



Gippsland
Water

Corporate plan 2020 - 2025



Our service area



Legend

Latrobe River catchment boundary
Gippsland Water operating area



Contents

Our service area	2
Aboriginal acknowledgement	4
Message from the Chair and Managing Director	5
Our values	6
Our vision	7
Core business undertakings	8
Our operating environment	12
Strategic context	14
Impacts of coronavirus on the seven priority areas	21
Challenges we face	22
Community and economy	23
Risk assessment	24
Staff support during coronavirus	25
Customer support during coronavirus	26
Our strategic priorities	28
Healthy people, healthy environment	32
Enabling our people	34
Strengthening relationships	36
Customer focussed	38
Business sustainability	40
Clever thinking	42
Our financial projections	44

Aboriginal acknowledgement

We acknowledge Traditional Custodians of the land on which we live and work. We pay respect to Elders past and present. We are committed to working respectfully to honour their ongoing cultural and spiritual connections to this country. We recognise the role and value of culture in our work and community.

We cover areas of two traditional landowner groups:

- Gunaikurnai Land and Waters Aboriginal Corporation
- Bunurong Land Council Aboriginal Corporation



Message from the Chair and Managing Director

On behalf of our Board, the executive team and the entire organisation, we're pleased to present the 2020-25 Gippsland Water Corporate Plan.

Last year was a successful year focussing in particular on building capability, particularly in our leaders and safety, refreshing and expanding our technology, renegotiating some key long term customer contracts, and setting the organisation up for future success.

Input and feedback from our employees, customers, community and local business was sought in developing this plan which sets out how we will deliver on both their expectations and our obligations under the Victorian Government's Water for Victoria plan for the next 5 years, with a particular focus on 2020-21.

This year, we will commence an extensive community engagement process to inform the development of our next pricing submission due in 2023. The engagement program will focus on what our customers value most and expect from us, what their different needs are, and help us formulate our five year plan and commitments.

We want to better understand and serve our diverse customers and where possible give them the ability to deal with us how and when it is most convenient for them.

We also want to improve the community's understanding of our operations and decisions, the "how" and "why" we do things. We hope this will lead to even more valuable input and feedback, ultimately resulting in improved decision making.

Underpinning all is increasing the technical and financial efficiency of the organisation. We will continue our investment in resources and personnel in identifying innovations in systems, technology and management throughout the organisation.

At the time of writing, April 2020, we are in the grip of coronavirus (COVID-19). The health and safety of our people being paramount, we're following our Pandemic Response Plan and taking all necessary steps to keep them safe and well. We are absolutely committed to a safe and reliable water and wastewater service to our community and will continue to liaise with the Department of Environment, Land, Water and Planning (DELWP) and the Department of Health and Human Services (DHHS) and other state authorities to ensure this. The full impact of coronavirus (COVID-19) on our customers, our costs, our debt and our overall financial position is not yet clear. Our financial position in this plan has been built on an assumption that we can continue to operate in the way that we ordinarily do.

Ultimately, it is our ability to deliver the water and wastewater services required by our customers that will be our measure of success. To this end, this plan also outlines the major works required across our region. This ranges from new water and wastewater services to meet the needs of our growing western areas of Warragul and Drouin, to upgrading our aging pipe networks and infrastructure in the Latrobe Valley, and the expansion of the Sale outfall sewer pump station. Delivery of these projects, along with many others, and the community's satisfaction with us, will constitute the success of this five-year plan.



Therese Ryan
Board Chair



Sarah Cumming
Managing Director

Our values



SAFETY AND WELLBEING

'Go home safe'

The safety and wellbeing of our employees and community is our priority. Always.



CUSTOMER FOCUSED

'Customer first'

Customers are at the heart of everything we do.



ACCOUNTABILITY

'Make it happen'

We each take ownership and deliver on what we say.



COLLABORATION

'Working together'

We work in partnership with our colleagues, customers, and stakeholders.



INNOVATION

'Clever solutions'

We challenge our thinking, learn and embrace change.



INTEGRITY AND RESPECT

'Treat others as we wish to be treated'

We are transparent, honest, inclusive, and treat people fairly.

Our vision

We take pride in partnering with the community in providing quality water and waste services so we can enjoy a healthy and sustainable Gippsland for generations to come.



Core business undertakings



Core business undertakings

We supply water and wastewater services to residential, commercial and industrial customers across central Gippsland.

Our region spans from Drouin in the west to Loch Sport in the east, and Briagolong in the north to Mirboo North in the south.

This area covers around 5,000 square kilometres across the municipalities of Baw Baw Shire, Latrobe City, South Gippsland Shire and Wellington Shire.

With over 306 operational, engineering, financial, environmental and administrative employees, we are a major local employer for the region serving a population base of 147,000 people.

We deliver water to over 70,000 customers and wastewater services to more than 63,000 customers across 43 towns. Our customers include major industries, some of which are of state and national significance.

Commercial businesses

In addition to providing regulated water and wastewater services, we have two commercial businesses being our agribusiness and organics recycling activities. These businesses are an integral part of what we do and provide benefit for us, our customers and the state.

Our commercial businesses provide customer benefit through:

- Providing additional income for our business. This 'non-water' income effectively helps reduce the pressure on operational costs and ultimately tariffs for water and wastewater services to our customers.
- Reducing the cost of waste disposal for our organisation by turning solid waste into a commercial compost product, or using safe recycled wastewater to irrigate

farmland. This offsets approximately \$4-6M in operational costs per annum.

- Reducing the environmental impact of our waste by reducing the volume of waste requiring disposal.

The two core unregulated businesses providing these benefits are:

Agribusiness

Our agribusiness operations employ seven local people and helps us to both effectively manage and re-use treated water while servicing our agricultural assets all across Gippsland, including 12 farming sites producing a combination of beef, crops and plantation timber.

Our largest farm, at Dutson Downs, is located 25 kilometres south-east of Sale and spans 8,341 hectares.

Organics Recycling

Dutson Downs also hosts our organics recycling facility where we transform approximately 200,000 tonnes of waste each year into valuable, nutrient rich Australian Standard compliant compost.

Employing 23 local people, we dispose of our biosolids through the facility, saving our customers approximately \$2-3M per annum in avoided costs that would otherwise be incurred using external facilities. This is quite unique for our business, and along with the role we play in managing major industrial waste streams, and recycling for the production of compost to be used in agricultural and industrial activities, our organics facility is one of the best examples of a circular economy business model in the state.

KEY FACTS

We own and maintain a \$1 billion infrastructure network which includes:



of water mains,
65 treated
water storages and 48
pump stations



of sewer mains
and 199
sewer pump stations



ocean outfalls
(McGaurans Beach and
Delray Beach)



wastewater
treatment plants
including the
Gippsland Water Factory



water treatment plants



Our operating environment



Our operating environment

Governance

We are the Central Gippsland Region Water Corporation and trade as Gippsland Water.

We are a regional water corporation established under the Water Act 1989 (Vic), constituted on 21 December 1994. The Hon Lisa Neville MP, Minister for Water, is the responsible Minister at the time of the development of this plan.

We operate under a Board of Directors which is appointed by our shareholder, the Victorian State Government.

We are governed by several State and Commonwealth laws, including:

- *Safe Drinking Water Act (2003)*
- *Planning and Environment Act 1987*
- *Flora and Fauna Guarantee Act 1988*
- *Environment Protection and Biodiversity Conservation Act 1999*
- *Permitted Clearing of Native Vegetation – Biodiversity Assessment Guidelines (2013)*
- *Financial Management Act 1994*
- *OHS Act (2020 amendment)*

Risk management

Our Risk Management Framework is consistent with relevant standards and promotes a positive risk culture that assists and guides all employees to identify and manage risk and uncertainty.

Risk management is integrated into our strategic and corporate planning process. We continuously monitor our strategic risks to ensure they are reflective of the current environment and updated as necessary. Over the last year, we have worked on redefining our risk appetite and tolerance levels, and as we move into 2020-21 and beyond these refinements will become embedded within our decision making and help in setting our strategic priorities for the future.

We are committed to continuously strengthening our risk management processes and capability. For example, over the last twelve months we have refreshed our approach to business continuity planning, refined risk appetite statements, and reviewed operational risks to ensure they represent our modern and diverse operating environment.

Our Board actively reviews our strategic risk, and from 2020-21 will be actively reviewing performance against our defined key risk indicators. Our Audit and Risk Committee and Risk Management Committee review the risk management framework annually and complete scheduled reviews of strategic risks each quarter.

Strategic context



Strategic context

This plan outlines our business direction for the next five years, with a particular focus on the 2020-21 financial year.

This plan is a roadmap for our organisation to ensure we deliver on our statutory obligations, strategic vision and community expectations.

A continuing driver has been the community feedback received through the extensive engagement undertaken across our community for our 2018-2023 pricing submission, while responding to the Victorian Government's Water for Victoria plan and 2020-21 Ministerial Expectations.

We remain committed to engaging with our customers about the sort of projects they are likely to see in our next price submission, such as the security of supply for our rapidly growing western areas of Drouin and Warragul, and working with customers on future water supply options for the township of Briagolong.

Meeting government objectives

Water for Victoria is the State Government's strategic, long-term plan for managing our water resources, now and in the future. It was developed and informed by community expectations, particularly in areas of health, recreation, liveability, traditional ownership and economic development.

We're committed to supporting the government on this journey and our Corporate Plan 2020-25 sets out the actions we will take to do so. It strongly aligns with the priority areas of Water for Victoria and 2020-21 Ministerial Expectations.

Climate change

Our commitment to reducing greenhouse gas emissions by 24% by 2025 remains on track and with the Victorian government's net zero

by 2050 target. Operational emissions are being reduced by a suite of new renewable energy and efficiency projects at facilities across our region. Approximately 900 MWh per annum of renewable energy is currently being generated by new solar PV installations at our Warragul wastewater and water treatment plants and also at our Traralgon office. A further 500 MWh per annum capacity is due to be commissioned this year through new solar projects at our Moe Wastewater Treatment Plant and Traralgon Water Treatment Plant. The new solar plants are in addition to our existing biogas and hydro generators that helps offset our energy costs at our Gippsland Water Factory.

Winter 2020 will see stage two of our carbon offset project completed with the planting of just under 200,000 native plants over a two-year period. This project will supply carbon offsets for our wastewater treatment emissions for a period of approximately 10 years and provide habitat for numerous state and Commonwealth listed threatened species.

Our targets for our total net greenhouse gas emissions (tonnes of CO₂ equivalent) require us to significantly drop our emissions from 2021-22 onwards, from 43.6 tonnes of CO₂ equivalent in 2020-21 to 38.6 in 2021-22. We will report on our performance through our annual community report.

Actions in this plan also align with and support our State's Circular Economy Policy and State recycling plans. We are a state leader in waste management.

Customer and community outcomes

Customers are at the centre of our business and we are committed to not only improving our services, but also ensuring our customers have a voice in the decisions we make. That's why we will be commencing formal public engagement again in 2020-21 to inform our next price submission in 2023. That might sound like we have a lot of time, but it's important we start this work early so we, with our customers, have plenty of time to design a proposal that best supports the needs of our region.

We will spend time to gain a deeper understanding about what our customers value, and expect from us, and negotiate guaranteed levels of service with them. We'll ask them for input that will help to inform the development of our strategic agenda for the five year period including capital projects and community support programs.

Construction of the \$55M Drouin wastewater treatment plant is underway. This is our largest capital project in this plan period and is being constructed to meet the long term needs of Drouin - our fastest growing town. We are maintaining our focus on keeping the community informed of the project's progress with regular updates on our social media pages, traditional media and our website as well as seeking input into decisions our community can influence during the project's design and construction phases.

We have actively worked with the Latrobe Health Assembly to implement a community program aimed at encouraging people to choose tap water over sugary drinks. We are partnering with local businesses to provide free drinking water to community activities. We will be reviewing the project's benefits with the view to expand the program to other areas so we carry on promoting tap water as the drink of choice whether at home or out and about.

We are also collaborating with our communities and local councils on the installation of water fountains in areas the

public uses most. Over the next 12 months, we are planning with local councils to install additional permanent drinking water fountains in public areas, and we expect the demand for additional fountains to continue over the following years.

Our recently released online customer service platform continues to see a growing number of customers preferring to deal with us online and at times convenient to them. This year we will be expanding the convenience of online services for our established online property connection processes to new property owners and builders.

We are seeing steady growth across our region, particularly in our western towns of Drouin and Warragul. To facilitate this growth, we are working closely with developers, local council and other authorities to deliver critical infrastructure.

Major customers

Our major customers include businesses of state and federal significance and are the state's largest industrial water consumers. We play a critical role in supplying essential water and waste services to these businesses. While closures of some large organisations over the past few years have significantly impacted our region and consequently significantly impacted our revenue, we are exploring opportunities with existing major industries to maximise our services for the benefit of these organisations, our customers and the broader region. We will continue to work with our stakeholders to advocate for attracting new business opportunities.

Water for Aboriginal cultural, spiritual and economic values

We recognise the importance and support the ability of Aboriginal people in the self-determination of Aboriginal cultural values. Through the Guniakurnai Land and Waters Aboriginal Corporation (GLaWAC), we're developing processes for cultural recognition as well as avenues for economic inclusion in our planning and operations.

An important project which incorporates Aboriginal inclusion in our water planning is the mapping for six important waterways connected to our processes. This project also reflects our commitment to including Traditional Owner Corporations in our service and supply chains.

We will work in partnership with GLaWAC to assess our significant landholding at Dutson Downs to identify and protect culturally significant sites. We have also created and recruited for an Aboriginal Water Officer role, which provides an opportunity for a Traditional Owner to work within Gippsland Water.

Recognising the recreational values of our water

We'll continue to engage with local communities to develop a deeper understanding of the shared benefits of water, including recreational benefits, in planning and decision making. This forms part of our Urban Water Strategy and our active participation and leadership in local Integrated Water Management forums will help us deliver this.

We will maintain access to some of our land for bushwalking, walking or jogging and picnics, as well as providing educational tours through some of our treatment plants and at Dutson Downs. We will also continue to open our sites for bird counting surveys where safe to do so.

Furthermore, over the period of this Corporate Plan, we estimate that we will pay over \$2M to Southern Rural Water towards maintaining recreational facilities at a number of locations in Gippsland, these being Blue Rock Reservoir, Cowwarr Weir and Lake Glenmaggie, each of which attracts visitors from outside of our service region. These locations provide opportunities for kayaking, fishing, swimming and picnicking. This commitment equates to every Gippsland Water customer contributing approximately \$5 each year towards the upkeep of these facilities.

Looking ahead, we will continue to review our assets for opportunities for providing recreational benefits. It has been identified that the site of our new Drouin Wastewater Treatment Plant has significant birdwatching potential. While we undertake work to upgrade the Plant, we are exploring options for a possible birdwatching platform, either at the Plant or in a nearby public area, following the completion of the Plant.

Lastly, recognising the need to ensure we have up-to-date information sources to help our recreational users plan their activities, over the next year we will be looking at ways to better communicate with our community about recreational activities through our website and social media channels.

Resilient and liveable cities and towns

We're proud to be actively contributing to a healthy Gippsland by supporting safe, affordable, high quality services and resilient environments.

We're actively participating in the Gippsland Integrated Water Management (IWM) Forum, incorporating both South Gippsland Water's service area and our own. The forum brings together the various organisations that manage components of the water cycle such as water corporations, local councils and Catchment Management Authorities, as well as traditional owner groups and others, to foster opportunities to collaborate to deliver better liveability outcomes for communities.

We have worked with several partner organisations in the forum to progress the following projects, all of which were articulated in the Strategic Directions Statement endorsed by the Minister for Water:

- Baw Baw Shire Council completed and endorsed their IWM plan. We and other Forum partners provided support throughout this process.

- Wellington Shire Council and Latrobe City Council have commenced development of their IWM Plans, assisted by funding from DELWP. We are actively participating in the development of these plans.
- We have offered financial and technical support to Baw Baw Shire Council for their application for funding to help deliver the Western Park Warragul stormwater re-use project, a priority project in their IWM Plan.
- Our project with multiple partners will deliver the Willow Grove stormwater management project which will help protect water quality in the Blue Rock Reservoir.

We're maintaining our focus on working with local councils, traditional owners and other government departments to sustainably manage water for current and future generations with active involvement in the Victorian Water Efficiency Group. At the same time, we continue to support and promote the Target Your Water Use campaign that actively encourages our customers to be smart about their water use.

Throughout this Corporate Plan we'll continue to address affordability issues faced by our customers with currently almost 2% of our customers on our hardship program. We provide tailored support and education to these customers and recognise that everyone's situation is unique. Additional assistance is available to customers experiencing family violence. With costs across a range of utilities continuing to rise, we will continue to look for ways to minimise impacts on customer bills and assist our customers experiencing hardship.

Leadership and culture

We recognise that through embracing diversity we also make a significant contribution to helping our local communities be more liveable, equitable, safe and inclusive places for everyone. This approach

and commitment is reflected in our employees' view that our organisation is highly accepting of diverse backgrounds and ways of thinking. This continues to be reflected through our top quartile employee engagement and organisational culture results which acknowledges that Gippsland Water is a great place to work.

Gippsland Water is proudly a GROW Gippsland Compact Member, which demonstrates our commitment to increasing local and social procurement and exploring opportunities for inclusive employment through projects such as these. We also participate in the GROW employer working group which enables us to share our progress in this space more broadly with other employers in the region.

We are dedicated to continually building the capability of our people leaders to effectively support our employees, actively role model our values and nurture an inclusive environment. Our leadership philosophy has been embedded in our purpose-built leadership development programs and through our future organisational development activities. We will also continue to incorporate a gender equity and opportunity lens to these activities, aiming for current and emerging female leaders. Our senior leadership team are encouraging a strong uptake of females in our leadership programs.

Our executive level female representation has proudly grown by a further 12% and we continue to be an active member of the Gippsland Environmental Agencies Women in Leadership Team, which currently and in the future will provide further opportunities for women in our organisation to connect with others, network and participate in development and mentoring opportunities.

Our Managing Director was ministerially appointed to be on the DELWP Leadership Oversight program which has been convened to further the advancement of senior women in the water sector through the development



of the Insight program. Our Chief Financial Officer was successful in being selected to participate in this program throughout 2020 and 2021.

We've refined and matured our approach to recruitment campaigns by using language that is more engaging, inclusive and conversational. Through this story-based approach we will deliver candidates a better understanding of not just the role, but what it is like to be a part of Gippsland Water. Vastly under-represented groups also continue to be a focus, requiring us to plan targeted approaches to widen our search pool. We'll look at different recruitment approaches for each role ensuring the method is fit for purpose. Where appropriate, we'll partner with relevant organisations and work directly with them to ensure we obtain suitable candidates. We actively identify roles in our business that could be filled by jobseekers from disadvantaged backgrounds and have examples of such jobseekers gaining valuable skills and experience to improve their employability. We're committed to social employment and a 12 month fixed role in our customer service team will be 'ring fenced' for disadvantaged jobseekers. We'll work with GROW and Work Solutions Gippsland to fill this position.

Meaningful pathways for our community into employment continue to be offered and created including our student vacation employment and specialised graduate, traineeship and apprenticeship programs. We've also linked in with local community groups to provide work experience and employment opportunities for under-represented groups, and will work in partnership with a local disability employment provider to enable supportive and collaborative approaches to sustainable disability employment outcomes.

We are creating opportunities to bring our people together to recognise and acknowledge culturally significant dates and days. Harmony Day, NAIDOC Week activities and R U OK? Day have all become significant

dates marked on our calendar of events.

This, coupled with a proactive emphasis on employee wellness, our mental health and wellbeing commitment, and active Wellness Organisation Workgroup, who lead a number of employee initiatives, assists us to build and sustain a mentally healthy, inclusive and engaging workplace.

Financial sustainability

Long-term financial sustainability is important if we are to deliver the services expected by our customers without significant increases in charges or in debt. This includes ensuring that our assets such as pipelines and treatment plants are maintained so that the cost does not become an inequitable burden for future customers.

Our plan embeds actions that encourage innovation and optimise whole of life cost to sustain the business and ensure ongoing delivery of customer standards of service, compliance to legislation, regulations and the statement of obligations.

Key goals are:

- Funding is available for the timely maintenance, replacement and upgrade of assets to meet expected levels of service to the community.
- There is consistent delivery of services and efficient use of capital and development of infrastructure.
- Current and future customer charges have a fair degree of stability and predictability.
- Resources are distributed fairly between current and future customers (inter-generational equity).

Future significant projects

Our planning is focussed on meeting current and future need in the delivery of water and wastewater services in our service region. We are identifying projects early to allow for even greater customer input and more accurate project scopes, which in turn will result in improved cost estimates and project delivery.

A number of significant projects have been foreshadowed for 2023 and beyond. Renewing aging assets to meet the changing and growing demands of a future Gippsland remains a high priority. Key significant projects, with current projections of timing include:

- Relocating and expanding the major water storage for Morwell and surrounding districts – 2027-28
- Upgrade for Warragul wastewater treatment plant – 2025-26
- Renewal works on the anaerobic reactors at the Gippsland Water Factory – 2026-27
- Sewer pipeline renewals – ongoing yearly program
- Water pipeline renewals – ongoing yearly program

Statement on the impacts of coronavirus (COVID-19) on delivering the seven priority areas and actions to address the impacts

As of early May 2020, coronavirus (COVID-19) has had negligible impacts on our capacity to deliver on the seven priority areas identified in the Letter of Expectations and we remain committed to delivering on all seven priority areas.

Climate change

While short-term delays to our solar installation works are possible due to a potential shortage of materials, our longer term deliverables remain on track.

We'll continue to monitor this closely as the situation evolves.

Customer and community outcomes

In recent months, we've seen increased uptake in our customer hardship program which we are predicting to remain above average for the foreseeable future. This increase may see an impact on overdue accounts.

We're taking steps to move customer engagement activities online, with some planned face-to-face community

engagement activities likely to be modified for health and safety reasons while restrictions remain in place.

Water for Aboriginal cultural, spiritual and economic values

The Aboriginal community is one of the most vulnerable to the impacts of coronavirus (COVID-19).

While health measures to protect the safety of the community have limited the capacity of our Traditional Owner partners to undertake field work on some joint projects, we don't anticipate any medium to long-term impacts at this stage.

Recognising the recreational values of our water

Public access to our recreational and picnic areas has been temporarily restricted due to coronavirus (COVID-19). This includes areas at Moondarra Reservoir and birdwatching activities at our treatment plant lagoons and ponds.

Educational visits and community tours of our facilities are also in recess.

Resilient and liveable cities and towns

We don't anticipate coronavirus (COVID-19) will have any significant impact on our ability to meet our obligations in this space.

Leadership and culture

Priority has been given to activities that will build our resilience, protect the safety and wellbeing of our staff, ensure continuity and quality of service delivery and strengthen our ability to meet our legislative and policy obligations.

We have also identified several operational efficiencies which we are pursuing to provide additional support for our employees and customers in hardship.

Financial sustainability

The financial impacts of coronavirus (COVID-19) have been minimal to date, however it will take some time for the full impacts to become known.

Challenges we face



Challenges we face

The composition of the communities we serve is changing, both socially and economically.

Our regional economy continues to undergo transition with significant development activity in the west. The populations of Warragul and Drouin continue to grow, requiring significant investment to meet a growing demand on our services. One way we've been addressing this challenge is through a \$15M pipeline we completed construction on this past year, which will allow the two-way transfer of water between the Moe and Warragul water systems when it is fully commissioned in 2020. The ability to transfer water in either direction offers improved operational security, making the region more resilient to changes in supply and demand, such as climate change and population growth.

In the Latrobe Valley, ongoing changes in the mining, energy and timber industries present both challenges and opportunities, including the long-term loss of significant revenue and the opportunity to secure new major customers.

Overall economic conditions in the region as a consequence of major industry closure are contributing to higher levels of customer hardship cases. Our focus will remain on improving customer care and support.

Further east, 50 years of future growth in the major towns of Sale and Wurruk will be assisted with the construction of the new Sale outfall sewer pump station. This year, we'll also re-evaluate the reliability of the water supply to the Briagolong township, which was the subject of water restrictions in January 2020 and work with the community to better understand the behaviours of their water

resource and determine if changes to the current investment into infrastructure in this system is required.

Naturally, our region is not immune to the effects of climate change. Drought in the central Gippsland area created challenges for our farming community, and it is not yet clear if rains in the first quarter of 2020 will provide long-term relief. It is clear the increased risk of extreme weather events, like flood and bushfire, threaten both our infrastructure and the wellbeing of our communities. On the back of the learnings of the recent extreme fires in East Gippsland and North East Victoria, we are considering what additional measures need to be in place for the future.

We're also looking to expand our commercial business operations. Opportunities to take advantage of the broadening compost markets in rehabilitation works (e.g. mines, quarries etc) and agriculture/horticulture are in development. We're also exploring alternative waste stream management and uses.

Statement outlining initiatives put in place to support our staff and community during coronavirus (COVID-19)

Risk assessment

The coronavirus (COVID-19) has changed the way we work, presenting new risks to the safety and wellbeing of our people. These risks are being closely monitored and will continue to be managed as we return to a new normal.

Government restrictions introduced to reduce the spread of coronavirus (COVID-19) have also had a financial impact on some of our customers. We are working proactively to support them through these challenging times, and to minimise financial risk to our business.

We anticipate a possible reduction in cash receipts in the next 12 months. If this happens, it will likely impact on our borrowing requirements and we expect to draw down all of our approved borrowings for 2019-20.

We've modelled a number of financial scenarios outlining the impact to our borrowing requirements in 2020-21, including a reduction in cash receipts becoming a reality. We're also analysing the potential impacts of reduced consumption—particularly across our non-residential customer base, including our major customers—should we see local businesses close or reduce activity as a result of coronavirus (COVID-19).

Recognising the importance of the provision of our services to essential industry, as well as our community, we are closely monitoring our risks. To address the risk of future supply chain disruption to critical supplies, chemicals and personal protective equipment, we will review and strengthen our contractual agreements, identify alternative suppliers from our region and within Australia and develop robust

mutual aid agreements within the water and other essential service sectors; as well as with emergency services at local, state and commonwealth levels.

These arrangements are facilitated through local emergency management teams coordinated by Victoria Police; at the state level by DELWP and Melbourne Water; and at commonwealth level by the water services sector group. We have also put in place arrangements to separate our workforce at key sites, to minimise the risk of disruption to service delivery.

While cyber threats have always been present, they've increased during coronavirus (COVID-19) as we've adapted new ways of working. With remote working now becoming more normal, we'll continue to enhance our cyber security systems and raise awareness across the organisation.

We've facilitated an unprecedented shift in the way our information technology systems are utilised with large parts of our workforce working remotely, due to past investment in our infrastructure. We've recently increased our internet speeds to support additional load and our security and network monitoring has been increased to maximise the reliability and security of our network.

Likewise, while we are considering new and exciting opportunities to work differently in the future, we will continue to assess and manage any associated risks such as safety, mental health, cyber security and business interruption before incorporating them into our ongoing business practices.

What we're doing to support our people during coronavirus (COVID-19)

In March this year, we formed a Pandemic Response Team to coordinate our response to the coronavirus (COVID-19). The team is led by our Managing Director with support from the executive team and specialist staff from across the business and reporting regularly to the Board.

Alternative working arrangements have been put in place for our office-based staff to help keep them safe. For most of our office-based staff, this has meant working from home and we are supporting them with supplementary payments to assist with costs like electricity, heating, internet and home office consumables

We've also been focussed on making sure our people are equipped with the right technology, furniture and equipment they need to continue to work as productively and safely as possible, with minimal disruptions.

Our field teams have played a key role in ensuring we can continue to provide safe and reliable services to our customers. We are supporting them in a number of ways, like augmenting our fleet with hire vehicles and providing private vehicle allowance where necessary, making it safer and easier to comply with social distancing requirements.

We have also been active in communicating to our customers the need for continued access to properties to maintain services, reassuring them that our people won't be creating additional risks to them by undertaking necessary works.

We've temporarily closed our public reception areas, introduced extensive cleaning and hygiene measures across all worksites and bolstered our personal protective equipment and hand sanitizer supplies. We also rolled out our annual influenza vaccination program for all staff and partners during May.

We've been maintaining a comprehensive internal communication program to ensure our people stay up-to-date and connected, with a strong focus on health and wellbeing. We are monitoring our EAP activity to look for trends that might require more active responses.

For our people leaders, we delivered a masterclass in 'Managing and Leading High Performing Virtual Teams'. The workshop was tailored to help people leaders harness the energy of their team and support them to thrive while working remotely or differently.

We've also been focussed on supporting our people to maintain positive mental and physical health and encouraging them to access services like our employee assistance and peer connect programs and providing access to webinars on topics such as wellbeing and infection control.

Our internal wellness workgroup partnered with a local gym to fund free virtual gym memberships to interested staff for the month of May.

We'll soon be rolling out a series of e-learning modules all aimed at building individual resilience and we're supporting those with children who are learning from home through our established flexible work arrangements process, with many staff accessing temporary changes to their working arrangements.

What we're doing to support our customers and community during coronavirus (COVID-19)

We've been working closely with our colleagues around the state to support and augment the whole-of-Victorian Government coronavirus (COVID-19) communications program.

At the local level, our communications have focussed on sewer blockages, hardship support, changes to operating arrangements, reassurance that our water is safe to drink, assurances about service continuity and the essential nature of the work we undertake.

We've also been reaching out and supporting our customers who might be experiencing financial hardship during this time, with an increase in hardship registrations through our customer care program.

To make it easier for customers to access support, we've developed new online functionality that allows them to apply for financial support when they choose while also maintaining our friendly customer call centre service.

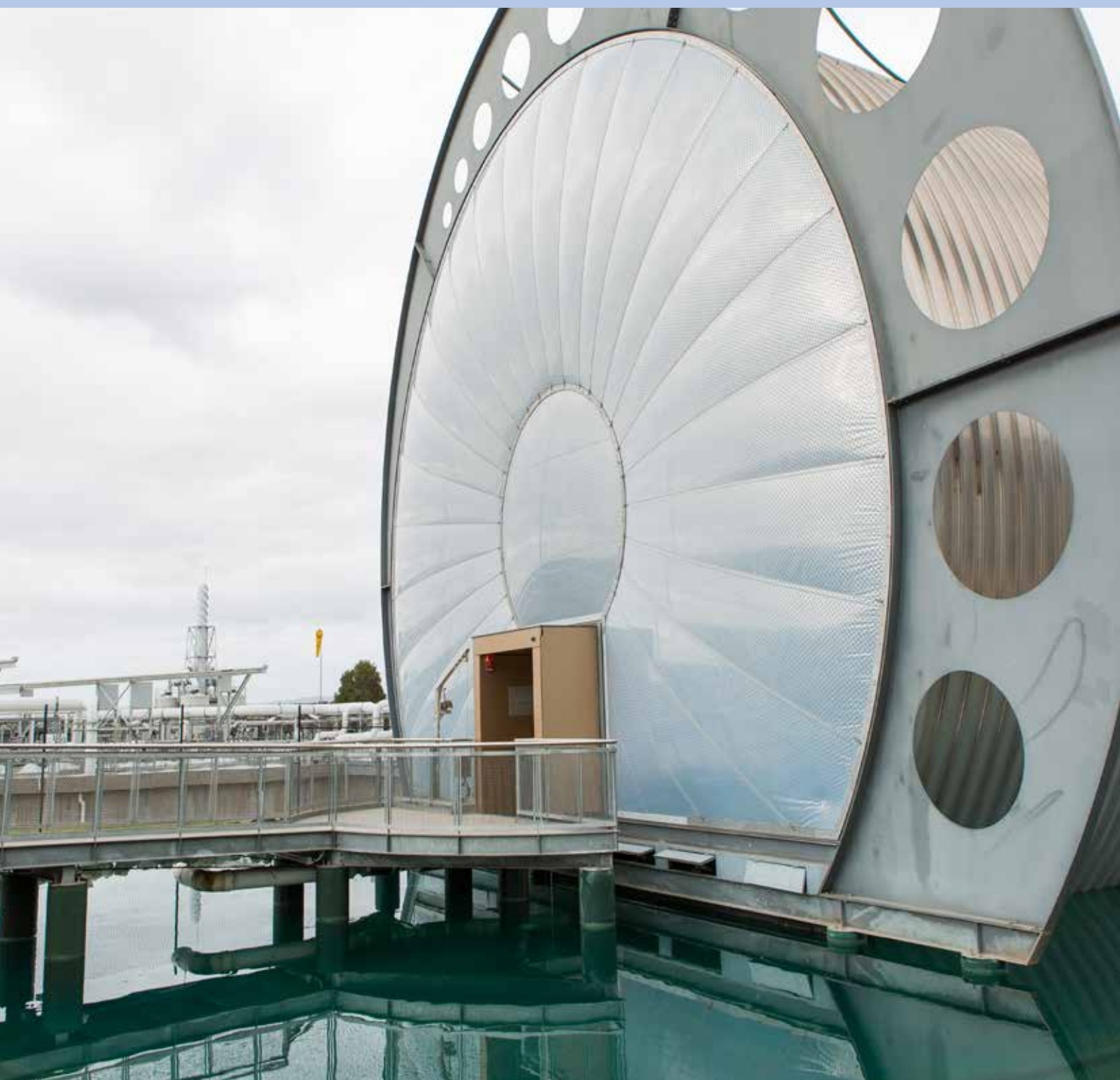
We've extended our maximum payment extension timeframes from four up to eight weeks; ceased restrictions for non-payment and temporarily discontinued restricting water flow to customers in default; and changed our processes to avoid referring customers to our debt collection agency or imposing other legal actions for the time being.

We're also doing our bit to support local businesses, including paying our suppliers within five business days, and ensuring that our weekly payment runs adhere to this.

We're working with Traditional Owners to develop innovative techniques to allow key projects to continue including the greater use of photos and other options for remote evaluation and we are trialling new approaches to delivering our public and schools education program, including the development of virtual tours and online and remote learning.



Our strategic priorities



Our strategic priorities

Our strategic priorities represent the highest order initiatives we will focus on in the coming five year period.

Our strategic priorities are informed by the customer values developed through our pricing submission engagement and are reviewed and updated annually to align with our obligations as set out by the Victorian Government.

Our strategic priorities focus around six key themes.

Each of our strategic themes includes a five year destination statement which is supported by strategic objectives that align our key business activities and outcomes, including the delivery of Water for Victoria outcomes.



Healthy people, healthy environment;

We are a leader in safety, public health and the environment to support a healthier community.



Customer focussed;

We learn from our customers and deliver on our promises.



Enabling our people;

Through a constructive culture, we are an engaged and empowered workforce capable of delivering on our priorities.



Business sustainability;

We invest strategically and make evidence-based decisions that deliver value for money to secure our future.



Strengthening relationships;

On behalf of our community we help shape the health and prosperity of the Gippsland region.



Clever thinking.

We foster innovation and empower people to find and deliver efficiencies that transform our business.



Gippsland Water Strategic Priorities 2020-25

Strategic driver					
Healthy people, healthy environment	Enabling our people	Strengthening relationships	Customer focussed	Business sustainability	Clever thinking
Five year destination statement					
We are a leader in safety, public health and the environment to support a healthier community.	Through a constructive culture we are an engaged and empowered workforce capable of delivering on our priorities.	Our organisation has an important role to play in our local community as a major employer, community member and socially responsible corporate citizen.	We will learn from our customers and deliver on our promises.	We're continuing to invest strategically and making evidence-based decisions that deliver value for money, to secure our future.	We're continuing to foster innovation, and empower our people to find and deliver efficiencies that transform our business.
Strategic objective					
We will deliver on our safety priorities to maintain our position as a leader in safety.	We will develop leadership skills and capability to align and transform our business.	We will partner, advocate and influence to deliver outcomes that matter to our local community.	We will embed a service culture that improves external and internal satisfaction and trust.	We will implement optimal asset management to reduce lifecycle costs.	We will have a safe space culture that allows bold ideas to grow.
We will deliver on our environmental priorities so that we minimise environmental harm, and maximise opportunities to support a healthy environment and financial sustainability.	We will enhance our employee experience to align and transform our business.		We will embed customer insights to put customers at the centre of our decision making.	We will develop profitable and financially sustainable revenue streams to maintain affordable tariffs.	We will be a digitally enabled utility to deliver efficiency.
We will deliver on our public health priorities so that our community prospers.				We will integrate our water resource planning to better identify future solutions that secure and leverage our water resources, including wastewater.	We will expand our capability to utilise data to inform smart decisions.
We will maximise the benefits of our environmental assets to support our community.				We will invest in energy reduction and generation initiatives to support business sustainability.	
				We will enhance our risk management capability to best respond to current and emerging risks and opportunities.	

Healthy people, healthy environment



We are a leader in safety, public health and the environment to support a healthier community.

We are delivering on our environmental priorities to minimise harm to our environment. By working with the broader water industry and delivering on the state government's Take 2 pledge program, we are preparing for and mitigating the effects of climate change. We're taking action to reduce our carbon footprint with alternative energy sources. New solar projects at our Moe Wastewater Treatment Plant and Traralgon Water Treatment Plant will take place this year furthering this commitment.

With the Environment Protection Amendment Act 2018 planned to take effect on 1 July 2020, we'll be working with the EPA during the implementation phase of the new regulations to ensure effective, practical environmental and public health outcomes for our customers, community and region.

Actions to promote and protect the health and safety of our workforce, our contractors and community continue. The safety of our people continues to be our highest priority and we'll continue to focus on enabling the right safety behaviours across our business and require our contractors to do the same. We continue to instil and reinforce the right behaviours through communication, consultation, campaigns and a safety system that provides assurance of our safety activities. Our safety culture is in the sustainable space (just short of being considered best practice).

Improving health outcomes in our community are a focus of our efforts to improve access to free drinking water in public places. Major catchments will be better protected with improved land use planning.

Case study

Offsetting our environmental impacts

Our ecological offset bank is one of the ways we minimise our impact on the environment. Through weed and pest maintenance, we protect our bank of 650 hectares of bushland, to ensure that if we impact any plants and animals when we expand or upgrade our infrastructure, we have zero net impact. It's crucial to ensuring we can continue to provide high-quality water and wastewater services to our community, while maintaining a healthy environment. This is why we have acquired more land to protect, adding 275 hectares of bush at Golden Beach to our offset bank. We are developing and following specific pest and weed management program targets for this land.





Healthy people, healthy environment

Strategic Objective	Initiatives
<p>We will deliver on our safety priorities to maintain our position as a leader in safety.</p>	<ul style="list-style-type: none"> • Undertake a ‘pulse check’ GSI Safety Culture Survey. • Implement the contractor safety action plan. • Undertake a GSI Safety Culture Survey to inform the Jan 2022 - June 2025 Occupational Health and Safety Strategy. • We will take a collaborative approach to develop and implement 2022 - 2025 OHS Strategy to ensure greatest buy-in across the business in order to further embed a safety culture and improve our Global Safety Index score.
<p>We will deliver on our environmental priorities so that we minimise environmental harm, and maximise opportunities to support a healthy environment and financial sustainability.</p>	<ul style="list-style-type: none"> • We will develop and implement a training and engagement program aimed at increasing environmental competency across the business so that we are prepared for the introduction of a General Environmental Duty. • Complete the gap analysis of Gippsland Water’s current strategic environmental action plans and compliance systems versus the ‘reasonably practicable’ test of the new Environmental Protection legislation and develop the organisational engagement plan and prioritised action plan to enable implementation.
<p>We will deliver on our public health priorities so that our community prospers.</p>	<ul style="list-style-type: none"> • Implement the Moondarra Integrated Land Use Implementation Plan to protect the Moondarra catchment. • Develop and implement a strategy to declare in council planning overlays 100% of currently undeclared potable catchments.
<p>We will maximise the benefits of our environmental assets to support our community.</p>	<ul style="list-style-type: none"> • To develop and implement a whole-of-business land use decision making framework that enables the business to identify and realise best value for money outcomes and take advantage of emerging opportunities (including vegetation offset trading, silviculture, agriculture, recreation, divestment, etc).

Enabling our people



Through a constructive culture, we are an engaged and empowered workforce capable of delivering on our priorities.

We recognise that our people are our strength and we are committed to continuing to foster an inclusive and constructive culture where we can do our best. We want the right people in the right jobs, with the right enabling culture. We're focussing our efforts on talent retention and attraction, growing our people, providing purposeful leadership and

supporting our people through a constructive and enabling employee experience.

Actions include a framework to embed mentoring into staff development and leadership practice. Accelerated workforce planning will also reduce the operational and skills risk within the organisation.

Case study

Growing our future leaders

We're growing our internal leadership capability by engaging a further 30 of our current and emerging leaders in our purposefully designed and built adaptive and aspiring leadership programs, delivered in partnership with Swinburne University.

These leadership programs enable our participants to learn how to take a more innovative approach to leadership, learning

skills and techniques to use creative problem solving, to empower and mobilise others and to be responsive and agile in times of change.

Participants will work collaboratively and intensively over an eight month period and these programs are pivotal in ensuring we continue to set our people and organisation up for future success.





Enabling our people

Strategic Objective	Initiatives
We will develop leadership skills and capability to align and transform our business.	<ul style="list-style-type: none">• We will develop and implement a mentoring framework and toolkit to enable our leaders to purposefully develop and nurture our people to enhance capability across the business.• Embed workforce planning across the business, including critical roles analysis and integration with operational risk management.
We will enhance our employee experience to align and transform our business.	<ul style="list-style-type: none">• Implement changes in our built environment that enhance our employee experience.

Strengthening relationships



Our organisation has an important role to play in our local community as a major employer, community member and socially responsible corporate citizen.

We are continuing to develop our strategic approach in fostering local, regional, state and national partnerships. This includes a focus on advocacy with a range of critical stakeholders on behalf of our customers and community.

Our work with the traditional owners of our region continues to provide positive outcomes. We will continue to develop partnerships

where the knowledge of our natural resources and water gained over many thousands of years can be applied for mutual benefit. We are continuing to learn from them in the area of cultural heritage, and collaborate in its protection.

Case study

Aboriginal Water Officer

Gippsland Water and the Guniakurnai Land and Waters Aboriginal Corporation (GLaWAC) have been working in partnership to identify how we can effectively support recognising Aboriginal cultural values and economic inclusion in water management within our region.

A key milestone of our Aboriginal Water Program has been the creation of an Aboriginal Water Officer role, which provides an opportunity for a Traditional Owner to work within Gippsland Water for an initial period of 12 months. Key projects that will be delivered during this time are determining the cultural values of the waterways within our operational region and assessing significant cultural sites on the land we manage. In addition to the project outcomes, both partner agencies have identified that this role will offer a genuine

opportunity to create meaningful awareness and understanding of Aboriginal values and how they relate to our operations and staff. It will also help build GLaWAC's understanding of the role and functions of a water corporation and inform future partnership objectives.





Strengthening relationships

Strategic Objective

We will partner, advocate and influence to deliver outcomes that matter to our local community.

Initiatives

- Implement a program to meet our corporate commitments under the Gippsland Water Aboriginal Inclusion plan, including:
 1. Developing and implementing our Aboriginal engagement and inclusion strategy;
 2. Aboriginal waterways mapping for 6 water ways connected to our wastewater disposal processes; and
 3. Assessing Dutson Downs to identify and protect culturally significant sites.

Customer focussed



We will learn from our customers and deliver on our promises.

The development of our 2018-23 price submission included extensive consultation with our customers and communities. Through our collaboration with customers we identified five customer values that remain central to our priorities.

Do your job well

We will continue to focus on providing safe and reliable drinking water that always meet the Safe Drinking Water Act. This year we will be implementing our Asset Management Strategy 2020-25, which sets out a clear plan for how our water and wastewater distribution systems will to be maintained, upgraded and expanded upon.

Be easy to deal with

We promised to resolve 88% of customer enquiries at the first point of contact, so far we are exceeding that target at >93% and expect to meet our commitment over the course of this plan. During 2020-21 we will be expanding our online service portal to include developers and conveyancers that will make it easier to access our services and information and at a time that suits them, while delivering more streamlined and efficient processing.

Be affordable and fair

We remain committed to keeping our prices stable and continuing to work with customers in vulnerable situations through our hardship program. Additionally, we are continuing to support customers impacted by family violence. We will also be continuing to foster collaborative relationships with community agencies and developing our cross sector relationships through our involvement with the Thriving Community Partnership.

Prepared for the future and protect the environment

Our active capital works program will be enhanced by reusing 100% of all bio solids delivered to our organics recycling business. Our major upgrade to the Drouin Wastewater Treatment Plant will not only cater for growth until at least 2050, but will also improve the quality of treated wastewater that is returned to the environment.

Be involved

Building on the success of 2019-20, we will again be working with our community to partner with and support projects, events and activities with a focus on water, water conservation, water and wastewater education, the environment, public health and/or community wellbeing. This delivers on our promise to invest at least \$30,000 annually in community projects. We will also increase the use of our online engagement portal 'Let's talk' which will play a key role in engaging with our customers for our next price submission and other projects.

Customer engagement will again play a key part in the development of our next pricing submission and will also contribute to better understanding our customers' priorities. We'll be seeking the community's view on its preferred way forward through locally based town pop-ups, community events, targeted workshops and our online engagement portal, 'Let's talk', on key projects and priorities such as water security options for our western growth area, and other areas experiencing change in climate and water security.



Customer focussed

Strategic Objective	Initiatives
We will embed a service culture that improves external and internal satisfaction and trust.	<ul style="list-style-type: none"> • Develop and implement an internal customer service program.
We will embed customer insights to put customers at the centre of our decision making.	<ul style="list-style-type: none"> • Design and conduct our public consultation in the lead up to the next pricing submission so that we understand our community's priorities. • Identify and resolve the top three pain points for small business, residential developers and residential customers. • We will use existing data holdings to analyse our customer base so that we can tailor our engagement activities to different demographics. • We will establish the governance framework and project team for the development of our price submission.

Case study

More permanent drinking fountains for our community

We continue to build our growing network of permanent drinking fountains in community spaces across the region, with at least ten new fountains to be installed in 2020-21.

To help us decide where fountains should go, we'll implement a public participation program via our online engagement portal 'Let's talk'.

Using customer feedback, we'll work with the Latrobe City, Baw Baw, South Gippsland and Wellington Shire Councils to confirm the locations, making more free drinking water available where our communities want it.



Business sustainability



We're continuing to invest strategically and making evidence-based decisions that deliver value for money, to secure our future.

We're developing a more holistic approach to critical areas of sustainability for our business, including financial, assets, water resources, energy and risk.

Warragul and Drouin

Big picture goals translate to local actions. In Warragul and Drouin water supply reliability will be a focus with planned works in the Warragul and Drouin system. Upgrades to the Warragul and Drouin wastewater system are also planned or underway.

Major customers and suppliers

We have negotiated and executed several key commercial agreements that will support

our business sustainability into the future. The agreements cover key customer, supplier and service contracts as well as renewal of service agreements with major customers.

New solutions

At the broader level our systems and works will benefit from deeper analysis in potential software solutions to improve system performance monitoring and efficient energy management. Sophisticated risk management will be integrated into all strategic and operational planning. A program of actions will better identify leaks and other losses of non-revenue water.

Case study

Improving asset management

We have stewardship of \$1 billion worth of assets. This includes more than 3700km of water and wastewater pipelines, hundreds of pump stations and a total of 29 water and wastewater treatment plants. We need to ensure we are protecting our assets for the future, by setting out a clear plan for how they're going to be maintained, upgraded and expanded. That's why in November 2019 we began work on our redeveloped Asset Management Strategy 2020-25 including whole of life asset management plans.

This rolling five-year strategy, which will be updated annually, will act as a guide on how to allocate resources to get the best value from our assets and capital and ensure our business is sustainable.

As well as working with relevant employees across the business, we'll also be hosting

workshops to gain input from experts outside Gippsland Water, including our Gippsland Regional MoU partners, to finalise the strategy in 2020.





Business sustainability

Strategic Objective	Initiatives
<p>We will implement optimal asset management to reduce lifecycle costs.</p>	<ul style="list-style-type: none"> We will develop a decision support model that forecasts long term financial sustainability so that our investments are evidence-based and strategically advantageous. Review, refresh and launch the Strategic Asset Management Plan.
<p>We will develop profitable and financially sustainable revenue streams to maintain affordable tariffs.</p>	<ul style="list-style-type: none"> Investigate and encourage expansion of service districts in systems with surplus capacity in and around Coongulla/Glenmaggie. We will develop an approach to detailed expenditure analysis and embed this into management accounting reporting so that we can better understand key cost drivers and identify potential savings that help maintain affordable tariffs.
<p>We will integrate our water resource planning to better identify future solutions that secure and leverage our water resources, including waste water.</p>	<ul style="list-style-type: none"> Implement priority non-revenue water monitoring to identify causes and develop a program of actions for recovery or rectification. Conduct an assessment of long list options for Warragul - Drouin supply/demand reliability to develop a prioritised program of both low-effort/high-impact and high-effort/high-impact options for a permanent solution. Identify and seize opportunities to use Gippsland Water's existing infrastructure/IP/legal entitlements to enable greater access to irrigation resources for our Agribusiness operations. Implement identified low-effort/high-impact options to secure supply/demand reliability for the Warragul-Drouin system.
<p>We will invest in energy reduction and generation initiatives to support business sustainability.</p>	<ul style="list-style-type: none"> Implement an innovative software solution to deliver baseline performance monitoring across our 30 highest energy consumption sites and determine energy consumption targets for these sites. Develop a portfolio of Energy Management Projects and initiatives that delivers operational improvements and identify and justify key capital investments required during Pricing Submission 2.
<p>We will enhance our risk management capability to best respond to current and emerging risks and opportunities.</p>	<ul style="list-style-type: none"> Develop and implement a tool to assess the financial value of risks in order to support improved decision making, considering both short term and long term financial risks. We will embed our risk framework and risk appetite model into the business by developing and implementing an education support program so that risk becomes a part of everyday business decision making. Design and implement a standardised process that integrates risk management into all strategic and operational planning across the organisation.

Clever thinking



We're continuing to foster innovation, and empower our people to find and deliver efficiencies that transform our business.

We're committed to innovation. This includes enabling our people by providing the environment, systems, tools, processes and capability that will make us adaptive and ready to deliver on our broader strategic objectives.

To achieve this we will create a network of trained facilitators across our organisation. Training will be undertaken in lean principals, agile and scrum delivery methodologies and process mapping and optimisation to leverage benefits and deliver efficiencies to our business

process for the customers benefit. A trial of the Internet-of-Things will add to the availability of information on our water and wastewater systems. Business intelligence will benefit from the introduction of improved traditional business intelligence processes and artificial intelligence trials.

An emerging technology pilot program will also expand our abilities to harness the efficiencies offered by new technologies, new software and data-driven business processes.

Case study Internet-of-Things

We're committed to improving the way we do things through innovation. That's why this year we'll be trialling the use of Internet-of-Things (IoT) devices.

The benefit of using IoT technology is that it allows interconnected devices to talk to each other, which means more of our processes can operate with less human interaction, where it's possible and safe to do so. We're going to trial using these IoT

devices to increase the data we can capture from the field. This data will be used to analyse performance, make comparisons and perform predictive maintenance on our water and wastewater distribution systems.

We'll do this using low-power monitoring devices, that are cheaper to run, and yet - we anticipate - just as effective, if not more, than our existing monitoring equipment.





Clever thinking

Strategic Objective	Initiatives
<p>We will have a safe space culture that allows bold ideas to grow.</p>	<ul style="list-style-type: none"> We will create a network of trained facilitators across the business so that Gippsland Water can better identify and support ideas for change that add value.
<p>We will be a digitally enabled utility to deliver efficiency.</p>	<ul style="list-style-type: none"> Review current Enterprise Project Management (EPM) tool and deliver an improved Project Management tool that streamlines officer's inputs (including financial data) and is utilised across the business. We will trial Internet-of-Things devices so that we can obtain additional data on water and wastewater system performance. Establish our Emerging Technology pilot program and invest in priority research and demonstration projects. We will implement a digital solution to proactively notify our customers of service disruptions so that customer experience is improved. We will implement monthly automated water resource reporting to reduce our administrative resource burden and support resourcing of more strategic water resource planning. Develop the applications/systems roadmap and system architecture map identifying current and potential integrations to manage system lifecycles effectively.
<p>We will expand our capability to utilise data to inform smart decisions.</p>	<ul style="list-style-type: none"> We will audit our AMIS and conduct a gap analysis to define our asset data requirements that informs data-driven and sustainable business practices. We will identify and train business intelligence power users to develop the organisation's capability to make intelligence-led decisions. Conduct artificial intelligence trials on identified suitable data sets in priority business areas that will contribute to efficiency and productivity and identify candidate projects for embedding into BAU. Implement the data management program including establishing data governance, operationalising our data warehousing program and ongoing delivery of business intelligence dashboards.

Our financial projections

Financial contents

1. Overview	45
2a. Statement of financial performance	48
2b. Statement of financial position	49
2c. Statement of cash flows	50

Our financial projections

Our financials support our overall strategic priorities and delivery of outcomes to our customers.

1. Overview

Our financial projections for 2020-21 to 2024-25 builds on the assumptions underpinning our last price submission, including a backdrop where we have absorbed the impact of two of our major customers closing operations during 2016-17. The flow on effects of these closures continues to remain of concern to us. Any further slowdown may adversely impact a number of our assumptions, and poses a threat to the forecast revenues included in our Plan. Our customer base has moved from one historically very much dominated by the Energy sector. We now have a broader spread of residential and non-residential mix of Small and Medium Enterprises and major customers. However there continues to be stress on our financial sustainability.

We continue to explore new revenue sources to strengthen our financial position and mitigate against the risk of further industry closures. We have negotiated several key new commercial agreements with major customers that will result in increased revenue and support our business sustainability.

We are working closely with developers and local councils to deliver critical infrastructure and to maximise new connection growth, especially in our western corridor areas of Warragul and Drouin. Since developing our price submission we have experienced new connections growth greater than that forecast in our submission.

Our Plan includes our regulatory business and our non-regulated activities – our agribusiness and the soil and organics recycling facility (SORF). These commercial businesses are

an integral part of what we do and provide benefit for us, our customers and the State through:

- Providing additional income which helps reduce the pressure on operational costs and ultimately tariffs for water and wastewater services to our customers.
- Reducing the cost of our waste disposal by turning solid waste into a commercial compost product, or using safe recycled wastewater to irrigate farmland. Together, these save us approximately \$4-6M in operational costs per annum.
- Reducing the environmental impact of our waste by reducing the volume of waste requiring disposal.

We're also looking to expand our commercial business operations. Opportunities to take advantage of the broadening compost markets in rehabilitation works (e.g. mines, quarries etc.) and agriculture/horticulture are in development. Furthermore, we are also exploring alternative waste stream management and uses, as part of circular economy policy and initiatives.

We are actively seeking savings to bring our operating costs in the Plan closer in line with those in our price submission. A key area of focus has been reducing our energy costs which we have discussed earlier in this document.

Long-term financial sustainability is important if we are to deliver the services expected by our customers without significant increases in charges. This includes ensuring that our assets such as pipelines and treatment

plants are maintained so that the cost does not become a burden for future customers. Underpinning all improvements in meeting customer expectations is increasing the technical and financial efficiency of the organisation. We are investing resources and personnel in identifying innovations in systems, technology and management throughout the organisation. Based on the information in our Plan, we anticipate being able to achieve the key financial sustainability results per Table 1.

The coronavirus (COVID-19) will financially impact our customers and by extension Gippsland Water. Our Pandemic Response Plan has been fully implemented to ensure we are exceeding the DELWP, DHHS and other state authority directives in order to implement risk mitigation steps for the wellbeing of our employees and customers and provide support required through government initiatives.

A significant factor impacting our Plan is the expected continued decrease in our regulatory rate of return and resulting impact on our revenue. The regulatory model requires the cost of debt input into our regulatory rate of return to be updated each year based on the 10 year trailing average cost of debt. This change was new for the current price submission, with the first impact of this experienced in 2019-20. Our forecasts indicate that the cost of debt will continue to fall, and as a result, our regulatory revenue over the Plan period is now lower than expected in the Plan submitted in 2019. We estimate that the regulatory rate of return (impacted by the cost of debt assumptions) trending down will impact 2020-21 revenue with a \$2.8M reduction compared to the price submission assumption, and then compounding from 2021-22 onwards as it falls further. Although borrowing costs are also falling, the gap between our actual asset values (and therefore our level of borrowings) and our regulatory asset base means that the regulatory revenue decrease is significantly greater than the decreases in our interest expense.

Our Plan forecasts a net loss before tax in 2020-21 of \$(0.8)M, and this loss increases to \$(1.7)M in 2024-25. A breakdown of our yearly net profit/(loss) before tax is provided in the following Chart 1.

Our borrowings are expected to grow by \$74.5M over the Plan period, growing to \$391M by 30 June 2025. The increase in our borrowings is driven by our planned capital expenditure. Borrowings due to mature within the period will be refinanced.

All the financial information in our Plan is presented in nominal dollars.

Chart 1. Net loss before tax (\$M)

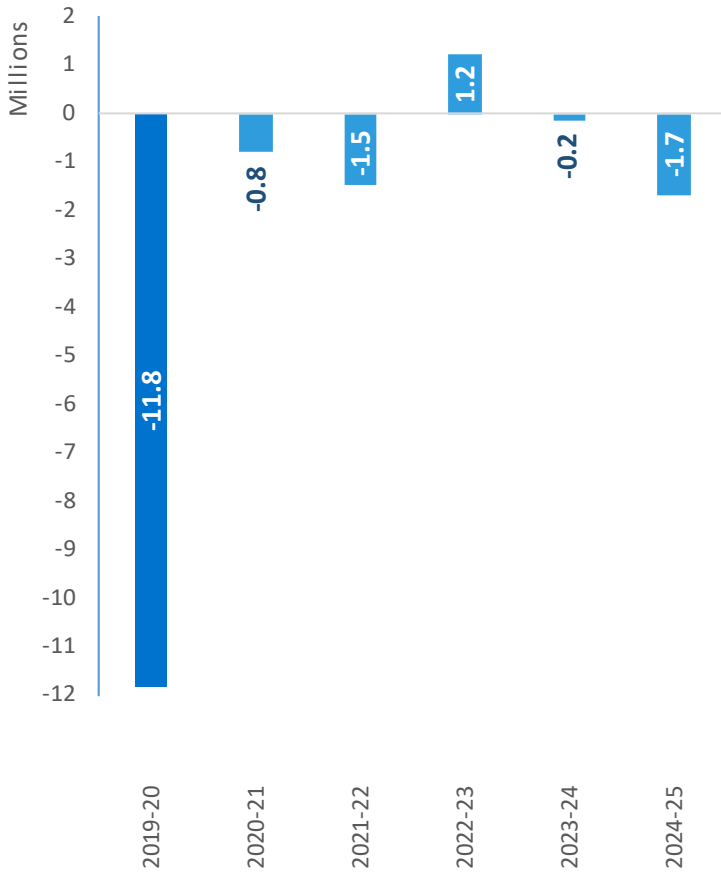


Table 1: Financial sustainability results using Victorian Auditor-General’s Office indicators

Risk	2020-21	2021-22	2022-23	2023-24	2024-25
Net Result	-0.6%	-1.0%	0.8%	-0.1%	-1.1%
Liquidity	1.64	1.59	1.68	1.68	1.67
Internal Financing	65.3%	70.2%	87.5%	73.6%	71.2%
Capital Replacement	1.35	1.24	1.06	1.21	1.21
Interest Cover	4.3	4.0	4.2	3.9	3.8
Debt Service Cover	4.7	4.4	4.5	4.3	4.1
Debt to Assets	0.2	0.3	0.3	0.3	0.3

2a. Financial Statements - Table 2. Statement of Financial Performance

	2020-21 (\$000's)	2021-22 (\$000's)	2022-23 (\$000's)	2023-24 (\$000's)	2024-25 (\$000's)
Revenue					
Bulk charges	0	0	0	0	0
Service Charges					
- Residential	61,027	61,590	62,573	64,152	64,916
- Non-residential (including Major Customers)	25,631	26,035	26,540	27,116	27,621
Usage Charges (Volumetric)					
- Residential	23,326	23,936	24,647	25,576	26,537
- Non-residential (including Major Customers)	17,230	17,636	18,086	18,551	19,023
Investment Revenue	94	91	88	85	93
Other Revenue	4,622	4,022	4,046	4,990	4,312
Non Regulated Revenue					
Combined revenue	8,012	8,230	10,373	8,898	9,292
Total Revenue	139,941	141,541	146,352	149,368	151,794
Expenses					
Cost of Supply					
- Staff Costs	24,577	25,251	25,952	27,049	27,916
- Maintenance Costs	15,655	16,597	17,033	17,464	17,901
- Other Operating Costs	16,108	16,783	17,569	18,266	18,756
- Overhead Costs	4,332	3,926	3,627	4,208	3,951
- Fleet Costs	1,202	1,161	1,211	1,333	1,321
Total Cost of Supply	61,873	63,718	65,391	68,320	69,845
Administrative Expenses					
- Staff Costs	11,837	12,051	12,153	12,513	12,884
- Maintenance Costs	2,839	2,738	2,712	2,917	2,812
- Other Operating Costs	1,265	1,294	1,328	1,365	1,403
- Overhead Costs	6,039	6,165	6,269	6,348	6,515
- Fleet Costs	236	241	256	246	267
Total Administrative Expenses	22,215	22,489	22,718	23,390	23,881
Environmental Contribution	5,181	5,181	5,181	5,181	5,181
Total Cost of Supply & Admin	89,270	91,388	93,290	96,890	98,907
Operating Result before Depn & Borrowings	50,672	50,153	53,062	52,478	52,887
Depreciation & Amortisation	45,891	45,092	45,256	45,407	46,790
Borrowing Costs Expense	12,217	12,819	13,104	13,821	14,519
Other Expenses	0	0	0	0	0
Total Depn & Borrowings	58,108	57,911	58,360	59,228	61,309
Business Operating Result	(7,436)	(7,758)	(5,298)	(6,750)	(8,421)
Income for Capital Purposes					
Government Contributions	0	0	0	0	0
Non-Govt Contributions (Assets)	6,131	6,269	6,426	6,587	6,751
Non-Govt Contributions (Cash)	511	24	88	0	0
Total Income for Capital Purposes	6,642	6,293	6,514	6,587	6,751
Net Profit/(Loss) Before Income Tax	(794)	(1,465)	1,216	(164)	(1,670)
Income Tax Expense (Revenue)	(235)	(436)	369	(45)	(497)
Net Profit/(Loss)	(559)	(1,029)	848	(118)	(1,173)

2b. Financial Statements - Table 3. Statement of Financial Position

The Statement of Financial Position includes the recognition of tax-effect accounting.

	2020-21 (\$'000's)	2021-22 (\$'000's)	2022-23 (\$'000's)	2023-24 (\$'000's)	2024-25 (\$'000's)
Current Assets					
Cash	9,360	7,251	8,247	8,711	8,436
Short Term Investments	0	0	0	0	0
Interest Receivable	4	4	4	4	4
Debtors (Receivables)	14,612	14,838	15,093	15,420	15,742
Other current assets	13,718	13,688	13,626	13,550	13,483
Tax Assets	0	0	0	0	0
Total Current Assets	37,694	35,781	36,969	37,685	37,664
Non Current Assets					
Long Term Investments	1,000	1,000	1,000	1,000	1,000
Infrastructure	1,133,850	1,155,063	1,161,218	1,233,102	1,236,295
Land, Buildings, Structures & Facilities	61,783	62,207	69,030	69,041	76,221
Plant, Equipment & Vehicles	14,151	13,285	11,682	11,163	11,119
Capital Works in Progress	84,657	79,298	75,161	18,609	22,341
Intangible Assets	2,982	2,609	2,515	2,776	3,646
Other non-current assets	9,307	9,299	9,239	9,179	9,121
Deferred Tax Assets	30,949	26,891	22,235	18,084	14,453
Total Non Current Assets	1,338,677	1,349,652	1,352,080	1,362,954	1,374,196
Total Assets	1,376,372	1,385,433	1,389,050	1,400,639	1,411,860
Current Liabilities					
Trade Creditors (incl. Purchase Accruals)	1,868	1,890	1,910	1,944	1,962
Accruals	4,456	4,471	4,483	4,505	4,522
Provisions	7,847	7,729	7,636	7,577	7,543
Retentions	3,162	2,792	2,398	2,812	2,855
Short Term Borrowings	5,500	5,500	5,500	5,500	5,500
Other current liabilities	5,643	5,643	5,643	5,643	5,643
Total Current Liabilities	28,476	28,024	27,570	27,980	28,025
Non Current Liabilities					
Borrowings	333,000	347,500	354,500	369,500	385,500
Provisions	2,861	3,399	3,908	4,402	4,879
Deferred Tax Liabilities - Booked (Asset Reval)	117,398	117,398	117,398	117,398	117,398
Deferred Tax Liabilities	45,393	40,899	36,612	32,415	28,288
Total Non Current Liabilities	498,653	509,196	512,418	523,716	536,065
Total Liabilities	527,129	537,220	539,988	551,696	564,090
Net Assets	849,243	848,214	849,062	848,943	847,770
Equity					
Contributed Capital	255,970	255,970	255,970	255,970	255,970
Fixed Assets Revaluation Reserve	273,930	273,930	273,930	273,930	273,930
Retained Earnings - Opening Balance	319,902	319,343	318,314	319,161	319,043
Retained Earnings - Current Year	(559)	(1,029)	848	(118)	(1,173)
Total Equity	849,243	848,214	849,062	848,943	847,770

2c. Financial Statements - Table 4. Statement of Cash Flows

	2020-21 (\$000's)	2021-22 (\$000's)	2022-23 (\$000's)	2023-24 (\$000's)	2024-25 (\$000's)
Operating Cash Flow					
Cash Inflows					
Cash Receipts from Debtors	142,529	144,411	149,372	152,103	154,817
Investment Income (Interest)	94	91	88	85	93
Developer Income	601	114	178	90	90
Other Receipts	0	0	0	0	0
Cash Outflows					
Cash Payments to Creditors (-ve)	(49,494)	(50,650)	(51,823)	(53,737)	(54,792)
Cash Payments Wages & Salaries (-ve)	(35,951)	(36,869)	(37,676)	(39,105)	(40,340)
Interest and other finance costs (-ve)	(12,217)	(12,819)	(13,104)	(13,821)	(14,519)
Environmental Contribution (-ve)	(5,181)	(5,181)	(5,181)	(5,181)	(5,181)
Bioremediation Pond Rehab (-ve)	0	0	0	0	0
Net Cash from Operating Activities	40,382	39,096	41,854	40,434	40,168
Investing Cash Flow					
Movement in Investments	0	0	0	0	0
Payment for Non Current Assets (-ve)	(62,545)	(56,200)	(48,345)	(55,820)	(57,060)
Proceeds: Disposal of Assets	701	496	488	850	617
Net Cash from Investing Activities	(61,844)	(55,704)	(47,858)	(54,971)	(56,443)
Financing Cashflow					
Proceeds: Borrowings	22,000	14,500	7,000	15,000	16,000
Proceeds: Govt Equity Contributions	0	0	0	0	0
Repayment Borrowings & Overdraft (-ve)	0	0	0	0	0
Payment Govt Dividend (-ve)	0	0	0	0	0
Net Cash from Financing Activities	22,000	14,500	7,000	15,000	16,000
Net Increase/(Decrease) in Cash	538	(2,109)	996	463	(275)
Cash held at the beginning of the year	8,822	9,360	7,251	8,247	8,711
Cash held at the end of the year	9,360	7,251	8,247	8,711	8,436
Cash per Balance Sheet	9,360	7,251	8,247	8,711	8,436
Difference	0	0	0	0	0



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