting edge floating solar system at our Wallan treatment plant that will not only produce renewable energy but increase the water quality in our storage lagoon to assist in the production of recycled water. We are evaluating tenders for a second food waste to energy facility to be located at our Lilydale Sewage Treatment Plant. We have a plan to use electrolyzers to produce sustainable oxygen and hydrogen. This plan would increase the efficiency of

wastewater treatment and produce a commercially viable renewable fuel that would displace diesel, liquid petroleum gas or natural gas in various applications.

Total renewable electricity consumption

Service delivery category	2019-20 Renewable electricity consumption (MWh)	2020-21 Renewable electricity consumption (MWh)	Notes
Total grid sourced	4,380	4,681	1
Biogas	2,934	3,455	2
Hydroelectric	0	0	-
Solar	734	586	3
Wind	0	0	-
Other	2,019	5,700	4
Total corporation led/ self sourced	5,687	9,741	-
Total renewable electricity consumption	10,067	14,422	-
Percentage renewable electricity %	34.96%	50.11%	-

Notes

- Renewable electricity sourced from the grid including mandatory participation in the Large-scale Renewable Energy Target (LRET).
- Increased production of recycled water production at the Aurora Treatment Plant.
- Decreased behind the meter consumption attributed to an unplanned outage of our head office solar system.
- Increased voluntary consumption of renewable electricity through the surrender of large-scale generation certificates (LGC).

Environmental outcomes continued...

Other statutory obligations

Victorian biodiversity strategy

Yarra Valley Water follows the directive of *Victoria's Native Vegetation Management: A Framework for Action*, which was developed as an offset measure to support the Victorian Biodiversity Strategy. We work with multidisciplinary companies and involve ecologists early in the preliminary design phase of projects to complete them in a more sustainable manner. This includes conducting complete risk assessments, life-cycle analyses, netgain assessments and offset management plans, and preliminary flora and fauna options assessments.

We liaise with stakeholders such as the Department of Environment, Land, Water and Planning (DELWP) local councils and other water utilities on a project by project basis to determine how best to conserve Victoria's biodiversity. We liaise directly with DELWP on ongoing growth and development of all native offset areas established as part of these projects.



Victorian waterway management strategy

We strive to deliver our services within the carrying capacity of nature and reducing our environmental footprint is a priority.

To improve waterway health, we continued to manage our nitrogen discharges to Port Phillip Bay in accordance with our self-imposed nitrogen cap of 87 tonnes. In 2020-21, our discharge was 61.8 tonnes.

To comply with river and aquifer health requirements as per our Statement of Obligations, we undertook regular sampling at each of our sewage treatment plants to ensure they comply with our Environment Protection Authority Victoria (EPA) Corporate Licence Requirements.

In 2020-21 we also prepared to transition to the new EPA legislation and corresponding license reform that is occurring by completing:

- desktop risk assessments of possible impacts to the environment from sewer treatment plants and sewage system
- commencing detailed Ecological Risk Assessments (ERAs) for those deemed to be high risk discharges
- gap analysis to the new Environment Protection Act General Environmental Duties requirements.

A summary of our sewage treatment plants' performance is reported to the EPA on an annual basis. Additionally, water quality and flow data relating to waterways is reported to the Essential Services Commission, the National Pollutant Inventory and the Bureau of Meteorology.

State Environment Protection Policy (Waters)

During 2020-21 we played an active role engaging in the development of the subordinate legislation for the new EPA Act – which will supersede the existing SEPP (Waters). The new act, and its associated legislation, is a shift towards a prevention-based approach to environmental protection (rather than consequence based).

As such, we have been focusing on undertaking a gap analysis between our existing practices and the draft legislation requirements as well as completing risk assessments for all relevant sewerage aspects (dry weather spills, wet weather spills, odour, noise etc).

During the past year we delivered the following projects to reduce the impacts of sewer overflows and to align our practices with the Sewerage Management Guidelines:

- Deployed additional monitoring at critical locations within the sewer network - with a focus on locations at risk of wet weather overflows
- Upgraded monitoring at emergency relief structures to improve reporting and response capabilities
- Completed several hydraulic options assessments that will progress into design in 2021-22
- Completed mapping of all environmental and social waterway values within our service area to inform project prioritisation and operational response

While the new regulations focus predominantly on a risk-based approach to environmental harm, the regulations still maintain a wet weather compliance standard (18.1 per cent Annual Exceedance Probability). Work has progressed on a number of projects to minimise or eliminate non-compliant spills. We have:

- Completed concept design and preliminary business case for the Darebin Creek Tunnel upgrade
- Continued a number of inflow reduction projects to reduce frequency and volume of wet weather spills in Coldstream, Blackburn North and the Darebin Creek Catchment

In addition, we have continued our partnership with Monash University and other authorities in research initiatives designed to determine key threats to urban waterways. The first is a QRMA, which is focused on determining the sources of risks to public health within urban waterways. The second has a more holistic focus of determining a framework for understanding, reducing and communicating risks in receiving waterways. Both will play a key role in informing our risk assessments and decision making going forward.

We also continued to construct new sewerage infrastructure for previously unsewered areas as part of the Community Sewerage Program.

The Community Sewerage Program provides wastewater services to areas that are deemed by local councils to have a high risk of environmental impact to waterways and public health. The areas contain a large number of failing septic systems and properties unable to contain wastewater within property boundaries.

During 2020-21, we provided new reticulated sewerage services to parts of Donvale, Yarra Junction, Launching Place, Wesburn, Kallista, Menzies Creek and The Patch. We also commenced construction for new services to Monbulk and Eltham South. Planning and design for new sewerage services in Kallista, The Patch, Sassafra and parts of Park Orchards is ongoing.

United Nations Global Compact Communication on Progress

As a signatory to the UNGC, we are committed to reporting our Communications on Progress (COP) to describe and measure our actions on the key principles of the UN Global Compact. For this reporting year, information relevant to our COP is detailed throughout this report. Refer to the page references in the table below for details on how we're taking action:

Requirement	Page References
<p>High-level Commitment & Strategy</p> <p>We're proud about our ongoing commitment to the United Nations Global Compact and work to advance the Sustainable Development Goals (SDGs). We believe the water industry has a vital role in helping to achieve the SDGs and deliver environmental and social value.</p> <p>At Yarra Valley Water, we've embedded the SDGs in our business strategy to provide a global context for how our activities contribute to a more sustainable and liveable future.</p> <p>As we look towards the future in our 2030 Strategy, we're excited to create a brighter future through contributing to the SDGs, for the benefit our of customers, communities and the planet. The COP illustrates the outcomes we achieved across our 2020 Strategy, including our ongoing actions and commitments to the UNGC Principles.</p>	12-15
<p>Measurement of Outcomes</p> <p>Our 2030 Strategy defines and drives our sustainability commitments and actions now and in the future, and how we measure their success. It has embedded key research, engagement, and feedback from staff, customers and stakeholders.</p> <p>We completed a sustainability materiality review, which gave us insights into our customers, human rights risk areas, business model and brand. This review identified our top 10 material topics and the relative influence we have on the UN's 17 Sustainable Development Goals.</p> <p>We have set targets for these 10 topics, and the way we measure our performance is evolving as we learn more and advance our approaches. We have existing targets and measures for areas we are better progressed in and are developing targets and measures for areas that are newer to us.</p>	42, 91-93, 99-101

Requirement	Page References
<p>Human Rights</p> <p>Access to safe, reliable and affordable drinking water and sanitation services are basic human rights, and essential to realising all human rights.</p> <p>We have completed a human rights review of our organisation, utilising expert consultants and engaging key people across our organisation.</p> <p>The findings have helped inform our 2030 Strategy, including our organisational values and ongoing commitment to inclusion, and a roadmap to strengthen our human rights approach in areas such as community safety, land access and cultural heritage, workers health and safety, discrimination, and data protection and privacy</p>	<p>19-21, 25-30, 37-38, 71-73, 84-85, 99</p>
<p>Environment</p> <p>Protecting and enhancing the health of the planet is central to our 2030 strategy. We rely on a healthy environment to deliver our services and we recognise that we must not only maintain but also improve the natural ecosystems on which we depend, and we must be innovative to adapt to ecological challenges. Our customers are demanding more environmental action, as we are a part of nature and have a role to play.</p> <p>We have an appetite to be leaders in regenerative thinking as a business. We want to create an environment where nature and humans can thrive together, by pursuing restorative environmental outcomes aligned with our strategic objectives and commitments. We'll work for positive changes across our environmental impacts, including climate change mitigation, greenhouse gas emissions and energy usage, biodiversity, reducing discharge from sewage treatment plants to waterways, water conservation, and proactive maintenance of our assets to prevent sewage spills.</p>	<p>32-35, 42, 71-73, 86-95, 99-101, 109, 154</p>
<p>Anti-Corruption</p> <p>We strive for a culture of transparency, integrity, accountability and access, and are committed to ensuring a robust Corporate Governance Framework is in place.</p> <p>Our Directors' Code of Conduct is based on the Code of Conduct issued by the Victorian Public Sector Standards Commissioner, and our Company Code of Conduct reflects minimum standards of behaviour that we expect of each other.</p> <p>We comply with the Statement of Obligations under section 41 of the <i>Water Industry Act 1994</i>; <i>Privacy and Data Protection Act 2014</i>; <i>Protected Disclosure Act 2012</i> and <i>Freedom of Information Act 1982</i>.</p> <p>Bonuses were phased out of remuneration packages in 2018-19 and incorporated into senior employee salaries.</p> <p>We have a range of policies and strategies to avoid worker exploitation amongst our own employees and we work to reduce human rights impacts in our supply chain.</p>	<p>66, 157, 160</p>
<p>Labour</p> <p>We recognise the importance of employee rights for freedom of association and the right to collective bargaining. The approach in our Diversity and Inclusion Strategy aims to benefit from and embrace diversity and inclusion, including the four key focus areas of reflecting community, gender balance, Aboriginal and Torres Strait Islander participation, and workforce flexibility.</p>	<p>27-30, 36-38, 60-64</p>

Our performance

Financial performance indicators

	Performance indicator	2020-21 Target	2019-20 Result	2020-21 Result	Variance to prior year	Notes	Variance to target	Notes
F1	Cash interest cover Cashflow from operations before net interest and tax payments / net interest payments	0.49 times	2.41 times	2.44 times	1.2%	-	398.0%	1b
F2	Gearing ratio Total debt (including finance leases) / total assets *100	57.74%	54.59%	56.02%	2.6%	-	-3.0%	-
F3	Internal financing ratio (Net operating cash flow – dividends) / capital expenditure *100	-37.73%	17.59%	30.42%	72.9%	2a	-180.6%	2b
F4	Current ratio (Current assets / current liabilities) excluding longterm employee provisions and revenue in advance	0.98	0.39	0.40	2.6%	-	-59.2%	3b
F5	Return on assets Earnings before net interest and tax / average total assets *100	4.01%	5.39%	4.87%	-9.6%	-	21.4%	4b
F6	Return on equity Net profit after tax / average total equity *100	3.73%	6.45%	5.75%	-10.9%	5a	54.2%	5b
F7	Earnings before interest, tax, depreciation and amortisation Earnings before interest, tax, depreciation and amortisation / total revenue *100	31.85%	34.64%	33.79%	-2.5%	-	6.1%	-

Variance Explanations

- 1b** Higher net operating cash flows due to higher cash receipts from customers as our cash flow position was not as significantly impacted by COVID-19 as budgeted due to customers receiving assistance through Government support programs and a range of YVW customer support programs. We also achieved savings in interest payments due to prevailing market conditions resulting in lower interest rates on new borrowings.
- 2a** The difference between this year's and last year's result is primarily due to lower taxation payments and lower 2019-20 final dividend paid in 2020-21.
- 2b** Higher net operating cash flows due to higher cash receipts from customers meant that our cash flow position was not as significantly impacted by COVID-19 as we had assumed in the budget. This has been aided by customers receiving assistance through Government support programs and a range of YVW customer support programs. The result was also impacted by lower taxation payments, lower final 2019-20 dividend paid in 2020-21 and lower than budgeted capital expenditure.
- 3b** Current assets were below budget due to lower trade debtors as a result of additional cash receipts.
- 4b** Higher revenues than budgeted primarily from developer related activities and other revenue. We also achieved savings in operating expenses due to lower cloud-based expenditure associated with new/upgraded IT applications and infrastructure and lower maintenance activity costs and volumes. The average asset value was impacted by a \$143.2m decrease in infrastructure valuation as at 30 June 2021, lower trade debtors and lower capital expenditure incurred in 2020-21 compared to budget.
- 5a** Lower profit after tax as a result of delays in the release of statements of compliance for developer contributed assets, higher environmental contribution levy and higher rainfall resulting in lower demand for water trading sales.
- 5b** Higher profit after tax than we had assumed in the budget due to additional revenue from service charges, developer related activities and other revenue. We also achieved savings in IT expenditure and maintenance, lower bad and doubtful debts and finance charges due to higher cash receipts than budgeted.

Water and sewerage service performance indicators

Performance indicator	2020-21 Target	2019-20 Result	2020-21 Result	Variance to prior year	Notes	Variance to target	Notes
SS1 Containment of sewer spills Sewer spills from reticulation and branch sewers (priority 1 and 2) contained within 5 hours / total sewer spills from reticulation and branch sewers	97.7%	99.0%	99.8%	0.8%	-	2.2%	-
SS2 Sewer spill interruptions Number of residential customers affected by sewerage interruptions restored within 4 hours	83.8%	93.0%	97.2%	4.5%	-	16.0%	6b
WS1 Unplanned water supply interruptions Number of customers receiving > 5 unplanned interruptions in the year / total number of water (residential and business) customers *100	0.015%	0.037 %	0.019%	-48.6%	7a	26.7%	7b
WS2 Interruption time Average duration of unplanned water supply interruptions	104.4 minutes	105.9 minutes	97.5 minutes	-7.9%	8a	-6.6%	8b
WS3 Restoration of unplanned water supply Unplanned water supply interruptions restored within 5 hours / total unplanned water supply interruptions *100	96.0%	97.7%	99.0%	1.3%	-	3.1%	-

Variance Explanations

6b The favourable result was due to a continued strong focus by our maintenance partner on delivering improvements to work procedures driven by improved data quality. Traffic reduction from COVID-19 and increased remote working enabled easier transit to work sites.

7a A number of improvement initiatives were delivered combined with higher rainfall resulting in a lower number of customers receiving > 5 unplanned interruptions when compared to last year.

7b We experienced a reduction in the number of customers experiencing > 5 water supply interruptions from the previous year but remain over the target. The customers affected were within five separate, large water supply isolation areas, effecting 146 customers. We continue to implement a program to proactively manage customers with >4 interruptions and deliver initiatives to improve future performance.

8a Improved performance by our maintenance partner resulted in a decrease in average interruption time along with a 3 per cent decrease in emergency water volumes.

8b Average duration of unplanned interruptions reduced compared to target due to a larger volume of less complex bursts.

Customer responsiveness performance indicators

Performance indicator	2020-21 Target	2019-20 Result	2020-21 Result	Variance to prior year	Notes	Variance to target	Notes
CR1 Water quality complaints Number of complaints per 1,000 customers	3.20	5.03	4.69	-6.8%	9a	46.6%	9b
CR2 Sewerage service quality complaints Number of complaints per 1,000 customers	0.90	0.76	0.66	-13.2%	10a	-26.7%	10b
CR3 Sewerage odour complaints Number of complaints per 1,000 customers	0.22	0.18	0.14	-22.2%	11a	-36.4%	11b
CR4 Billing and account complaints Number of complaints per 1,000 customers	3.40	2.02	2.71	34.2%	12a	-20.3%	12b

Variance Explanations

9a Complaints reduced due to less leaks in our network and our continued focus on mains cleaning.

9b We implemented improvements to increase the accuracy of our water quality complaint reporting to ensure all incidents are captured. We also experienced an increase in complaints related to more customers being home due to COVID-19 and noticing localised maintenance water related quality issues. The variance to prior year was impacted by the substantial number of complaints received as a result of the broad impacts of the Boil Water Notice.

10a & b There was a reduction in sewerage faults across our network leading to a decrease in sewer related complaints. Improvements to our field response has resulted in a 33% reduction in field work complaints.

11a & b Odour complaints are generally caused by blockages in pipes. There was a reduction in sewerage faults across our network leading to a decrease in sewer odour complaints.

12a Melbourne Water's Silvan Dam treatment plant lost power during a severe storm in August 2020 which resulted in the issuance of a Boil Water Notice to our customers. The Boil Water Notice led to customers complaining about their accounts and how they felt.

12b The favourable performance is a result of improved processes and a strong customer focus on the handling of billing and account complaints. Changes to the management of customer complaints included identifying and actioning the cause of dissatisfaction.

Environmental performance indicators

	Performance indicator	2020-21 Target	2019-20 Result	2020-21 Result	Variance to prior year	Notes	Variance to target	Notes
E1	Effluent re-use volume (end use)	28.8%	31.6%	31.8%	0.6%	-	10.4%	13b
E2	Total net CO ₂ emissions Includes accredited sequestration activities and offset schemes	0	0	0	0	14a	0	14b

Variance Explanations

13b Recycled water reuse volumes are volatile and impacted by sewage volumes, weather and customer behaviour. Other factors such as Treatment Plant performance and reliability also impact the result. Re-use schemes at Whittlesea, Kinglake and Wallan Treatment Plants continue and are required to avert the need to carry out emergency discharge to waterways. Reuse within the onsite Treatment Plant processes continues in order to avoid unnecessary

potable water usage. Class A Recycled Water Treatment Plants continue to increase production volumes and plant reliability remains a focus for improvement resulting in higher Class A production volumes.

14a & b We achieve a net emission of zero under E2 by going beyond the Statement of Obligations (Emission Reduction) to make a voluntary surrender of international CERs.

Certification of performance report for 2020-21

We certify that the accompanying Performance Report of Yarra Valley Water Corporation in respect of the 2020-21 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the 2020-21 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/ or between the actual results in the current year and the previous year.

As at the 27th day of August 2021, we are not aware of any circumstances that would render any particulars in the Performance Report to be misleading or inaccurate.



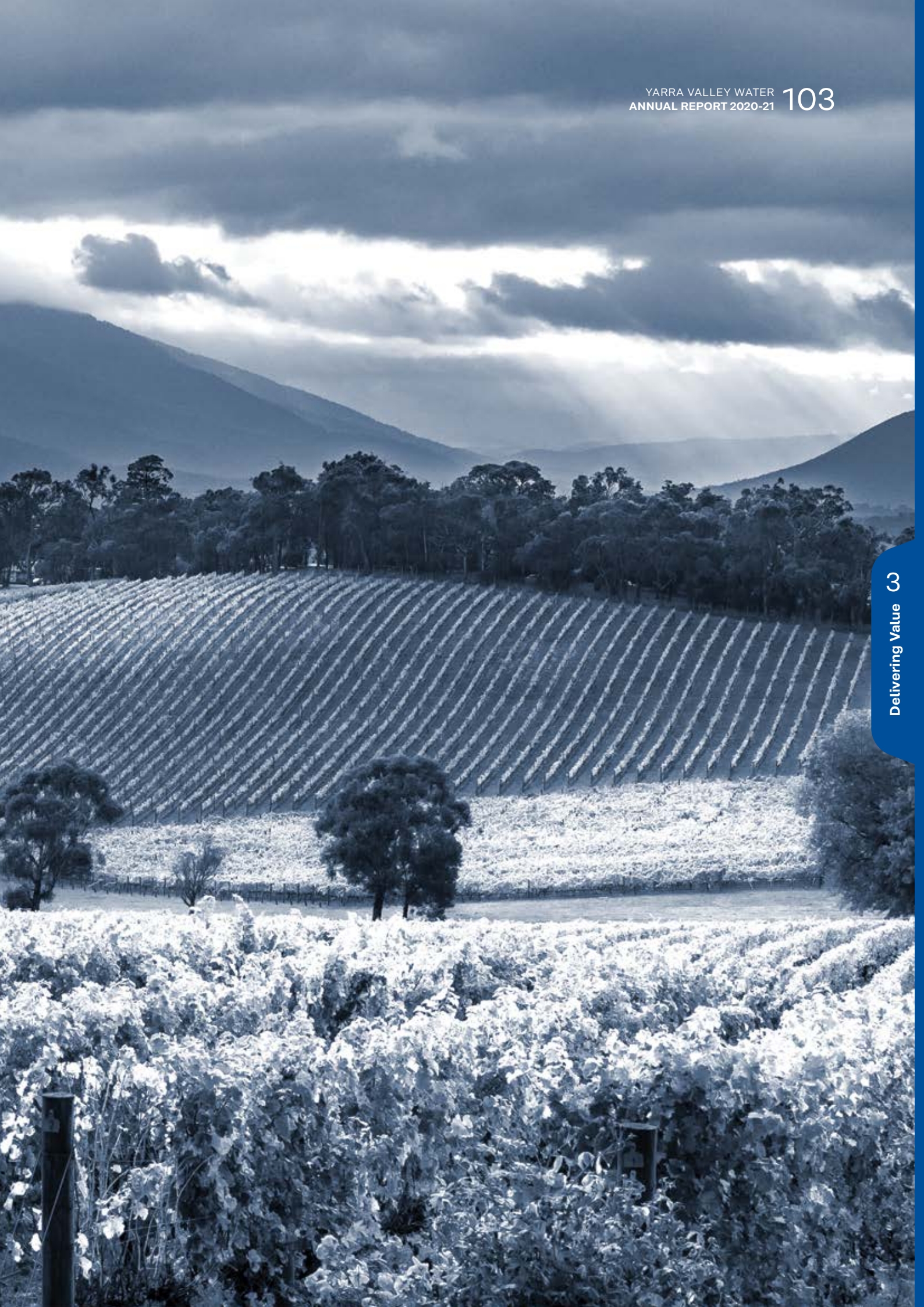
Sue T O'Connor
Chair



Patrick J McCafferty
Managing Director



Natalie Foeng
Chief Financial Officer



Auditor's report



Independent Auditor's Report

To the Board of the Yarra Valley Water Corporation

Opinion I have audited the accompanying performance report of the Yarra Valley Water Corporation (the corporation) for the year ended 30 June 2021, which comprises the:

- financial performance indicators
- water and sewerage service performance indicators
- customer responsiveness performance indicators
- environmental performance indicators
- certification of performance report.

In my opinion, the performance report of the Yarra Valley Water Corporation for the year ended 30 June 2021 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the *Financial Management Act 1994*.

Basis for Opinion I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the performance report* section of my report.

My independence is established by the *Constitution Act 1975*. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the performance report in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Board's responsibilities for the performance report The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.

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
7 September 2021



Paul Martin
as delegate for the Auditor-General of Victoria

Financial Report





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Directors' Report for the year ended 30 June 2021

The Directors of Yarra Valley Water Corporation present their report for the financial year ended 30 June 2021.

Directors

Directors in office during the financial year were as follows. Directors were in office for the entire period, unless otherwise stated.

Sue Therese O'Connor	Chair
Robert Clive Skinner	Deputy Chair
Patrick John McCafferty	Managing Director
Victor John Perton	
Anita Michele Roper	
Helen Lynette Thornton	
Karen Milward	
Victoria Fay Marles	
Ian Hamm	

Particulars of the Directors' and Corporate Secretary's qualifications, experience and special responsibilities are set out in the Delivering Value – Our Leadership section of this Annual Report.

Directors' attendance at meetings

The number of Directors' meetings and Board Committee meetings held, and the number of meetings attended by each of the Directors during the financial year is set out in the Delivering Value – Our Leadership section of this Annual Report.

Principal activities

The principal activities during the course of the financial year were providing retail water supply and sewerage services and collecting trade waste within the Yarra Valley Water district.

There were no significant changes in the nature of these activities during the year.

Dividends

The amount of the final dividend for the year ended 30 June 2021 will be determined after consultation between the Board, the Minister for Water and the Treasurer of Victoria. An interim dividend of \$10.6 million for the year ended 30 June 2021 was paid on 30 April 2021. An interim dividend of \$3.5 million and a final dividend of \$25.5 million for the year ended 30 June 2020 was paid on 30 June 2020 and 31 October 2020, respectively.

Capital repatriation

There was no capital repatriation for the years ended 30 June 2021 and 30 June 2020.

Review of operations

During the 2021 financial year, Australia continued to be impacted by coronavirus with restrictions changing throughout the year in accordance with government policy. We continue to monitor the impact of coronavirus on our employees and customers. Our financial sustainability is supported by the Victorian Government.

Further detail on our operations during the year ended 30 June 2021 and the results of those operations are contained in this Annual Report.

State of affairs

There were no significant changes in our state of affairs during the year ended 30 June 2021.

For a discussion of the program and initiatives we rolled out this year, refer to the 2020-21 Highlights section in this Annual Report.

Events subsequent to balance sheet date

Victoria entered a lockdown from 11.59pm on 15 July 2021 to 11:59pm on 27 July 2021. A further lockdown commenced at 8pm on 5 August 2021. Lockdowns bring uncertainties and challenges for our customers and communities. As an essential service we continue to operate during lockdowns with our employees working from home where their roles allowed.

Except as provided above, no matter or circumstance has arisen since 30 June 2021 that has or might significantly affect the operations of Yarra Valley Water, the results of those operations, or Yarra Valley Water's state of affairs in future financial years.

Environmental regulation

Yarra Valley Water's operations are subject to environmental regulation.

We hold two Corporate Licences issued by the Environment Protection Authority Victoria (EPA) under the *Environment Protection Act 1970 (Vic)*. One licence imposes conditions relating to discharges, reporting obligations and other matters concerning the operation of seven sewage treatment plants. The second licence is to operate a food waste to energy facility with a production capacity of 1MW. It allows for the acceptance of commercial food wastes, some of which are classed as prescribed industrial waste.

Yarra Valley Water complied with all conditions of the EPA's Corporate Licences in the 2020-21 financial year and addressed the following to ensure compliance:

- continued work on the Brushy Creek Treatment Plant as the result of an odour complaint in 2019-20. Current odour rectification works are underway and construction is scheduled to be completed by the end of February 2022, with commissioning taking place in March 2022
- conducted an investigation for an odour complaint relating to the food waste to energy facility at Wollert. The investigation was inconclusive of the source of the odour and findings were shared with the complainant. No further action is required at this stage
- assisted EPA with their understanding of the June 2021 wet weather events and associated sewer spills by addressing four Notices to Produce
- continued to work with EPA on developing the financial assurance requirements in relation to the food waste to energy facility. The financial assurance provides EPA with surety that if the site needs environmental remediation works, funds are available. Whilst we work through this the facility is licenced to operate. The decision on the financial assurance rests with the EPA

Yarra Valley Water maintains an Environment Management System certified to ISO 14001:(2015). Yarra Valley Water has implemented an action plan to meet obligations under the new *Environment Protection Act 2017 (Vic)* that comes into effect on 1 July 2021.

Further particulars of specific environmental performance measures are set out in the Delivery Value - Environmental Outcomes and Our Performance sections of this Annual Report.

Directors' Deeds

Yarra Valley Water has entered into a Deed with each Director under which it is required to provide access to its books and to maintain insurance coverage for at least seven years after the Director ceases to be a Director.

Insurance of officers

During the financial year, we paid premiums in respect of contracts to insure Directors, former Directors and Officers of Yarra Valley Water against certain liabilities.

Some of the contracts of insurance prohibit disclosure of the nature of the liabilities insured and the amount of the premium.

Rounding of amounts to nearest thousand dollars

The amounts in this Financial Report and the Annual Report have been rounded to the nearest thousand dollars, unless otherwise stated.

This Financial Report is made in accordance with a resolution of the Directors of Yarra Valley Water on 27 August 2021.



Sue T O'Connor
Chair



Patrick J McCafferty
Managing Director

Statement of Comprehensive Income for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Revenue			
Service and usage revenue	2.1	968,728	951,083
New customer contributions by developers	2.1	35,076	36,505
Developer contributed assets	2.1	69,809	85,598
Other revenue	2.1	51,674	64,498
Other income	2.2	6,124	5,890
Total revenue		1,131,411	1,143,574
Expenses			
Bulk water and sewerage expenses	3.1	(528,335)	(541,363)
Contract expenses	3.1	(61,213)	(56,090)
Salary and employee benefits expense	3.2.1 & 3.2.3	(55,125)	(52,710)
Environmental contribution	8.2	(47,430)	(42,855)
Depreciation	4.2	(97,189)	(94,174)
Amortisation	4.3	(19,129)	(20,331)
Finance costs	6.1.2	(130,264)	(132,886)
Other expenses	3.1	(56,980)	(54,468)
Total expenses		(995,665)	(994,877)
Profit before income tax		135,746	148,697
Income tax expense	8.1	(41,632)	(44,299)
Net profit after tax		94,114	104,398
Other comprehensive income			
Decrease from revaluation of infrastructure assets	4.2	(143,218)	(103,396)
Increase from revaluation of land	4.2	123,778	-
Increase from revaluation of buildings	4.2	297	297
Defined benefit superannuation plan actuarial gain / (loss)	9.2	7,776	(373)
Deferred income tax on items of other comprehensive income	8.1	22,346	31,041
Other comprehensive income, net of tax		10,979	(72,431)
Total comprehensive income		105,093	31,967

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

Balance Sheet

as at 30 June 2021

	Note	2021 \$'000	2020 \$'000
Assets			
Current assets			
Cash	6.2	2,366	2,211
Receivables	5.1	163,789	159,741
Non-financial physical assets classified as held for sale	4.5	17,739	-
Other non-financial assets	5.3	5,199	4,460
Total current assets		189,093	166,412
Non-current assets			
Infrastructure, property, plant and equipment	4.2	5,212,311	4,980,611
Intangible assets	4.3	186,087	166,763
Other financial assets	5.2	11	-
Other non-financial assets	5.3	1,007	-
Defined benefit superannuation asset	3.2.3.2c	11,548	4,529
Total non-current assets		5,410,964	5,151,903
Total assets		5,600,057	5,318,315
Liabilities			
Current liabilities			
Contract liabilities	5.5	60,414	58,433
Current tax payable	8.1	863	3,609
Provisions - employee benefits	3.2.2	22,503	22,083
Other provisions	5.6	12,694	9,464
Lease liabilities	5.7 & 6.1	2	2
Payables	5.4	108,709	111,521
Borrowings	6.1	342,900	299,959
Total current liabilities		548,085	505,071
Non-current liabilities			
Contract liabilities	5.5	-	450
Provisions - employee benefits	3.2.2	2,877	2,602
Lease liabilities	5.7 & 6.1	12	13
Other financial liabilities	5.2	586	-
Payables	5.4	6,715	-
Deferred tax liabilities	8.1	576,581	604,871
Borrowings	6.1	2,794,100	2,603,200
Total non-current liabilities		3,380,871	3,211,136
Total liabilities		3,928,956	3,716,207
Net assets		1,671,101	1,602,108
Equity			
Contributed equity	9.1	420,967	420,967
Retained earnings	9.2	501,778	438,321
Asset revaluation surplus	9.3	748,356	742,820
Total equity		1,671,101	1,602,108

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

Statement of Changes in Equity for the year ended 30 June 2021

	Note	Contributed equity \$'000	Retained earnings \$'000	Asset revaluation surplus \$'000	Total \$'000
Balance as at 1 July 2019		420,967	398,284	814,990	1,634,241
Net profit after tax		-	104,398	-	104,398
Other comprehensive income, net of tax	9.2 & 9.3	-	(261)	(72,170)	(72,431)
Dividends paid	9.2	-	(64,100)	-	(64,100)
Balance as at 30 June 2020		420,967	438,321	742,820	1,602,108
Net profit after tax		-	94,114	-	94,114
Other comprehensive income, net of tax	9.2 & 9.3	-	5,443	5,536	10,979
Dividends paid	9.2	-	(36,100)	-	(36,100)
Balance as at 30 June 2021		420,967	501,778	748,356	1,671,101

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

Cash Flow Statement for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Cash flow from operating activities			
Receipts from customers		1,018,195	1,025,033
Proceeds from grants		3,765	543
Payments to suppliers and employees		(736,848)	(737,407)
Goods and services tax refunded (net)		34,887	32,930
Income tax paid		(50,317)	(65,651)
Interest and other costs of finance paid		(131,078)	(133,126)
Interest received		6	95
Net cash inflow from operating activities	6.2.1	138,610	122,417
Cash flows from investing activities			
Proceeds from sale of infrastructure, property, plant and equipment		456	874
Payments for acquisition of infrastructure, property, plant and equipment		(328,074)	(321,167)
Payments for acquisition of intangible assets		(9,400)	(11,303)
Payments for investments		(11)	-
Net cash outflow from investing activities		(337,029)	(331,596)
Cash flows from financing activities			
Refinancing of borrowings - inflow		582,041	466,852
Refinancing of borrowings - outflow		(348,200)	(193,200)
Developer security deposits		834	850
Principal element of lease payments		(1)	(48)
Dividends paid	9.2	(36,100)	(64,100)
Net cash inflow from financing activities		198,574	210,354
Net increase in cash held		155	1,175
Cash at beginning of year		2,211	1,036
Cash at end of year	6.2	2,366	2,211

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

Notes to the financial statements for the year ended 30 June 2021

1 About this Report

Introduction

This section sets out the framework of our report.

Structure

- 1.1 Basis of accounting
- 1.2 Impact of coronavirus on the 2020-21 Financial Report

1.1 Basis of accounting

This financial report is a general purpose financial report, consisting of Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement and notes accompanying these statements for the period ending 30 June 2021. The general purpose financial report has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions.

The financial report has been prepared on an accrual and going concern basis and is prepared on a historical cost convention, except for infrastructure, property, plant and equipment, land held for sale, derivative financial instruments and the defined superannuation asset which have been measured at fair value.

The financial report of Yarra Valley Water Corporation, as an individual reporting entity for the year ended 30 June 2021, was authorised for issue in accordance with a resolution of the Directors on 27 August 2021.

Accounting policies

Accounting policies are 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. The accounting policies have been consistently applied, unless otherwise stated.

Functional and presentation currency

All amounts are presented in Australian dollars, unless otherwise stated, and have been rounded to the nearest thousand dollars or, in other cases, to the nearest dollar.

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 12 months.

Accounting estimates

We evaluate estimates and make judgements which are incorporated in the financial report based on historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within Yarra Valley Water. Judgements and estimates require assumptions to be made about highly uncertain external factors such as discount rates, probability factors, the effects of inflation, changing technology, political and social trends and climate change. There are many uncertainties in the estimation process and assumptions that are valid at the time of estimation may change significantly when new information becomes available. The significant judgements made in preparing these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Actual results may differ from these estimates.

The most significant accounting estimates undertaken in preparing this financial report relate to:

- accrued water usage and sewage disposal charges – notes 2.1 and 5.1
- the timing of satisfaction of performance obligations and their associated transaction price, impacting:
 - new customer contributions – note 2.1
 - developer contributed assets – note 2.1
 - other revenue – note 2.1
 - accrued revenue – note 5.1
 - unearned income – note 5.5

- assumptions on the likely tenure of existing staff, pattern of leave taken, future salary movements and future discount rates, impacting:
 - employee benefit provisions – note 3.2.2
 - defined benefit superannuation fund – note 3.2.3.2
- asset residual values and useful lives – notes 4.2 and 4.3
- asset impairment – notes 4.2 and 4.3
- other provisions – note 5.6
- contingent assets and liabilities – note 7.3
- fair value of infrastructure, property, plant and equipment – note 7.4
- fair value of derivative financial instruments – notes 3.1, 5.2 and 7.4
- deferred tax – note 8.1
- uplifting our IT network capability to support remote working
- supporting customers experiencing financial difficulties through arrangements such as our hardship program, more time to pay arrangements and new payment plans
- providing waivers to our trade waste customers and commercial tenants experiencing financial hardship
- supporting our non-utility lease holders and licence holders

1.2 Impact of coronavirus on the 2020-21 Financial Report

Background

On 16 March 2020, a state of emergency was declared in Victoria to deal with the spread of coronavirus. To reduce the spread, a series of public health measures were imposed across the world and in Australia, including travel restrictions, a nation-wide call to work from home and significantly reduced levels of activity in both the economy and community. In addition, the Federal and State governments have been providing a number of economic stimulus packages and policies in support of Victorian families and businesses. We have seen changes in the support packages and stimulus methods adopted as the pandemic has evolved, for example the cease of JobKeeper in March 2021 and a move to support that is paid only during periods of lockdown. We continue to be subject to changing restrictions depending upon the risk assessed by government. Victoria was subject to further lockdowns in June, July and August 2021 following mutations in the virus that increased its level of mobility. Vaccinations of the community have commenced, which will assist in reducing the level of risk. Our employees commenced transitioning back to the office in February 2021 and are permitted to work from our offices when restrictions allow.

Impact on customers

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

- ensuring a strong response and putting provisions in place to continue to provide essential water and sewerage services to our customers
- supporting our employees transitioning to working in a hybrid manner

Impact on the financial report

Management have assessed the impact of coronavirus on the financial report. The areas affected are listed below. Further information has been documented where relevant under the respective note referred to:

- Note 2.1 – Revenue from contracts with customers
- Note 2.3 – Commitments for lease and licence receivables
- Note 3.2.1 – Employee benefits – Statement of Comprehensive Income
- Note 3.2.3.2 – Defined benefit superannuation asset
- Note 4.2 – Reconciliation of movements in carrying values of infrastructure, property, plant and equipment
- Note 5.1.2 – Reconciliation of the expected credit loss allowance
- Note 7.2 – Financial risk management objectives and policies
- Note 7.4 – Fair value
- Note 9.7 – Ex-gratia expenditure
- Note 9.9 – Events subsequent to balance sheet date

Going concern

Management are continuously reviewing budgets and forecasts while monitoring cash flow requirements and customer payment trends during this period of uncertainty and conclude that the going concern assumption still remains appropriate. We have in place financing arrangements with the Victorian Government, refer note 7.2ii, with unused borrowings available to us.

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

Notes to the financial statements for the year ended 30 June 2021

2 Funding delivery of our services

Introduction

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

Structure

- 2.1 Revenue from contracts with customers
- 2.2 Other income
- 2.3 Commitments for lease and licence receivables

2.1 Revenue from contracts with customers

	2021 \$'000	2020 \$'000
Service and usage revenue		
Fixed service charges	417,885	405,944
Water usage charges	413,979	403,974
Sewage disposal charges	118,103	121,350
Trade waste charges	23,805	24,521
Customer rebates	(5,044)	(4,706)
Total	968,728	951,083

During the 2021 financial year we completed a detailed review of our chart of accounts. This identified some variances in allocation of our revenue. These are immaterial in the prior year; the prior year has been aligned to the current year to ensure appropriate comparison can be drawn.

Water and sewerage service charges (fixed service charges) are billed quarterly in advance and recognised as revenue over time as the customer receives access to our services. Service charges represent charges for access to the water supply and sewerage systems.

Water usage charges and sewage disposal charges are recognised as revenue over time as the customer simultaneously receives and consumes the services provided. As meter reading is cyclical, an estimate is made at the end of the accounting period for water usage and sewage disposal by customers, refer note 5.1. This estimate is determined based on bulk water purchases from Melbourne Water less the estimated

non-revenue, including bursts and leaks, water required for operational use, firefighting, unauthorised consumption/theft and meter inaccuracies.

Trade waste charges are recognised as revenue at a point in time when the service delivery period ends. Volume meters are read, and appropriate charges levied per trade waste agreements. Meters are read on a cyclical basis with accounts sent on a quarterly basis.

The payment in advance by customers of accounts is classified as contract liabilities, refer note 5.5.

Service and usage revenue is impacted by customer rebates including our Arrange and Save Program, refer note 9.7.

As result of coronavirus, refer note 1.2, we saw a shift in how our water and sewerage services were used. A smaller proportion of our total water demand came from non-residential customers due to the decrease in demand from businesses impacted by restrictions, as well as increased working from home and remote learning. As restrictions have lifted we have seen this trend begin to reverse.

New customer contributions (NCC)

New customer contributions represent charges applicable when a customer builds or develops a property and connects to our water supply and sewerage infrastructure. These contributions help pay for shared infrastructure and are recognised as revenue at the point in time when we've met the performance obligations associated with the contribution. Performance obligations are typically recognised as being met by issuing of a Statement of Compliance (our consent for the relevant Council to continue processing a developer's application) or connection to services. Payments in advance are classified as contract liabilities, refer note 5.5.

Developer contributed assets (DCA)

Revenue from developer contributed assets arise where developers pay for the cost of constructing new assets and subsequently gift these assets to us. We maintain these assets in perpetuity. Revenue is recognised at the point in time when we've met the performance obligations associated with the asset.

Performance obligations are recognised as being met by issuing of a Statement of Compliance or Acceptance of Works (our acknowledgement that the assets are operational) depending upon the developer's application and specific performance obligations. This non-cash revenue is recorded as developer contributed assets. DCA's awaiting Statement of Compliance are classified as contract liabilities, refer note 5.5. Upon initial recognition the assets are recorded at fair value.

Government policy and mandates in response to coronavirus, refer note 1.2, have the ability to impact the development sector's supply and demand, developer's ability to deliver to schedule and volume of development activity. Whilst we have seen strong levels of developer activity continue during financial year 2021, there have been less projects closing out their performance obligations in the reporting period, therefore reducing the level of revenue generated from DCA's. Due to the lead time required in closing out performance obligations, we anticipate that the current high levels of developer activity will impact revenues in future financial years.

	2021 \$'000	2020 \$'000
Other revenue		
Other products and services	20,731	21,719
Park and drainage collection fees	8,473	8,552
Information statements and applications	5,439	5,464
Water trading	1,497	8,767
Waste to energy	2,409	2,612
Recoverable works	11,382	11,429
Other	1,743	5,955
Total	51,674	64,498

Other revenue items are recognised on an accrual basis.

Other products and services relate to various plumbing services including new meter connections and recycled water inspection fees. Revenue is recognised at the point in time when we've met the performance obligations associated with the products and services, for example, issuing a Statement of Compliance or installing a new water meter.

Park and drainage collection fees relate to billing and collection administration fees from both Melbourne Water and the Department of Environment, Land, Water and Planning for revenue collected from customers on their behalf.

Water trading revenue relates to sales of water allocation in northern Victoria. We recognise the

revenue at the point in time that the volume of water is deducted from our account and transferred to the account of the purchaser. Water trading revenue is impacted by the weather. Financial year 2021 was a wet year, reducing demand and therefore water sale prices.

Waste to energy revenue is generated from our food waste to energy facility which converts food waste into renewable energy. Revenue is recognised at a point in time, when we accept the waste into our facility.

Recoverable works relates to revenue generated from third parties reimbursing us for works we have carried out on their behalf. These works are a mixture of operating expenditure and capital items. We recognise the revenue at the point in time that the works are completed.

Other revenue is predominately generated from fire service revenue, council hydrant maintenance, legal settlement and sales of assets.

Revenue from contracts with customers	2021 \$'000	2020 \$'000
Total revenue recognised over-time	949,967	931,268
Total revenue recognised at point in time	175,320	206,416
Total	1,125,287	1,137,684

2.2 Other income

Other income is revenue that is not arising from contracts with customers. It is recognised on an accrual basis. Income from leases and licences is recognised in net profit in the Statement of Comprehensive Income on a straight-line basis over the agreement term.

	Note	2021 \$'000	2020 \$'000
Lease and licence income	2.3	2,002	1,883
Interest income		6	95
ZEW settlement income	5.2	90	217
Impairment writeback	4.2	4,026	3,695
Total		6,124	5,890

Notes to the financial statements for the year ended 30 June 2021

2.3 Commitments for lease and licence receivables

The following table summarises the lease and licence receivables contracted for at balance date but not provided in the financial statements. Revenue for leases and licences, where substantially all risks and benefits remain with the lessors or licensors, are recognised as revenue in the periods in which they are incurred. The commitments recorded below are at their nominal value and are inclusive of GST.

We have non-cancellable agreements with various utility bodies who use our land and buildings to house their telecommunication infrastructure. In addition to these agreements, we also have a small number of agreements with non-utility bodies who use our sites for a variety of purposes. In line with government policy introduced as a response to coronavirus, refer note 1.2, we offered to waive the licence fees and rent for our non-utility lease holders and licence holders

from 1 January to 31 December 2020. Our financial statements for the financial year ended 30 June 2020 assumed that all non-utility lease holders and licence holders would access this benefit and we included this assumption in the disclosure below. From 1 January 2021 all lease holders and licence holders are being invoiced.

Non-cancellable lease and licence receivables	2021 \$'000	2020 \$'000
No later than one year	1,649	1,501
Later than one year and no later than five years	4,295	4,535
Later than five years	5,969	6,715
Total (GST inclusive)	11,913	12,751



3 The cost of delivering our services

Introduction

This section provides additional information about how our funding is applied and the accounting policies that are relevant for understanding the items recognised in the financial statements.

Structure

- 3.1 Summary of other expenses incurred in the delivery of our services
- 3.2 Our People
 - 3.2.1 Employee benefits – Statement of Comprehensive Income
 - 3.2.2 Employee benefits – Balance Sheet
 - 3.2.3 Superannuation
- 3.3 Other commitments payable
- 3.4 Remuneration of auditors

3.1 Summary of other expenses incurred in the delivery of our services

Bulk water and sewerage charges are levied by Melbourne Water for water we buy and for sewage treated at Melbourne Water's treatment plants. Variable charges are levied in arrears and are payable on a weekly basis. Fixed charges are levied once a month and are payable on the fifteenth of the month to which they refer. Any variable charges that remain outstanding at the end of the period are accrued.

Bulk water and sewerage expenses	2021 \$'000	2020 \$'000
Variable expenses	75,559	74,891
Fixed expenses	452,776	466,472
Total	528,335	541,363

Contract expenses

Contract expenses include costs such as maintenance contracts, software licences and various other contracts which are expensed in the reporting period in which they are incurred.

Other expenses	Note	2021 \$'000	2020 \$'000
Billing and revenue collection costs		8,307	8,495
Information technology costs		7,042	5,486
Electricity		4,628	4,868
Consulting services		5,864	4,330
Government taxes, fees and contributions		2,954	2,068
Impairment write down of assets to recoverable amount	4.2	7,129	4,713
Bad and doubtful debts	5.1.2	3,974	5,959
Deferred property debt forgiveness	5.1.2	-	167
Write off / disposal of assets	4.2	1,035	911
Initial recognition - expense from derivative financial instruments	5.2 & 7.4.2	612	-
Other expenses		15,435	17,471
Total		56,980	54,468

Billing and revenue collection costs

Billing and revenue collection costs include printing, postage and collection fees which are expensed in the reporting period in which they are incurred.

Derivative financial instruments

This relates to our investment in Zero Emissions Water Limited (ZEW). Refer to 5.2 for further details on the arrangement between us and ZEW. We pay or receive the difference between the floating electricity price and the fixed price set under the agreement for the units of energy supplied into the National Electricity Market by the solar farm. The future settlements of Contract for Difference (CfD) are classified as derivative financial instruments.

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

Notes to the financial statements for the year ended 30 June 2021

Refer to note 7.4.2 for more information about the judgements and assumptions used in measuring fair value determination of derivative financial instruments.

Other expenses

This includes legal, insurance, materials, transport and other expenses.

3.2 Our People

3.2.1 Employee benefits – Statement of Comprehensive Income

Employee expenses include all costs related to employment including wages and salaries, superannuation, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums. In addition to the standard leave entitlements of our employees under legislation, our staff were provided with access to additional leave to support those dealing with coronavirus impacts, refer note 1.2. This leave covers staff should they contract coronavirus, be caring for family who have contracted coronavirus or who are required to take on additional caring commitments during this time.

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

3.2.2 Employee benefits – Balance Sheet

A provision is recognised for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and the liability is capable of being reliably measured.

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because we do not have an unconditional right to defer settlements of these liabilities. The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As we expect the liabilities to be wholly settled within 12 months of

the reporting date, they are measured at an undiscounted amount.

The annual leave liability is classified as a current liability and measured at an undiscounted amount for those entitlements expected to be wholly settled within 12 months. Annual leave that is expected to be settled after 12 months is measured as the present value of estimated future cash flows.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income as it is taken.

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

Unconditional long service leave

Unconditional long service leave (LSL) is disclosed as a current liability – even where we do not expect to settle the liability within 12 months because we don't have the unconditional right to defer the settlement of the entitlement should an employee elect to take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value – if we expect to wholly settle within 12 months
- present value – if we don't expect to wholly settle within 12 months

The present value is impacted by historical trends of employees taking leave after seven years of service.

Conditional long service leave

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

	2021 \$'000	2020 \$'000
Employee benefits		
Current liabilities - provisions		
Annual leave		
Unconditional and expected to settle within 12 months	2,292	2,280
Unconditional and expected to settle after 12 months	5,025	3,829
Long service leave		
Unconditional and expected to settle within 12 months	304	360
Unconditional and expected to settle after 12 months	11,961	12,986
Provision for on-costs		
Unconditional and expected to settle within 12 months	370	373
Unconditional and expected to settle after 12 months	2,551	2,255
Total	22,503	22,083
Non-current liabilities - provisions		
Employee benefits - long service leave	2,497	2,300
On-costs	380	302
Total	2,877	2,602
Reconciliation of movement in on-cost provision		
Opening balance at 1 July	2,930	2,635
Additional provision	982	1,252
Amounts utilised during year	(712)	(876)
Effect of changes in discount rate and remeasurement	101	(81)
Carrying amount at 30 June	3,301	2,930

Reconciliation of on-cost provision relates to the sum of current \$2,921,000 (2020: \$2,628,000) and non-current \$380,000 (2020: \$302,000) on-costs.

Notes to the financial statements for the year ended 30 June 2021

3.2.3 Superannuation

3.2.3.1 Accumulation plans

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

3.2.3.2 Defined benefit superannuation asset

A liability or asset in respect of the defined benefit superannuation plan is recognised in the Balance Sheet and is measured as the present value of the defined benefit obligation at the reporting date, plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date. The present value of the defined benefit obligation is based on expected future payments to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service.

Actuarial gains and losses are recognised immediately in other comprehensive income.

a. Superannuation plan information

For employees who are members of the Equisuper Superannuation Fund defined benefit plan, an agreed percentage of salaries is contributed to the fund as recommended by an actuary.

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. Some defined benefit members have the option of a pension benefit in certain circumstances. The defined benefit section of the plan is closed to new members. All new members of the fund receive accumulation only benefits.

The *Superannuation Industry (Supervision) Act 1993* (SIS) legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions unless an exemption has been obtained. We value our plan annually.

The plan's Trustee is responsible for the governance of the plan and has a legal obligation to act solely in the best interest of plan beneficiaries. The Trustee has the following roles:

- administration of the plan and payment to the beneficiaries from plan assets when required in accordance with the plan rules
- management and investment of the plan assets
- compliance with superannuation law and other applicable regulations

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licences and supervises regulated superannuation plans.

There were no plan amendments affecting the defined benefits payable, curtailments or settlements during the year.

b. Description of risks

There are a number of risks to which the plan exposes Yarra Valley Water. The more significant risks relating to the defined benefits are:

- Investment risk – The risk that investment returns will be lower than assumed and we will need to increase contributions to offset the shortfall
- Salary growth risk – The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions
- Legislative risk – The risk that legislative changes could be made which increase the cost of providing the defined benefits
- Pension risk – The risk that a greater proportion of eligible members will elect to take a pension benefit than assumed, which is generally more valuable than the corresponding lump sum benefit. Secondly, if a member elects to take a pension, the risks are the pensioner mortality will be lighter than assumed or pension increases will be greater than assumed

The plan assets are invested by the Trustee in the Defined Benefit and Cash investment options. The assets are diversified within these investment options and therefore the plan has no significant concentration of investment risk.

c. Reconciliation of assets and obligations

	Fair value of plan assets \$'000	Defined benefit obligation \$'000	Net defined benefit asset \$'000
Opening balance at 1 July 2019	35,736	(30,065)	5,671
Current service cost	-	(833)	(833)
Interest income / (expense)	439	(375)	64
Actuarial return on plan assets less interest income	459	-	459
Contributions by plan participants	194	(194)	-
Actuarial losses arising from changes in financial assumptions	-	(412)	(412)
Actuarial losses arising from changes in demographic assumptions	-	(999)	(999)
Actuarial gains arising from liability experience	-	579	579
Benefits paid	(4,601)	4,601	-
Taxes, premiums and expenses paid	(120)	120	-
Closing balance at 30 June 2020	32,107	(27,578)	4,529
Current service cost	-	(788)	(788)
Interest income / (expense)	243	(212)	31
Actuarial return on plan assets less interest income	2,836	-	2,836
Contributions by plan participants	195	(195)	-
Actuarial gains arising from changes in financial assumptions	-	3,476	3,476
Actuarial gains arising from liability experience	-	1,464	1,464
Benefits paid	(1,337)	1,337	-
Taxes, premiums and expenses paid	(75)	75	-
Closing balance at 30 June 2021	33,969	(22,421)	11,548

Superannuation defined benefit expense is included in salary and employee benefits expense and is represented by the sum of current service cost, interest income and interest expense \$757,000 (2020: \$769,000).

The asset ceiling has no impact on the net defined benefit liability / (asset). The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

d. Fair value plan assets as at 30 June 2021

Investment funds are measured using significant observable inputs – Level 2.

e. Plan assets

	2021 %	2020 %
Australian equity	16	12
International equity	17	16
Fixed income	14	12
Property	7	5
Growth alternatives	10	11
Defensive alternatives	14	13
Cash	22	31
Total	100	100

Asset allocation as at 30 June 2021 is currently unavailable. Asset allocation at 31 May 2021 has been used.

Notes to the financial statements for the year ended 30 June 2021

f. Fair value of Yarra Valley Water's own financial instruments

The fair value of plan assets includes no amounts relating to:

- any of Yarra Valley Water's own financial instruments
- any property occupied by, or other assets used by Yarra Valley Water

g. Actuarial assumptions to determine defined benefit cost and obligation

	Defined benefit cost		Defined benefit obligation	
	2021	2020	2021	2020
Discount rate	0.80%	1.30%	1.40%	0.80%
Expected salary increase rate	4.25%	4.60%	2.95%	4.25%

In 2021, the discount rate and expected salary increase rate has reduced significantly in comparison to prior year as a result of a number of market variables that have been impacted by coronavirus, refer note 1.2. Market variables include changes to government policies, unemployment rates, inflation levels, changes in business productivity, and drops in business and consumer confidence.

h. Sensitivity analysis

The defined benefit obligation as at 30 June 2021 under several scenarios is presented below.

	Base case	Discount Rate		Salary Rate	
		0.5% pa lower	0.5% pa higher	0.5% pa lower	0.5% p. higher
Discount rate - per annum	1.40%	0.90%	1.90%		
Salary increase rate - per annum	2.95%			2.45%	3.45%
Defined benefit obligation (\$'000) ¹	22,421	23,361	21,534	21,628	23,245

1. Includes contribution tax provision.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

No asset and liability matching strategies have been adopted by the plan.

i. Funding arrangements

The Equisuper Contribution and Funding Policy provides for a review of the financial position of the plan each six months, as at 30 June and 31 December, with Yarra Valley Water's contribution rate comprising a long-term contribution rate and an adjustment to meet the financial objective of a Funding Ratio of 104 per cent.

The Target Funding Ratio reflects the proportion of salary related benefits and the allocation to 'growth' assets for the plan. The Funding Ratio is the ratio of assets to accrued liabilities, being the greater of vested benefits and the present value of past membership benefits.

Where the Funding Ratio is greater than 100 per cent, the financing objective is to achieve the Target Funding Ratio over five years. Where the Funding Ratio is less than 100 per cent the primary financing objective is to achieve 100 per cent over three years and the Target Funding Ratio over five years.

In the most recent review of the financial position as at 31 December 2020, the actuary recommended continuing our contribution rate of nil. The next review of the plan's financial position and our contribution rate is due at 30 June 2021. This review will occur post 30 June once the required information becomes available.

We continue to contribute salary sacrifice contributions at the required rates for accumulation members.

j. Expected contributions

Employer contributions for the financial year ending 30 June 2021 are expected to be nil.

k. Maturity profile of defined benefit obligations

The weighted average duration of the defined benefit obligation as at 30 June 2021 is eight years (2020: seven years).

	\$'000
30 June 2022	1,797
30 June 2023	1,871
29 June 2024	2,155
30 June 2025	2,252
30 June 2026	2,255
Following five years	10,240

3.3 Other commitments payable

Payments for licenses where substantially all the risks and benefits remain with the licensor are charged as expenses in the period in which they are incurred.

	2021 \$'000	2020 \$'000
Not later than one year	78	55
Later than one year and not later than five years	89	28
Greater than five years	430	33
Total (GST inclusive)	597	116

Contractual commitments are disclosed in note 4.6 and environmental contributions in note 8.2.

3.4 Remuneration of auditors

	2021 \$'000	2020 \$'000
Financial statements - Victorian Auditor-General's Office	185	149
Internal audit - Pitcher Partners	250	344
Total	435	493

Disclosure only includes auditors involved in the audit of financial statements or financial controls.

Notes to the financial statements for the year ended 30 June 2021

4 Key assets available to support output delivery

Introduction

We control infrastructure and other assets that are utilised in fulfilling our objectives and conducting our activities. They represent the key resources that have been entrusted to us to be utilised for delivery of those outputs.

Structure

- 4.1 Total infrastructure, property, plant and equipment: carrying amount
- 4.2 Reconciliation of movements in carrying values of infrastructure, property, plant and equipment
- 4.3 Intangible assets
- 4.4 Net gain/loss on disposal of non-current physical assets
- 4.5 Non-financial physical assets classified as held for sale
- 4.6 Contractual commitments payable

4.1 Total infrastructure, property, plant and equipment: carrying amount

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
At fair value						
Infrastructure	4,282,800	4,245,100	-	-	4,282,800	4,245,100
Land	544,236	424,344	-	-	544,236	424,344
Buildings	33,553	35,392	-	-	33,553	35,392
Plant and equipment	49,941	49,774	(25,280)	(20,094)	24,661	29,680
Leasehold improvements	63	63	(4)	-	59	63
At cost						
Right of use asset	17	63	(3)	(44)	14	19
Capital works in progress	326,988	246,013	-	-	326,988	246,013
Total	5,237,598	5,000,749	(25,287)	(20,138)	5,212,311	4,980,611

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

	Infrastructure \$'000	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Right of use assets \$'000	Capital works in progress \$'000	Total \$'000
Balance at 1 July 2019	3,890,500	410,871	32,751	26,082	-	-	412,005	4,772,209
Additions	-	-	-	-	-	-	407,604	407,604
Transfers	545,823	15,581	90	9,389	63	63	(571,009)	-
Write off / disposal of assets	(109)	-	-	(802)	-	-	-	(911)
Depreciation	(87,718)	-	(1,423)	(4,989)	-	(44)	-	(94,174)
Impairment (writedown) / writeback of assets to recoverable amount	-	(2,108)	3,677	-	-	-	(2,587)	(1,018)
Revaluation increase / (decrease) recognised in equity	(103,396)	-	297	-	-	-	-	(103,099)
Carrying amount at 30 June 2020	4,245,100	424,344	35,392	29,680	63	19	246,013	4,980,611
Additions	-	-	-	-	-	-	369,909	369,909
Transfers ¹	271,894	(6,208)	471	655	-	-	(284,551)	(17,739)
Write off / disposal of assets	(632)	-	-	(403)	-	-	-	(1,035)
Depreciation	(90,344)	-	(1,565)	(5,271)	(4)	(5)	-	(97,189)
Impairment (writedown) / writeback of assets to recoverable amount	-	2,322	(1,042)	-	-	-	(4,383)	(3,103)
Revaluation increase / (decrease) recognised in equity	(143,218)	123,778	297	-	-	-	-	(19,143)
Carrying amount at 30 June 2021	4,282,800	544,236	33,553	24,661	59	14	326,988	5,212,311

1. Refer note 4.5 for transfer of land to asset held for sale.

Notes to the financial statements for the year ended 30 June 2021

Initial recognition

Infrastructure, property, plant and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment losses, where applicable. 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 appropriate proportion of variable and fixed overheads. We have a capitalisation threshold of greater than \$100 exclusive of GST and the asset must be used for more than one reporting period.

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) and is summarised by asset category. Refer note 7.4 for fair value disclosures.

Revaluations

In measuring the fair values of non-financial assets, we engage independent valuers for scheduled valuations every five years or earlier if interim indices suggest there has been a material movement. Scheduled valuations have occurred this financial year in respect of our land and buildings, refer note 7.4.1. Infrastructure assets are measured at fair value every year.

Revaluations are performed with sufficient regularity so that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Revaluation increments are credited directly to equity in the asset revaluation surplus, except where a revaluation decrement for that class of asset was previously recognised as an expense. The increment is recognised as revenue up to the value of the previous expense. Any excess is recognised in the assets' revaluation surplus.

Revaluation decrements are recognised immediately as an expense, except where a revaluation increment for that class of asset was previously recognised in the asset revaluation reserve. The decrement is recognised as a debit in the asset revaluation surplus up to the value of the previous decrement. Any excess is recognised as an expense.

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.

Assumptions in respect of revaluations can be found in note 7.4.

Depreciation

The depreciable amount of all non-current physical assets, excluding freehold land and Crown land, is depreciated on a straight-line basis over their useful lives, commencing from the time the asset is held ready for use. The useful lives, used for each class of depreciable assets, are:

Class of fixed asset	Useful life
Buildings	5 to 100 years
Infrastructure:	
• Main structure	50 to 100 years
• Other	3 to 30 years
Plant and equipment	2 to 25 years
Leasehold improvements and right of use assets	10 years

The cost of a leasehold improvement and right of use asset is capitalised and depreciated over the shorter of the estimated remaining term of the lease or their estimated useful lives.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each Balance Sheet date. There have been no changes to asset category useful lives as at 30 June 2021.

Impairment of non-financial assets

Infrastructure, property, plant and equipment and intangible assets with finite useful lives are assessed annually for indications of impairment. Whenever there is an indication of impairment, 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, an impairment loss is recognised in net profit in the Statement of Comprehensive Income for the excess amount, except to the extent that the write-down reverses an asset revaluation

reserve amount applicable to that asset. The recoverable amount of assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Other than the impairments write-downs already recognised within this note in the financial statements, there are no other material indicators of impairment at the time these financial statements were authorised for issue.

4.3 Intangible assets

	Water entitlements \$'000	Software \$'000	LGCs \$'000	Intangible works in progress \$'000	Total \$'000
Balance at 1 July 2019	96,917	60,656	-	14,245	171,818
Additions	-	-	-	15,276	15,276
Transfers	-	11,303	-	(11,303)	-
Amortisation expense	-	(20,331)	-	-	(20,331)
Carrying amount at 30 June 2020	96,917	51,628	-	18,218	166,763
Additions	-	-	-	38,453	38,453
Transfers	-	9,361	39	(9,400)	-
Amortisation expense	-	(19,129)	-	-	(19,129)
Carrying amount at 30 June 2021	96,917	41,860	39	47,271	186,087

Water entitlements

We contributed \$100 million towards the cost of the Goulburn-Murray Water Connections Project. In exchange for this contribution, we're entitled to a one-ninth share of the progressive water savings generated by Stage 1 of the Connections Project on an ongoing basis. Stage 1 was completed in October 2020.

In exchange for access to the three Melbourne metropolitan water retailers' water entitlements from the Melbourne water supply system, four regional urban water businesses (Barwon Water, South Gippsland Water, Greater Western Water (formerly known as Western Water) and Westernport Water) made contributions of \$9.3 million to the retailers, with our share being \$3.1 million. The investment has therefore been recognised at its net value (\$100 million less \$3.1 million).

The formalised creation of the water entitlements requires the approval of the Minister for Energy, Environment and Climate Change. This has not yet taken place and we anticipate that we will receive our water entitlements under this arrangement in the 2022 financial year. As a result, no impairment testing has been carried out at 30 June 2021. Once the entitlements have been created they will be subsequently tested for indicators of impairment. Currently the entitlements are measured at cost.

Water entitlements are initially recognised at cost, until water entitlements are issued and have an infinite life and are not amortised.

Notes to the financial statements for the year ended 30 June 2021

Intangible assets acquired separately

(software, LGCs and intangible works in progress)

Large-scale generation certificates (LGCs) are megawatt hours (MWh) of net electricity generated by a renewable energy generation system. We generate LGCs from our food waste to energy facility and solar carpark and we purchase them at a set price under the arrangement with Zero Emissions Water Limited (ZEW) refer note 5.2. LGCs are recognised at cost as per FRD 109 and can be surrendered to meet our energy targets. We use our LGCs in two ways:

- mandatory use of renewable energy under the Large-scale Renewable Energy Target
- voluntary surrender of LGCs to meet emissions reduction targets

Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less impairment losses, where applicable. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to us.

Internally generated intangible assets

(software and intangible works in progress)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from a development project is recognised only if all the following are demonstrated:

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

Subsequent to initial recognition, internally generated intangible assets are reported at cost less

accumulated amortisation and impairment losses on the same basis as intangible assets that are acquired separately.

Amortisation

Intangible assets with finite useful lives are amortised on a straight-line basis over the asset's useful life. 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. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least annually at the end of each annual reporting period.

Intangible assets with indefinite useful lives are not amortised. There has been no change to useful lives during the current or previous financial years.

Class of fixed asset	Useful life
Software	3 to 10 years
LGCs and water entitlements	indefinite

Impairment

Intangible assets that have an indefinite useful life and intangible assets not yet available for use are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

4.4 Net gain / loss on disposal of non-current physical assets

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in net profit in the Statement of Comprehensive Income. When significant revalued assets are sold, amounts included in the asset revaluation surplus relating to that asset are transferred to retained earnings. The surplus/deficit from ordinary activities includes the following specific net gains and expenses.

	2021 \$'000	2020 \$'000
Gain on sale of infrastructure, property, plant and equipment	(53)	(74)
Total	(53)	(74)

4.5 Non-financial physical assets classified as held for sale

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. We consider that the sale is highly probable and that 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 as an asset held for sale. 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. Yarra Valley Water has freehold land that is held for sale and was revalued at 30 June 2021 in accordance the VGV formal valuation, refer note 7.4.

4.6 Contractual commitments payable

Significant contractual expenditure arising from contracts are disclosed at their nominal value and inclusive of goods and services tax. Our commitments include growth works and mains renewals for both water and sewer. Total expenditure contracted for at balance date but not provided for in the financial statements:

	2021 \$'000	2020 \$'000
Not later than one year	216,823	292,204
Later than one year and not later than five years	191,380	222,362
Total (GST inclusive)	408,203	514,566



Notes to the financial statements for the year ended 30 June 2021

5 Other assets and liabilities

Introduction

This section sets out any other assets and liabilities that arose from our controlled operations.

Structure

- 5.1 Receivables
 - 5.1.1 Ageing analysis and impairment of contractual receivables
 - 5.1.2 Reconciliation of the expected credit loss allowance
- 5.2 Other financial assets and liabilities
- 5.3 Other non-financial assets
- 5.4 Payables
 - 5.4.1 Ageing analysis of contractual payables
- 5.5 Contract liabilities
- 5.6 Other provisions
- 5.7 Leases

5.1 Receivables

	Note	2021 \$'000	2020 \$'000
Contractual receivables			
Trade receivables - debtors		82,274	83,352
Contract assets - accrued revenue	2.1	80,732	73,785
Other receivables		5,187	5,516
Less: allowance for expected credit losses	5.1.2	(8,417)	(7,275)
Statutory receivables			
GST receivables		4,013	4,363
Total		163,789	159,741

Contractual receivables such as debtors and accrued revenue in relation to goods and services, are classified as financial instruments and categorised as 'loans and receivables'. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any expected credit losses.

Bad debts are written off when determined uncollectable, in accordance with delegation authorities.

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

Statutory receivables, such as amounts owing from the State Government of Victoria and goods and services tax (GST) input tax credit recoverable, are recognised and measured similarly to contractual receivables (except for credit losses), but are not classified as financial instruments because they do not arise from a contract.

5.1.1 Ageing analysis and impairment of contractual receivables

	Not Aged \$'000	1 to 21 days ¹ \$'000	22 to 60 days \$'000	61 to 90 days \$'000	91 to 180 days \$'000	Over 180 days \$'000	Total \$'000
2021							
Expected credit loss rate		2.87%	5.24%	9.32%	24.75%	31.75%	
Trade debtors							
Not past due	-	37,396	-	-	-	-	37,396
Past due	-	-	20,500	4,356	7,068	12,954	44,878
Allowance for expected credit losses	-	(1,074)	(1,075)	(406)	(1,749)	(4,113)	(8,417)
Net trade receivables - debtors	-	36,322	19,425	3,950	5,319	8,841	73,857
Accrued revenue	80,732	-	-	-	-	-	80,732
Other receivables	9,200	-	-	-	-	-	9,200
Total receivables	89,932	36,322	19,425	3,950	5,319	8,841	163,789

1. The 1 to 21 days category includes customers who have renegotiated arrangements and payment terms as a consequence of needing extra support.

	Not Aged \$'000	1 to 21 days ¹ \$'000	22 to 60 days \$'000	61 to 90 days \$'000	91 to 180 days \$'000	Over 180 days \$'000	Total \$'000
2020							
Expected credit loss rate		3.40%	3.29%	8.66%	20.29%	32.79%	
Trade debtors							
Not past due	-	42,558	-	-	-	-	42,558
Past due	-	-	18,104	4,522	8,939	9,229	40,794
Allowance for expected credit losses	-	(1,449)	(595)	(391)	(1,814)	(3,026)	(7,275)
Net trade receivables - debtors	-	41,109	17,509	4,131	7,125	6,203	76,077
Accrued revenue	73,785	-	-	-	-	-	73,785
Other receivables	9,879	-	-	-	-	-	9,879
Total receivables	83,664	41,109	17,509	4,131	7,125	6,203	159,741

1. The 1 to 21 days category includes customers who have renegotiated arrangements and payment terms as a consequence of needing extra support.

All contractual receivables are recognised at the amounts receivable less any provision for impairment of receivables. Credit is generally allowed for a period of 20 days. The collectability of debt is assessed each accounting period for usage and other charges.

Loans and receivables are measured at amortised cost using the effective interest rate method less any impairment.

Notes to the financial statements for the year ended 30 June 2021

5.1.2 Reconciliation of the expected credit loss allowance

The expected credit loss allowance is calculated based on debtor days and we then apply an expected default rate based on historical expected credit losses and forward looking estimates.

Due to coronavirus impacts, refer note 1.2, when estimating the expected credit loss we incorporated assumptions which took into account specific management actions, our observable customer behaviours (so far) and how the pandemic may impact the water industry. Should the macroeconomic assumptions change in the future, it could have a material impact on our allowance for doubtful debts in the subsequent years.

Credit risk is disclosed in note 7.2.

	Note	2021 \$'000	2020 \$'000
Opening balance 1 July		(7,275)	(2,063)
Write offs recognised as an expense	9.7	2,832	2,096
Net provision movements including bad debts recovered		(3,974)	(7,308)
Closing balance 30 June		(8,417)	(7,275)

5.2 Other financial assets and liabilities

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

On 30 October 2018, a Members' Agreement was entered into between the water corporations and ZEW in order to regulate their rights and obligations as members of ZEW and as participants in the project. The Members' Agreement establishes the operating activities of ZEW and the decision making responsibilities of the ZEW directors.

Under the Members' Agreement, Yarra Valley Water's liability as a member is limited to \$10 in the event of a winding up. As required by Australian accounting standards, Yarra Valley 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. Yarra Valley 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 Yarra Valley Water.

On 30 October 2018, ZEW entered into an 11-year Power Purchasing Agreement (PPA) with a solar farm energy generator, whereby ZEW will act as a central intermediary between the energy generator and the water corporations. The PPA contains a Contract for Difference (CfD) payment mechanism in respect of electricity generated by the facility and the sale and supply of large-scale generation certificates (LGCs) from the facility. The PPA contains certain conditions precedent which were due to be satisfied during the 2019-20 financial year.

The solar farm energy generator experienced a construction delay due to the redesign of electrical infrastructure and a connection delay relating to generator restrictions and revised connection procedures advised by the Australian Electricity Market Operator (AEMO). Renegotiated terms resulted in an extension of the target commercial operation date to 1 October 2020 and a compensation settlement to ZEW for the delay. Yarra Valley Water's share of the settlement was \$217,285 which has been recognised in the Statement of Comprehensive Income as other income in the 2019-20 financial year (previously disclosed under other revenue, refer note 2.1).

Further extensions were granted until 31 January 2021 as a result of delays in commissioning ZEW's section of the solar farm, which delayed the meeting of the conditions precedents. Yarra Valley Water's share of the settlement for these further delays was \$89,573 which was recognised in the Statement of Comprehensive Income as other income in the 2020-21 financial year. Along with the settlement funds, Yarra

Valley Water was also able to purchase 1,674 replacement LGCs at the PPA price which have been recognised as intangible assets, refer note 4.3.

On 22 January 2021, the conditions precedent in the PPA was completed and the CfD derivative was recognised as a financial liability measured at its fair value. Subsequent changes in the derivative's fair value will be recognised in profit and loss. Refer to note 7.4.2 for more information about the judgments and assumptions used in measuring fair value determinations of derivative financial instruments.

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

The Members' Agreement specifies that ZEW may call on us to make a loan available to ZEW amounting to \$124,726.37. The loan, if requested by ZEW, would meet the definition of a financial asset as it gives rise to a contractual right for us to receive cash from ZEW at the end of the loan term. At 30 June 2021, ZEW had requested and received a loan payment of \$11,000. As this loan is concessional it has been treated as an investment in ZEW and measured at cost.

	Note	2021 \$'000
Investment in ZEW (asset)		11
Derivative financial instrument (liability)	7.4.2	(586)

5.3 Other non-financial assets

Other non-financial assets are predominantly made up of prepayments which represent payments in advance of receipt of goods or services or where part of the expenditure is made in one accounting period covering a term extending beyond that period. This includes insurances, IT subscription and maintenance agreements and various other subscriptions. Where assets last beyond 12 months they have been treated as non-current.

5.4 Payables

	2021 \$'000	2020 \$'000
Current		
Contractual payables		
Trade payables	23,761	25,492
Accruals	83,321	78,179
Security deposits	1,661	7,542
Statutory payables		
Tax withheld from payments	-	330
Fringe benefits tax receivables	(34)	(22)
Total current	108,709	111,521
Non-current		
Security deposits ¹	6,715	-
Total non-current	6,715	-
Total	115,424	111,521

1. Comparative information is not available to split between current and non-current payables

Notes to the financial statements for the year ended 30 June 2021

Payables and accruals

Trade payables and accruals are recognised for future amounts to be paid in respect of goods and services received. The amounts are unsecured and are usually paid between 14 to 30 days from the date the invoice is received.

Payables consist of:

- Contractual payables represent liabilities for goods and services provided to us prior to the end of the financial year that are unpaid, and arise when we become obligated to make future payments in respect of the purchase of those goods and services. Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. In financial year 2021, an analysis of
- the security deposits held identified that they should be separated into current and non-current as traditionally security bonds are held in excess of two years. This adjustment has been made in the current financial year. Comparative information is not available to split between current and non-current payables.
- Statutory payables relate to goods and services tax and fringe benefits tax payables. Statutory payables 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 a contract.

5.4.1 Ageing analysis of contractual payables

	Not Aged \$'000	Less than 1 month \$'000	1 to 3 months \$'000	3 to 12 months \$'000	Over 12 months ¹ \$'000	Total \$'000
2021						
Trade payables	-	23,761	-	-	-	23,761
Accruals	83,287	-	-	-	-	83,287
Other payables	1,661	-	-	-	6,715	8,376
Total	84,948	23,761	-	-	6,715	115,424
2020						
Trade payables	-	25,492	-	-	-	25,492
Accruals	78,157	-	-	-	-	78,157
Other payables	7,872	-	-	-	-	7,872
Total	86,029	25,492	-	-	-	111,521

1. Comparative information not available to split between current and non-current payables

5.5 Contract liabilities

	Note	2021 \$'000	2020 \$'000
Current			
Grant income		2,918	390
Customers paid in advance	2.1	20,399	22,598
Unearned DCA, NCC, recoverable works and licence income	2.1 & 2.2	36,362	35,345
Developer contributions		735	100
Total current		60,414	58,433
Non-current			
Developer contributions		-	450
Total non-current		-	450
Total		60,414	58,883
Reconciliation of closing balance at 30 June			
		2021 \$'000	2020 \$'000
Balance at 1 July		58,883	56,208
Revenue recognised during the reporting period		(49,525)	(47,481)
Increase in contract liabilities		51,056	50,156
Closing balance at 30 June		60,414	58,883

Government grants

Government grants are recognised once reasonable assurance has been reached that we will comply with the conditions attached to them and that the grants will be received. Government grants of a revenue nature are recognised as deferred income until earned. Government grants related to assets are recognised in the Balance Sheet by deducting the grant in arriving at the carrying amount of the asset, thereby incurring a reduced depreciation charge.

Customers paid in advance

Customers paid in advance represents payments received from customers in advance of the provision of goods or services or any legal or constructive obligation required to be performed by us to settle the terms of receipt of income. Predominately these relate to water and sewerage services. We will recognise these advance payments once we have performed the performance obligations associated with the payments.

Unearned DCA, NCC, recoverable works and licence income

Unearned income represents developer contributed assets and payments received for new customer contributions, application fees and lease and licence income where performance obligations associated with the payment are outstanding, refer notes 2.1 and 2.2.

Developer contributions

Unearned developer contributions represent amounts received from developers for the reimbursement of costs that will be incurred by us when we construct assets to service new urban growth. These payments will be recognised as revenue at the point in time that we have completed the performance obligations agreed with the developer.

Notes to the financial statements for the year ended 30 June 2021

5.6 Other provisions

Provisions are recognised when we have a present legal or constructive obligation because of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. The recognition of provisions requires significant estimates and assumptions such as requirements of the relevant legal and regulatory frameworks, timing, cost estimation, legal disputes and climate related risks. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Provisions are periodically reviewed and updated based on the facts and circumstances available at the time. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and the risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised if it is virtually certain that economic benefits will be received and their amount can be measured reliably.

Our provisions are predominately related to compulsory land and easement purchases.

In financial year 2020, the other provision balance included a provision of \$2.4 million for a small cohort of commercial customers who were eligible for a service charge refund. These customers owned properties that were part of an owner's corporation and did not have their own water/sewage connection to their property. We were successful in contacting most of the impacted customers in financial year 2021 and have processed refunds where appropriate.

5.7 Leases

Yarra Valley Water has a small number of concessionary leases with other government departments. These leases enable us to access an asset at less than its fair value principally to enable us to further our objectives. In December 2018, the Australian Accounting Standards Board provided temporary relief from the requirement to measure right-of-use assets from peppercorn (or "concessionary") leases to fair value at initial recognition and subsequent measurement. In accordance with FRD 123 transition requirements on the application of AASB 16 Leases, we have applied this temporary exemption, electing to initially and subsequently measure right-of-use assets from peppercorn leases at cost.

We have leased carparking for a term of five years with ability to enter hold over. We anticipate this lease will extend beyond the five-year term. We make an annual contribution of less than \$2,000 per annum for this space. There are restrictions on the areas use due the water assets that sit below the surface. Use of the carpark is restricted to Yarra Valley Water. We also have a lease for a sewer flow control facility within government park lands. This lease runs for 21 years (expiring in 2027) and the annual payments are nil unless demanded at a rate of \$1 per annum.

The value of right-of-use-assets is measured at cost which is determined as follows:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs
- restoration costs

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or our incremental borrowing rate.

Right-of-use-assets are depreciated over the estimated lease term, which is determined by considering all the facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

6 Financing our operations

Introduction

This section provides information on the sources of finance used during operations, along with interest expenses (the cost of borrowings and other information related to financing activities).

This section includes disclosures of balances that are financial instruments (such as borrowings, lease liabilities and cash balances).

Financing arrangements are impacted by market activities, with impacts in our cost of debt and the level of borrowing we need, refer note 7.2.

Structure

- 6.1 Interest bearing liabilities
 - 6.1.1 Maturities of financial liabilities
 - 6.1.2 Finance costs
- 6.2 Cash flow information and balances
 - 6.2.1 Reconciliation of net result for the period to cash flow from operating activities

6.1 Interest bearing liabilities

	Carrying amount		Net fair value	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current				
Borrowings	342,900	299,959	348,156	305,301
Lease liabilities	2	2	2	2
Total current	342,902	299,961	348,158	305,303
Non-current				
Borrowings	2,794,100	2,603,200	3,044,809	2,952,496
Lease liabilities	12	13	12	13
Total non-current	2,794,112	2,603,213	3,044,821	2,952,509
Total	3,137,014	2,903,174	3,392,979	3,257,812

Borrowings and lease liabilities are classified as financial instruments. All interest-bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The measurement basis subsequent to initial recognition is based on the classification of interest-bearing liabilities as financial liabilities at 'amortised cost'. Amortised cost is measured using the effective interest rate method. This classification is determined at initial recognition.

Interest on borrowings is payable semi-annually and is accrued over the period it becomes due. Accrued interest is recorded as part of accruals.

The fair value of the interest-bearing financial liabilities is determined by discounting the expected future cash flows at current interest rates.

Notes to the financial statements for the year ended 30 June 2021

6.1.1 Maturities of financial liabilities

The following table allocates financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Weighted average effective interest rate %	Less than 12 months \$'000	1 to 3 years \$'000	3 to 5 years \$'000	Over 5 years \$'000	Total \$'000
2021 Borrowings						
Fixed interest rate	3.01	214,100	604,100	620,000	1,550,000	2,988,200
Floating interest rate	0.27	128,800	20,000	-	-	148,800
Total		342,900	624,100	620,000	1,550,000	3,137,000
2020 Borrowings						
Fixed interest rate	3.42	158,200	488,200	540,000	1,525,000	2,711,400
Floating interest rate	0.56	141,759	50,000	-	-	191,759
Total		299,959	538,200	540,000	1,525,000	2,903,159

	Less than 12 months \$'000	1 to 3 years \$'000	3 to 5 years \$'000	Over 5 years \$'000	Total \$'000
2021 lease liabilities	2	3	4	5	14
2020 lease liabilities	2	3	5	5	15

6.1.2 Finance costs

	2021 \$'000	2020 \$'000
Interest on borrowings	90,998	95,236
Financial accommodation levy	39,281	37,688
Interest on leases	-	1
Other interest income	(15)	(39)
Total	130,264	132,886

Finance costs are recognised as expenses in the period in which they are incurred. All qualifying assets (being assets that necessarily take a substantial period of time to get ready for their intended use or sale) are measured at fair value. Therefore, any finance costs directly attributable to the acquisition, construction or production of these qualifying assets are not required

to be capitalised and will continue to be expensed in the period in which they are incurred.

The financial accommodation levy is paid into the consolidated fund in accordance with section 40N of the *Financial Management Act 1994* in respect of financial accommodation provided to us by the State Government of Victoria.

6.2 Cash flow information and balances

Cash and cash equivalents include cash at bank and cash on hand with original maturities of three months or less, and bank overdrafts.

	2021 \$'000	2020 \$'000
Cash at bank	2,365	2,210
Cash on hand	1	1
Total	2,366	2,211

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

	Note	2021 \$'000	2020 \$'000
Net profit after tax		94,114	104,398
Adjustments for non-cash items			
Depreciation / amortisation	4.2 & 4.3	116,318	114,505
Bad debts and expected credit allowance	5.1.2	3,974	6,126
Write off of assets	4.2	632	111
Defined benefit superannuation plan expense	3.2.3.2	757	769
Net gain on disposal of non-current physical assets	4.4	(53)	(74)
Impairment writeback	2.2	(4,026)	(3,695)
Impairment write-down	3.1	7,129	4,713
Developer contributed assets and other authority works	2.1	(69,809)	(85,598)
Initial recognition of derivative financial instrument	3.1 & 5.2	612	-
Changes in operating assets and liabilities			
(Increase) / decrease in other current assets		(1,746)	85
(Increase) / decrease in GST receivables		350	(1,326)
(Increase) / decrease in trade receivables		(8,372)	1,236
Decrease in accrued interest		(799)	(202)
Increase in provisions		3,925	7,370
Increase in contract liabilities		1,531	2,675
Decrease in net deferred tax liabilities		(28,290)	(33,390)
Decrease in derivative financial instruments		(26)	-
Increase in payables		22,389	4,714
Net cash inflow from operating activities		138,610	122,417

Notes to the financial statements for the year ended 30 June 2021

7 Risks, contingencies and valuation judgement

Introduction

We are exposed to risk from our activities and outside factors. It's also often necessary to make judgements and estimates associated with recognising and measuring items in the financial statements. This section sets out financial instrument specific information (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which relate mainly to fair value determination.

Structure

- 7.1 Financial instrument specific disclosures
- 7.2 Financial risk management objectives and policies
- 7.3 Contingent assets and liabilities
- 7.4 Fair value
 - 7.4.1 Fair value – Determination of non-financial physical assets
 - 7.4.2 Fair value – Financial assets and liabilities
 - 7.4.3 Fair Value – Reconciliation of changes in level 3 items
 - 7.4.4 Fair Value – Valuation techniques and significant unobservable inputs in level 3 items

7.1 Financial instrument 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 meeting the definition of assets and liabilities under *AASB 9 Financial Instruments*. Due to the nature of our activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines and penalties). Statutory assets and liabilities do not meet the definition of financial instruments in *AASB 9 Financial Instruments*.

Categories of financial instruments

Financial assets at amortised cost

Financial assets at amortised cost are assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, they are measured at amortised cost using the effective interest method less any impairment.

We recognised the following as financial assets at amortised cost:

- cash and deposits – refer note 6.2
- receivables (excluding statutory receivables) – refer note 5.1
- Investment in ZEW - refer note 5.2

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Statement of Comprehensive Income over the period of the interest-bearing liability, using the effective interest rate method.

We recognised the following financial liabilities at amortised cost:

- payables (excluding statutory payables) – refer note 5.4
- contract liabilities – refer note 5.5
- lease liabilities – refer note 5.7
- borrowings – refer note 6.1

Financial assets and liabilities at fair value through profit or loss

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

Derivative financial instruments are classified as held for trading financial assets and liabilities. They are initially recognised at fair value on the date on which all contractual obligations under Conditions Precedent are met and on subsequent measurement. The initial expense recognised represents the fair value of the expected future settlements at initial recognition, refer note 3.1.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in fair value of derivatives after initial recognition are recognised in the Statement of Comprehensive Income.

7.2 Financial risk management objectives and policies

Capital risk management

We control our capital structure in order to provide the State Government of Victoria with adequate returns and to ensure operations can be funded as a going concern.

Our capital structure consists of net debt (borrowings as detailed in table below and offset by cash and bank balances - refer note 6.2) and equity (comprising contributed equity, asset revaluation surplus and retained earnings detailed in notes 9.1 to 9.3).

The only externally imposed capital requirements are that:

- financial accommodation does not exceed the approval limits set by the Treasurer of Victoria pursuant to the *Borrowing and Investment Powers Act 1987*
- with the exception of an operating account with overdraft facilities, we are required to borrow exclusively with the Treasury Corporation of Victoria (TCV)

These external capital requirements are incorporated into the management of capital through the Board approved Corporate Plan.

We effectively manage our capital by assessing financial risks and adjusting capital structure in response to changes in these risks and the market. These responses include the management of debt levels. There have been no changes to the strategy adopted to control capital during the year. The gearing ratios for the years ended 30 June 2021 and 30 June 2020 were as follows:

	2021 \$'000	2020 \$'000
Borrowings - current	342,900	299,959
Borrowings - non-current	2,794,100	2,603,200
Total borrowings	3,137,000	2,903,159
Leases - current	2	2
Leases - non-current	12	13
Total leases	14	15
Total borrowings and leases	3,137,014	2,903,174
Total assets	5,600,057	5,318,315
Gearing ratio	56%	55%

Climate related risk

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

The impacts of climate change create resilience challenges for our services and within the communities we serve. Extreme weather events, rising sea levels, reduced rainfall and increasing temperatures are already affecting our infrastructure, natural environment and water supplies. We expect these changes to continue, and therefore we are taking action now to ensure we are prepared for the future. We have considered the impact of climate-related risks and determined there is no material financial impact to the 2020-21 financial statements other than through uncertainty to future forecasting assumptions which impact our asset and liability values.

We are currently refreshing our Climate Resilience Plan to enhance the understanding of our exposure to climate change risks, and implement actions to mitigate these risks.

Financial risks

The main risks we're exposed to through financial instruments are interest rate risk, liquidity risk, price risk and credit risk. These risks have been impacted by coronavirus, refer note 1.2. The Board reviews and approves policies for managing these risks.

Notes to the financial statements for the year ended 30 June 2021

i. Interest rate risk

Interest rate risk is the risk to earnings or capital from movements in interest rates. We're exposed to interest rate risk through borrowing activities and changes in the market in comparison to the assumptions of the Essential Services Commission's regulatory pricing determination in relation to the underlying cost of debt.

Interest rate exposures are also recognised in terms of the change in the market value of the debt portfolio which arise as a consequence of changes in market interest rates.

We effectively manage interest rate risk by maintaining the debt portfolio within the strategic targets and policy bands that have been approved by the Board. Strategic and tactical debt portfolio options are assessed in consultation with the Treasury Corporation of Victoria (TCV), with borrowing decisions based on future borrowing requirements, treasury management policy compliance and the TCV's market interest rate outlook.

Refer section 6.1.1 for maturity analysis of contractual financial liabilities.

Interest rate sensitivity analysis	2021 \$'000	2020 \$'000
+ 50 basis points	(981)	(909)
- 50 basis points	981	909

ii. Liquidity risk

Liquidity risk is the risk of not being able to meet the specific financial commitments including short-term working capital needs and financing new and maturing loans as they are required.

We manage liquidity risk by actively maintaining efficient banking practices, regularly monitoring forecast and actual cash flows and ensuring adequate borrowing facilities are maintained.

Approval is received from the Treasurer of Victoria for new borrowings, borrowings to refinance maturing and non-maturing loans and temporary purpose borrowing facilities. The new approved accommodation borrowing limit of \$538.4 million relates to the period ended 30 June 2021.

Financing arrangements

We had access to a total of \$304.56 million (2020: \$90.55 million) of unused borrowings approved by the Treasurer of Victoria as at 30 June 2021. We have a formal bank overdraft facility with Westpac Banking Corporation.

iii. Credit risk

Credit risk is the risk that a counterparty or customer will fail to meet contractual obligations. For us credit risk arises mainly from outstanding customer receivables as we're legally obliged to service all customers in our district without regard to their credit quality, refer note 5.1.2. While we have in place extensive debt collection strategies to minimise customer credit risk and recover outstanding receivables, we have taken into account the need for a compassionate approach due to coronavirus, refer note 1.2, conditions on our customers. Our changed collection practices due to coronavirus have increased our level of credit risk.

The credit risk attributable to our deposits with TCV and other financial institutions is considered to be very low due to the minor amounts involved and the contractual arrangements in place for counterparties.

Our other credit risk arises from in-the-money receipts due from the Contract for Difference derivative under the ZEW Power Purchasing Agreement (PPA), refer note 5.2.

The maximum exposure to credit risk at the reporting date is the carrying amount of items in the Balance Sheet. For receivables, the maximum exposure is the gross amount of receivables before allowing for the expected credit loss allowance. Our maximum exposure to credit risk relating to the derivative financial instrument at reporting date is the sum of the nominal values of all forecasted net cash receipts where the floating price due by the proponent exceeds the fixed price payable by us over the remaining PPA term.

iv. Price risk

We use the Contract for Difference derivative financial instrument to manage energy related commodities purchased in the normal course of business, and therefore entered into the PPA to minimise a portion of our price risk. Our sensitivity to price risk is set out in 7.4.4.

7.3 Contingent assets and liabilities

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 our control.

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 our control
- 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 obligation
 - The amount of the obligations cannot be measured with sufficient reliability

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and contingent liabilities are presented inclusive of goods and services tax receivable or payable respectively.

a. Contingent assets

We enter into agreements with land developers whereby assets are transferred to us at no cost. These assets are brought to account as revenue (refer note 2.1) and capitalised. Where developers are in the process of building assets or are yet to commence the build of assets that will be gifted to us in the future, these assets are recognised as contingent assets as we have signed an agreement with the developer in respect of those assets.

	2021 \$'000	2020 \$'000
Water supply assets under construction	17,003	20,629
Water supply assets committed to	13,162	8,011
Sewerage supply assets under construction	31,091	23,991
Sewerage supply assets committed to	8,350	11,778

We're unaware of any other material contingent assets.

b. Contingent liabilities

Contingent on the completion of the contingent assets transferred from developers, we have a liability to reimburse developers for additional works constructed at our request.

	2021 \$'000	2020 \$'000
Water supply assets	7,449	7,638
Sewerage supply assets	15,881	9,849

These reimbursements will occur upon request by the developer following the issuing of the certificate of completion as agreed in accordance with the conditions of the agreement between us and the developer.

We have legal claims pending as a result of a small number of contractual disputes. Due to the uncertainty inherent in litigation an accurate assessment of any outcome is not possible. We're of the view that further disclosure of these disputes may prejudice our disputes may prejudice our position.

As part of a negotiation for the sale of land, agreement was made for potential environmental remediation as parties are unable to complete full due diligence until future events occur. We are not able to determine if remediation would be required and if it is required be able to quantify the impact, the agreement merely seeks to provide protection in the event remediation works are needed.

We're unaware of any other material contingent liability. Claims to which we are aware and which may result in a liability being incurred have been provided for as other provisions, refer note 5.6.

7.4 Fair value

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 our results and financial position.

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.

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, and based on the lowest level inputs that are 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
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Notes to the financial statements for the year ended 30 June 2021

7.4.1 Fair value – Determination of non-financial physical assets

Our land, buildings, plant and equipment and infrastructure are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. This note explains the judgements and estimates made in determining the fair values of non-financial assets.

In accordance with *AASB 13 Fair Value Measurement*, our non-financial assets have been categorised into the three levels of the fair value hierarchy depending on the degree to which inputs into the fair value measurements are observable, and the significance of the inputs to the fair value measurement.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair value as at 30 June \$'000
Infrastructure	-	-	4,245,100	4,245,100
Land (specialised)	-	-	243,242	243,242
Land (non-specialised)	-	181,102	-	181,102
Buildings (market approach)	-	2,284	-	2,284
Buildings (depreciated replacement cost)	-	-	33,108	33,108
Plant and equipment	-	-	29,680	29,680
Leasehold improvements	-	-	63	63
Carrying amount at 30 June 2020	-	183,386	4,551,193	4,734,579
Infrastructure	-	-	4,282,800	4,282,800
Land (specialised)	-	-	242,934	242,934
Land (non-specialised)	-	301,302	-	301,302
Buildings (market approach)	-	2,194	-	2,194
Buildings (depreciated replacement cost)	-	-	31,359	31,359
Plant and equipment	-	-	24,661	24,661
Leasehold improvements	-	-	59	59
Carrying amount at 30 June 2021	-	303,496	4,581,813	4,885,309

Infrastructure

The 30 June 2021 valuation of infrastructure assets has been independently provided by KPMG, using a discounted cash flow methodology to determine the fair value of infrastructure. This involved discounting the forecast stream of cash flows of the entire business to both debt and equity investors at a weighted average cost of capital (WACC), which represents an estimate of a hypothetical market participant's discount rate. The valuation model:

- Calculates forecast cash flows to debt and equity investors over a 10-year forecast period. Cash flows to debt and equity investors are those cash flows available after all operating expenses (including taxes) have been paid and necessary investments in working and fixed capital have been made
- Calculates a terminal value at the end of the forecast period adopting the Gordon Growth methodology by applying the mid-point of the WACC, terminal growth rate and terminal cash flows. A single terminal value has been adopted due to the sensitive nature of the terminal value in the model
- Arrives at an enterprise valuation by discounting the cash flows to the valuation date using the selected high (\$4.10 billion) and low (\$4.47 billion) WACC estimates and adopts a mid-point (\$4.28 billion)
- Deducts non-infrastructure related assets and liabilities to derive the implied water infrastructure asset valuation
- Includes a tax amortisation benefit (TAB) on water infrastructure assets, being an estimate of the present value of future tax amortisation benefits that may be received. In including a TAB, a delay of five years is overlaid to reflect the likely timing of secondary infrastructure asset sales, the impact being to reduce the calculated TAB by approximately 25 per cent. The calculated TAB is added to the implied water infrastructure assets' valuation to arrive at the total value of water infrastructure assets.

The impacts of coronavirus, refer note 1.2, has been considered in the valuation but it should be noted, that there is uncertainty due to the unprecedented social and community disruption caused by coronavirus.

Infrastructure assets are classified as level 3. There is no active market which has a significant impact on the fair value.

Land – specialised / non-specialised and crown

The most recent valuation of land was independently determined by the Victorian Valuer-General's Office using fair value as at 30 June 2021. In undertaking the valuation of land, the Victorian Valuer-General's Office adopted the market based direct comparison approach, whereby the properties were valued by analysing land sales in comparable proximity to the subject sites and allowing for shape, size, topography, location and other relevant factors specific to the land being valued. The market that the assets are valued in is being impacted by the uncertainty that the coronavirus outbreak has caused, refer note 1.2. The value assessed at the valuation date may therefore change over a relatively short time period.

Where applicable, specialised land is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued. As adjustments to CSO are considered as significant unobservable inputs, specialised land would be classified as level 3 assets.

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

If land was measured at historical cost, the carrying amount would be \$86 million (2020: \$74.5 million).

Notes to the financial statements for the year ended 30 June 2021

Buildings – specialised / non-specialised

The most recent valuation of buildings was independently determined by the Victorian Valuer-General's Office using market value or depreciated replacement cost method on 30 June 2021. The depreciated replacement cost method is based on the replacement of buildings to a 'modern equivalent' standard after applying an appropriate depreciation rate, useful life and adjusting for condition. As depreciation adjustments are considered as significant, unobservable inputs in nature, buildings are classified as level 3 fair value. The market that the assets are valued in is being impacted by the uncertainty that coronavirus has caused, refer note 1.2. The value assessed at the valuation date may therefore change over a relatively short time period.

To the extent that non-specialised buildings do not contain significant, unobservable adjustments, these assets are classified as level 2 under the market approach.

If buildings were measured at historical cost, the carrying amount would be \$41 million (2020: \$40.5 million).

Plant and equipment

Plant and equipment are held at carrying value (depreciated cost) which approximates fair value.

Unless there is market evidence that current replacement costs are significantly different from the original acquisition cost, it is considered unlikely that depreciated cost will be materially different from the existing carrying value. As at 30 June 2021 no material movements have occurred other than as disclosed in note 4.2.

7.4.2 Fair value – financial assets and liabilities

The fair value of the derivative instruments, refer note 5.2, is based on the discounted cash flow technique. The selection of variables requires significant judgement and assumptions in estimating the fair value of derivatives. In the absence of an active market, the fair value of our CfD derivative is valued using unobservable inputs such as future wholesale electricity prices provided by DELWP's independent advisor and comparable risk free rates of zero coupon government bonds obtained from the Reserve Bank of Australia. The assumptions underpinning the estimates of future wholesale electricity prices includes factors influencing supply and demand fluctuations, and the economic impacts of coronavirus, refer note 1.2. In addition, assumptions are applied to forecast the renewable energy generation volumes over the life of the derivative instrument. To the extent that the significant inputs are unobservable, we have categorised these derivatives as level 3 within the fair value hierarchy.



7.4.3 Fair Value – Reconciliation of changes in level 3 items

	Infrastructure \$'000	Land (specialised) \$'000	Buildings \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
Assets						
Balance at 1 July 2019	3,890,500	243,105	30,623	26,082	-	4,190,310
Acquisitions / transfers	545,823	137	90	9,389	63	555,502
Write off / disposal of assets	(109)	-	-	(802)	-	(911)
Depreciation	(87,718)	-	(1,318)	(4,989)	-	(94,025)
Impairment writeback of assets to recoverable amount	-	-	3,677	-	-	3,677
Revaluation loss recognised in other comprehensive income	(103,396)	-	36	-	-	(103,360)
Carrying amount at 30 June 2020	4,245,100	243,242	33,108	29,680	63	4,551,193
Acquisitions / transfers	271,894	(66,227)	471	655	-	206,793
Write off / disposal of assets	(632)	-	-	(403)	-	(1,035)
Depreciation	(90,344)	-	(1,447)	(5,271)	(4)	(97,066)
Impairment writeback of assets to recoverable amount	-	180	(1,042)	-	-	(862)
Revaluation gain / (loss) recognised in other comprehensive income	(143,218)	65,739	269	-	-	(77,210)
Carrying amount at 30 June 2021	4,282,800	242,934	31,359	24,661	59	4,581,813
						2021 \$'000
Liabilities						
Balance at 1 July 2020						-
Initial recognition of derivative financial instruments						612
Net cash settlements paid / (received)						(26)
Carrying amount at 30 June 2021						586

Notes to the financial statements for the year ended 30 June 2021

7.4.4 Fair Value – Valuation techniques and significant unobservable inputs in level 3 items

	Valuation technique	Significant unobservable inputs	Range (average)	Sensitivity of the input to fair value
Land (specialised)	Market approach	Community service obligation (CSO) adjustment	10% to 60% (21%) \$1,000 to \$28,987,000 (\$449,402)	A significant increase or decrease in the community service obligation adjustment would result in a higher or lower land valuation
Infrastructure	Income approach using a discounted cash flow model	Weighted average cost of capital (WACC)	4.3% to 4.9%	If the WACC had changed by +/- 0.25% from the year end valuation, the impact to the valuation would have been a decrease of \$1,265.9 million and an increase by \$2,037.4 million
		Terminal value growth rate (inclusive of inflation)	3.50%	If the terminal growth rate had changed by +/- 0.25% from the year end valuation, the impact to the valuation would have been an increase by \$1,824.9 million and a decrease of \$1,149.0 million
		Terminal value capex	\$260 million	If the terminal value capex changed by +/- 10% the impact would be \$1,367.0 million
		Original useful life	1 to 100 years (58.66 years)	A significant increase or decrease in the estimated useful life of infrastructure would result in a significantly higher or lower fair value
Plant and equipment	Depreciated cost (deemed fair value)	Original useful life	2 to 25 years (4.7 years)	A significant increase or decrease in the useful life impacts the fair value of plant and equipment
		Cost per unit	\$100 to \$1,600,000 (\$10,054)	A significant increase or decrease in cost per unit impacts the fair value of plant and equipment

	Valuation technique	Significant unobservable inputs	Range (average)	Sensitivity of the input to fair value
Buildings	Depreciated replacement cost approach	Cost per square metre	\$110 to \$4,875 (\$4,104)	A significant increase or decrease in cost per square metre impacts the fair value of buildings
		Useful life (remaining)	5 to 31 years (26 years)	A significant increase or decrease in useful life impacts the fair value of buildings
Financial derivative instruments	Discounted cash flow method	Wholesale electricity price forecasts	\$20.83 to \$53.79 / MWh (\$37.33)	An increase/ (decrease) in the wholesale electricity price forecasts of 10% would result in an increase/ (decrease) to fair value by \$0.17 million
		Discount rate - risk free rates of zero coupon government bonds	0.0185% - 1.7853% (0.6838%)	An increase/ (decrease) in the discount rate of 1% would result in an increase/ (decrease) to fair value by \$0.03 million.
		Credit value adjustment - Australian Corporate Bond Spreads and Yields	136.34	An increase/ (decrease) in the credit value adjustment of 1% would result in an increase/ (decrease) to fair value by \$0.03 million.

Notes to the financial statements for the year ended 30 June 2021

8 Statutory obligations

Introduction

This section includes disclosures in relation to our statutory obligations.

Structure

- 8.1 Income tax
- 8.2 Environmental contributions
- 8.3 Goods and services tax (GST)

8.1 Income tax

We're subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office (ATO). The income tax expense for the period is the expected tax payable on the current period's taxable income based on the national corporate income tax rate of 30 per cent, 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:

	2021 \$'000	2020 \$'000
Income Tax		
Statement of comprehensive income		
Current income tax expense payable	47,344	46,565
Adjustments for prior years	-	(150)
Deferred income tax expense		
Temporary differences	(5,712)	(2,116)
Income tax expense reported in the statement of comprehensive income	41,632	44,299
Statement of changes in equity		
Income tax reported in equity	22,346	31,041
Tax reconciliation		
Net result before income tax expense	135,746	148,697
Tax at the Australian tax rate of 30%	40,724	44,608
Adjustments for income tax of previous years	-	(150)
Non-deductible expenses	4	15
Non-deductible depreciation	4	7
Assessable income	900	(181)
Income tax on profit before tax	41,632	44,299
Income tax payable		
Current tax payable	863	3,609

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.

	2021 \$'000	2020 \$'000
Deferred tax assets		
Amounts recognised in the statement of comprehensive income		
Provisions	14,096	12,428
Buildings future deductible amounts	1,377	1,007
Contract liability	117	357
Total	15,590	13,792
Movements		
Opening balance 1 July	13,792	12,595
Credited to comprehensive income	1,798	1,197
Closing balance at 30 June	15,590	13,792
Deferred tax liabilities		
Amounts recognised in the statement of comprehensive income		
Property, plant and equipment	(368,863)	(372,782)
Defined benefit superannuation asset	294	67
Amounts recognised directly in equity		
Revaluation of infrastructure to fair value	(146,142)	(189,108)
Revaluation of land to fair value	(72,907)	(54,709)
Revaluation of buildings to fair value	(794)	(705)
Defined benefit superannuation asset	(3,759)	(1,426)
Total	(592,171)	(618,663)
Movements		
Opening balance 1 July	(618,663)	(650,856)
Credited to comprehensive income	4,146	1,152
Credited to other comprehensive income	22,346	31,041
Closing balance at 30 June	(592,171)	(618,663)
Net deferred tax liabilities	(576,581)	(604,871)

Notes to the financial statements for the year ended 30 June 2021

8.2 Environmental contributions

A 2004 amendment to the *Water Industry Act 1994* (the Act) provided for environmental contributions to be paid by Victoria's water supply authorities to government for the purposes of funding initiatives that seek to promote the sustainable management of water or address adverse water-related environmental impacts. The responsible Minister may make an Order for up to four years that specifies the details relating to the obligation to pay environmental contributions.

The fifth tranche of the environmental contribution imposes a statutory obligation to pay an environmental contribution to the Department of Environment, Land, Water and Planning of \$47.43 million each year for the period 1 July 2020 to 30 June 2024. These contributions will be recognised as an expense during the reporting period in which they are incurred.

Environmental contribution commitments at balance date not provided for in the financial statements are as follows:

	2021 \$'000	2020 \$'000
Payable		
Not later than one year	47,430	47,430
Later than one year but not later than five years	94,860	142,290
Total	142,290	189,720

8.3 Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST. The net amount of GST receivable from or payable to the ATO is included in the Balance Sheet as part of receivables or payables, refer notes 5.1 and 5.4.

Cash flows are presented in the Cash Flow Statement on a gross basis except for the GST component of investing and financing activities which are disclosed as operating cash flows.

9 Other disclosures

Introduction

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

Structure

- 9.1 Contributed equity
- 9.2 Retained earnings
- 9.3 Asset revaluation surplus
- 9.4 Responsible persons
 - 9.4.1 Remuneration of responsible persons
- 9.5 Remuneration of executive officers
- 9.6 Related party
 - 9.6.1 Significant transactions with government-related entities
 - 9.6.2 Key management personnel
 - 9.6.3 Transactions with key management personnel and other related parties
- 9.7 Ex-gratia expenditure
- 9.8 Economic dependency
- 9.9 Events subsequent to balance sheet date
- 9.10 Australian accounting standards issued that are not yet effective

9.1 Contributed equity

Additions to net assets which have been designated as contributions by owners are recognised as contributed equity. Other transfers that are in the nature of contributions or distributions (capital repatriation) have been recognised in contributed equity. No transactions occurred during either the 2021 or 2020 financial years.

9.2 Retained earnings

	Note	2021 \$'000	2020 \$'000
Opening balance at 1 July		438,321	398,284
Net profit after tax		94,114	104,398
Defined benefit superannuation plan actuarial gain / (loss) ¹	3.2.3.2	7,776	(373)
Net deferred tax assets recognised through retained earnings ¹	3.2.3.2	(2,333)	112
Dividends paid		(36,100)	(64,100)
Closing balance at 30 June		501,778	438,321

1. Defined benefit superannuation plan actuarial gain net of tax effect \$5,443,000 (2020: \$261,000 loss)

Dividend

An obligation to pay a final dividend only arises after a formal determination is made by the Treasurer following consultation between the Board, the relevant portfolio Minister and the Treasurer.

Notes to the financial statements for the year ended 30 June 2021

9.3 Asset revaluation surplus

The asset revaluation surplus is used to record changes in the carrying amount of fixed assets arising on revaluation. Any revaluation increment is credited to the asset revaluation surplus. A decrement would be

debited to the surplus to the extent of the balance of prior increments. Any further decrements would be taken to the Statement of Comprehensive Income.

	Infrastructure \$'000	Land \$'000	Buildings \$'000	Total \$'000
Balance at 1 July 2019	513,629	299,800	1,561	814,990
Revaluation, net of tax effect	(72,377)	-	207	(72,170)
Balance at 30 June 2020	441,252	299,800	1,768	742,820
Revaluation, net of tax effect	(100,252)	105,580	208	5,536
Balance at 30 June 2021	341,000	405,380	1,976	748,356

9.4 Responsible persons

The relevant Minister and Yarra Valley Water directors are deemed to be responsible persons by Ministerial Direction pursuant to the provisions of the *Financial Management Act 1994*.

The responsible persons of Yarra Valley Water at any time during the financial year ended 30 June 2021 were:

Hon Lisa Neville MP	Minister for Water
Hon Richard Wynne MP (15 February 2021 to 30 June 2021)	Acting Minister for Water
Sue Therese O'Connor	Chair of the Board
Robert Clive Skinner	Deputy Chair of the Board
Patrick John McCafferty	Managing Director
Victor John Perton	Director
Anita Michele Roper	Director
Helen Lynette Thornton	Director
Karen Milward	Director
Victoria Fay Marles	Director
Ian Hamm	Director

9.4.1 Remuneration of responsible persons

The Minister's remuneration and allowance are set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report. Other relevant interests are declared in the Register of Members' Interest which each member of the Parliament completes.

The number of responsible persons from Yarra Valley Water whose remuneration was within the specified bands were as follows:

	2021 No.	2020 No.
\$10,000 to \$19,999	-	1
\$40,000 to \$49,999	-	1
\$50,000 to \$59,999	7	6
\$90,000 to \$99,999	1	1
\$420,000 to \$429,999	1	1
Total number	9	10
Total amount (\$'000)	908	910

9.5 Remuneration of executive officers

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

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

- Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as allowances
- Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased
- Other long-term benefits include long service leave, other long service benefit or deferred compensation
- Termination benefits include termination of employment payments, such as severance packages

	2021 \$'000	2020 \$'000
Short-term employee benefits	1,889	2,001
Post-employment benefits	156	255
Other long-term employment benefits	51	53
Total amount (\$'000)	2,096	2,309
Total number	7	9
Total annualised employee equivalent (AEE)^{1&2}	7	7

1. AEE is based on the time fraction worked over the reporting period.
2. Includes executive officers, acting executive officers and those who ceased employment during the year.

9.6 Related party

Related parties include:

- All key management personnel and their close family members, and personal business interests (controlled entities, joint ventures and entities they have significant influence over)

- All cabinet ministers and their close family members
- All department and public-sector entities that are controlled and consolidated into the whole of state consolidated financial statements
- Controlled business interests

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

9.6.1 Significant transactions with government-related entities

i. Department of Environment, Land, Water and Planning

Under a normal commercial agency arrangement, we bill and collect rates related to Parks Victoria services on behalf of the Minister for Water. We charge the Department of Environment, Land, Water and Planning for the services provided in billing and collecting rates, and on charge costs incurred regarding supplementary council valuations. We're required to pay an environmental contribution to the department, refer note 8.2.

	2021 \$'000	2020 \$'000
Amounts recognised as revenue in the Statement of Comprehensive Income		
Administration fees for billing and collecting rates and reimbursement of costs of supplementary council valuations	3,255	3,368
Grant funding	62	285
Amounts recognised as an expense in the Statement of Comprehensive Income		
Environmental contributions	47,430	42,855
Cash amounts paid during the year		
Parks Victoria levy billed to customers	70,689	69,633
Amounts payable at 30 June	1,836	1,472

Notes to the financial statements for the year ended 30 June 2021

ii. Melbourne Water Corporation

We transact solely with the Melbourne Water Corporation for the purchase of drinking water and disposal of sewage. Under a normal commercial agency arrangement, we bill and collect drainage rates and charges on behalf of Melbourne Water Corporation. We charge Melbourne Water Corporation for the services we provide in billing and collecting drainage fees on its behalf, and on charge costs incurred regarding supplementary council valuations.

	2021 \$'000	2020 \$'000
Amounts recognised as revenue in the Statement of Comprehensive Income		
Administration fees for billing and collecting drainage rates and reimbursement of costs of supplementary council valuations	5,170	5,162
Amounts recognised as an expense in the Statement of Comprehensive Income		
Bulk water and sewerage wholesaler charges expense (note 3.1)	528,335	541,363
Cash amounts paid during the year		
Drainage billed to customers	90,142	87,359
Amounts payable at 30 June	12,851	15,071

iii. Treasury Corporation of Victoria

We borrow from and invest with the Treasury Corporation of Victoria, refer note 6.1. The aggregate amount of borrowings payable at reporting date and the amounts of interest expense included in the determination of profit before income tax is:

	2021 \$'000	2020 \$'000
Aggregate amount of borrowings (note 6.1)	3,137,000	2,903,159
Interest expense (note 6.1.2)	90,998	95,236
Amounts payable at 30 June	26,133	27,237

iv. Department of Treasury and Finance

We pay amounts to the State Government of Victoria, via the Department of Treasury and Finance. Amounts incurred were as follows:

	2021 \$'000	2020 \$'000
Cash amounts paid during the year		
Dividend paid (note 9.2)	36,100	64,100
Amount recognised as an expense in the Statement of Comprehensive Income		
Financial accommodation levy (note 6.1.2)	39,281	37,688
Income tax equivalent (note 8.1)	41,632	44,299
Amounts payable at 30 June	10,781	13,222

v. Department Families, Fairness and Housing (DFFH)

Customers who hold either a Pension Concession Card, a Gold Repatriation Health Care Card for All Conditions or a Health Care Card are entitled to pay a concessionary amount instead of the full balance outstanding on their accounts. When a customer pays this lesser amount, the difference is billed to and paid by DFFH.

The Utility Relief Grant scheme provides assistance for residential customers unable to pay their utility accounts due to a temporary financial crisis. Customers need to demonstrate that unexpected hardship has left them seriously short of money so that they cannot pay their utility account without assistance.

The State Government of Victoria provides a rebate for customers required to use a dialysis/life support machine at home, to compensate for water use and sewage disposal charges relating to its use. The rebate amount is determined by DFFH based on the estimated annual water usage of a dialysis machine (168kL). This rebate is in addition to any other pension or concession entitlements.

	2021 \$'000	2020 \$'000
Cash amounts paid during the year		
Concession amounts billed during the year	56,168	51,299
Utility relief grants received during the year	3,074	2,701
Water concession for life support haemodialysis machines	18	18
Amounts receivable at 30 June	4,856	5,196

vi. State Revenue Office

Not-for-profit organisations that use land for the community's benefit to provide outdoor sporting, cultural or recreational activities for a charitable purpose are eligible for a rebate. When a customer receives a rebate and pays this lesser amount, the difference is billed to and paid by the State Revenue Office.

	2021 \$'000	2020 \$'000
Cash amounts paid during the year		
Concession amounts billed during the year	1,270	1,263
Amounts payable at 30 June	330	320
Amount recognised as an expense in the Statement of Comprehensive Income		
Payroll tax	4,535	3,920
Amounts payable at 30 June	471	309

vii. Power Purchase Agreement

Zero Emissions Water Limited (ZEW) is a related party of Yarra Valley Water, refer note 5.2. Below is a summary of the transaction and holdings with ZEW.

	Note	2021 \$'000	2020 \$'000
Receipts from ZEW	2.2	90	217
Payments to ZEW	5.2 & 4.3	75	11
Investment in ZEW	5.2	11	-
Total		176	228

viii. Other State Government of Victoria related parties

During the year we supported the Thriving Communities Partnership (TCP), a cross-sector collaboration with the goal that everybody has fair access to the modern essential services they need to thrive in contemporary Australia. Pat McCafferty is Chair of TCP and we have supported TCP with their set up, administration and One Stop One Story Hub project.

Water and sewerage services were provided to wholly owned State Government of Victoria entities for properties within our district under normal commercial terms and conditions.

Notes to the financial statements for the year ended 30 June 2021

All other transactions with State Government of Victoria related parties were made on normal commercial terms and conditions and have not been considered material for disclosure.

9.6.2 Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Yarra Valley 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 9.4 who have the authority and responsibility for planning, directing and controlling our activities 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 are set by the *Parliamentary Salaries and Superannuation Act 1968* and reported within the Department of Parliamentary Services' financial report.

	2021 \$'000	2020 \$'000
Short-term employee benefits	819	821
Post-employment benefits	78	78
Other long-term employment benefits	11	11
Total amount (\$'000)	908	910
Total number	9	10
Total annualised employee equivalent (AEE) ¹	9	9

1. AEE is based on the time fraction worked over the reporting period.

9.6.3 Transactions with key management personnel and other related parties

All key management personnel and other related party transactions have been considered immaterial for disclosure. In this context, transactions are only disclosed when they are considered necessary to draw attention to the possibility that our Balance Sheet and Statement of Comprehensive Income may have been affected by the existence of related parties, and by transactions and outstanding balances, including commitment, with such parties.

9.7 Ex-gratia expenditure

Ex-gratia expenses are voluntary payments of money or other non-monetary benefit (for example a write-off) that is not made either to acquire goods, services or other benefits for Yarra Valley Water or to meet a legal liability, or to settle or resolve a possible legal liability of or claim against us. Coronavirus has impacted our response to customer debt, refer notes 1.2 and 7.2.

	Note	2021 \$'000	2020 \$'000
Hardship write-offs for customers in the Arrange and Save Program		3,449	2,626
Coronavirus related credit, rebate or relief outside of hardship program	1.2	176	249
Write-offs for disconnected customer accounts greater than 180 days		2,678	1,937
Bankruptcies and liquidations		11	28
Minimum account write-offs		143	131
Family violence bill adjustment		19	26
Total		6,476	4,997

All ex-gratia expenses (except hardship write-offs for customers in the Arrange and Save Program and coronavirus and family violence related credits, rebate or relief) above form part of bad and doubtful debts expense, refer note 3.1.

Statutory Certification

9.8 Economic dependency

Our normal trading activities are significantly dependent on the provision of finance from the Treasury Corporation of Victoria.

9.9 Events subsequent to balance sheet date

The State of Victoria entered a lockdown from 11.59pm on 15 July 2021 to 11.59pm on 27 July 2021. A further lockdown commenced at 8pm on 5 August 2021. Lockdowns bring uncertainties and challenges for our customers and communities. As an essential service we continue to operate during lockdowns with our employees working from home where their roles allowed.

No other matters or circumstance has arisen that, in the opinion of the directors, has significantly affected or may significantly affect our operations, the results of those operations, or the state of affairs in future financial years.

9.10 Australian accounting standards issued that are not yet effective

The Australian Accounting Standards Board has issued a list of amending standards. In general, these amending standards include editorial and reference changes that are expected to have insignificant impacts on our financials. Of these we note AASB 2020-1 classification of liabilities as current or non-current, which alters the definition of a current liability to remove the need for a right to defer settlement of a liability to be unconditional, instead it will be sufficient for us to have the right to defer at the end of the reporting period. This amendment will come into effect for us on 1 July 2023 (AASB 2020-6).

There are no other standards that are not yet effective that are expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

We certify that the attached Financial Statements of Yarra Valley Water Corporation have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer issued pursuant to the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

In our opinion, the information set out in the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes presents fairly the financial transactions during the year ended 30 June 2021 and financial position of Yarra Valley Water at 30 June 2021.

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

We authorise the attached Financial Statements for issue dated at Melbourne on 27 August 2021.



Sue T O'Connor
Chair



Patrick J McCafferty
Managing Director



Natalie Foeng
Chief Financial Officer

Auditor-General's Audit Report



Independent Auditor's Report

To the Board of the Yarra Valley Water Corporation

Opinion	<p>I have audited the financial report of the Yarra Valley Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2021 • statement of comprehensive income 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 • statutory certification. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2021 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 <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Other Information	<p>The Board is responsible for the "other information" included in the corporation's Annual Report for the year ended 30 June 2021. The other information in the Annual Report does not include the financial report, the performance report and my auditor's reports thereon. My opinion on the financial report does not cover the other information included in the Annual Report. Accordingly, I do not express any form of assurance conclusion thereon.</p> <p>In connection with my audit of the financial report, my responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a materially misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.</p>
Key audit matters	<p>Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.</p>

Key audit matter	How I addressed the matter
------------------	----------------------------

Revenues from service and usage charges	
<i>Note 2.1 – Revenue from contracts with customers</i>	

<p>Revenue from service and usage charges: \$969 million.</p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> → revenue is financially significant to the corporation → the corporation's IT billing system and business rules are complex, and it uses several inputs, some from different sources → a key input, customer water volume consumption, relies on external service providers to conduct meter readings → revenue includes a significant accrual for unbilled water and sewerage services at year end that involves a higher degree of estimation uncertainty → the applicable accounting standard AASB 15 <i>Revenue from Contracts with Customers</i> requires detailed and complex financial report disclosures. 	<p>My key procedures included:</p> <ul style="list-style-type: none"> → testing the operating effectiveness of key application controls in the billing system and key manual controls in the billing process → assessing management's model, key assumptions and inputs for estimating the value of unbilled water and sewerage services accrued revenue at 30 June 2021 → performing substantive analytical procedures by developing an expectation of usage and service charges revenue for the period based on water volumes, number of serviced properties and approved prices, compared against the revenue recorded by the corporation → reviewing the adequacy of revenue recognition and measurement policies → assessing the adequacy of financial statement disclosures against AASB 15 <i>Revenue from Contracts with Customers</i>.
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The fair value estimate of infrastructure assets	
<i>Note 4.1 – Total Infrastructure, property, plant and equipment</i>	

<p>Fair value estimate of infrastructure assets: \$4.283 billion</p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> → infrastructure assets are financially significant to the corporation → the fair value estimate is derived from an income-based valuation approach that uses a discounted cashflow (DCF) model → the fair value estimate relies on management's use of an external valuation expert → the DCF model is highly complex and involves significant management judgements, underpinned by various subjective assumptions → the calculated value is sensitive to small changes in key assumptions used in the DCF model → the model's forecast period is long, and includes a terminal value, which increases the difficulty in accurately estimating the fair value → accounting standard AASB 13 <i>Fair Value Measurement</i> (AASB 13) and the Assistant Treasurer issued Financial Reporting Direction 1031 <i>Non-financial physical assets</i> (FRD 1031), both require extensive financial report disclosures. 	<p>My key procedures included:</p> <ul style="list-style-type: none"> → obtaining an understanding of management's approach to estimating the fair value of infrastructure → assessing the competence and capability of management's expert engaged to assist with the valuation process → engaging a subject matter expert to assist us in obtaining sufficient appropriate audit evidence, including: <ul style="list-style-type: none"> - the appropriateness of using an income-based valuation approach - identification of any changes to the DCF model and/or assumptions - the reasonableness and consistency of all the assumptions used in the DCF model - the reasonableness of all inputs used in the model, with specific reference to underlying data and supporting documentation - the DCF model's computational accuracy - assessing the completeness and adequacy of the financial report disclosures with regard to AASB 13 and FRD 1031, including the significant observable and unobservable inputs utilised in the model and the sensitivity analysis → evaluating our subject matter expert's workings and concluding the work was adequate for the purposes of our audit.
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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>
Auditor's responsibilities for the audit of the financial report	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.</p> <p>As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:</p> <ul style="list-style-type: none"> • identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

**Auditor's
responsibilities
for the audit of
the financial
report
(continued)**

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

From the matters communicated with the Board, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. I describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

MELBOURNE
7 September 2021



Paul Martin
as delegate for the Auditor-General of Victoria

Disclosure Index





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Yarra Valley Water's 2020-21 Annual Report is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of Yarra Valley Water's compliance with statutory disclosure requirements.

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Legislation

Water Act 1989
Water Industry Act 1994
Freedom of Information Act 1982
Building Act 1993
Public Interest Disclosure Act 2012

Local Jobs First Act 2003
Financial Management Act 1994
Public Administration Act 2004
Environment Protection Act 1970 (Vic)



**United Nations
Global Compact**
Refer to pages 96 & 97 for
our Communications on
Progress (COP) for 2020-21.

Contact us

 **Enquiries** 1300 304 688
Faults and Emergencies 13 27 62 (24hr)
 **Fax** 03 9872 1353
 **enquiry@yvw.com.au**
 **yvw.com.au**
 **Private Bag 1
Mitcham VIC 3132
DX 13204**

For language assistance
العربية 1300 914 361
廣東話 1300 921 362
Ελληνικά 1300 931 364
普通话 1300 927 363

For all other languages call
our translation service on
03 9046 4173

 **TTY Voice Calls** 133 677
 **Speak and Listen** 1300 555 727