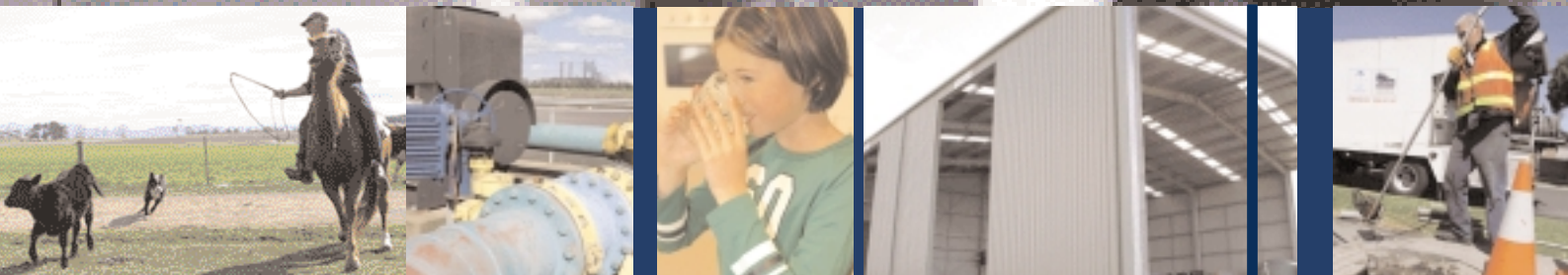


GIPPSLAND WATER



annual report 02/03

Incorporating the 02/03
Sustainability Report &
Financial Statements



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Water

is amongst the most
precious resources
in the Central
Gippsland Region



Part 1

Introduction and Overview



Highlights of the Year

Our top business achievements and their link to the seven areas of strategic focus were:

Area of strategic focus		Business achievement
1	Corporate Governance	<ul style="list-style-type: none">· Review of the Strategic Plan for the period 2003-2008· Implementation of a comprehensive whole of business risk management framework· Increased focus on emergency planning for critical infrastructure and organisational security matters
2	Customer Service	<ul style="list-style-type: none">· Continued very high customer satisfaction survey results, highlighting our focus on customer relationship management· Substantial work completed for implementation of a new customer information and billing system· Establishment of the combined Environment and Customer Consultative Committee
3	Natural Resource Management	<ul style="list-style-type: none">· Implementation of the Dutson Downs Integrated Land Use Management Plan· Substantial reduction in nutrient discharges to the environment· Major progress in delivering the Environmental Management System across the organisation
4	Organisational Sustainability	<ul style="list-style-type: none">· Completion of the Organisational Self Assessment indicating a further increase in performance over prior year assessments· Significantly improved end of year financial result versus budget· Continued commitment to the development of our people through training and development initiatives
5	Waste Recovery	<ul style="list-style-type: none">· Progress in establishing a soils treatment facility at Dutson Downs· Working with industry to improve waste management practices· A key role in the establishment of the Australian Sustainable Industry Research Centre
6	Wastewater Services	<ul style="list-style-type: none">· High compliance with EPA licences· Intensive work into options for the future of the Regional Outfall Sewer· Major progress on the sewer preventative maintenance program
7	Water Services	<ul style="list-style-type: none">· Continued high water quality performance and statutory compliance· Substantial work completed on the lining and covering of water storage basins· Consultation with the Erica/Rawson and Yarragon communities on water quality issues

Profile of Gippsland Water

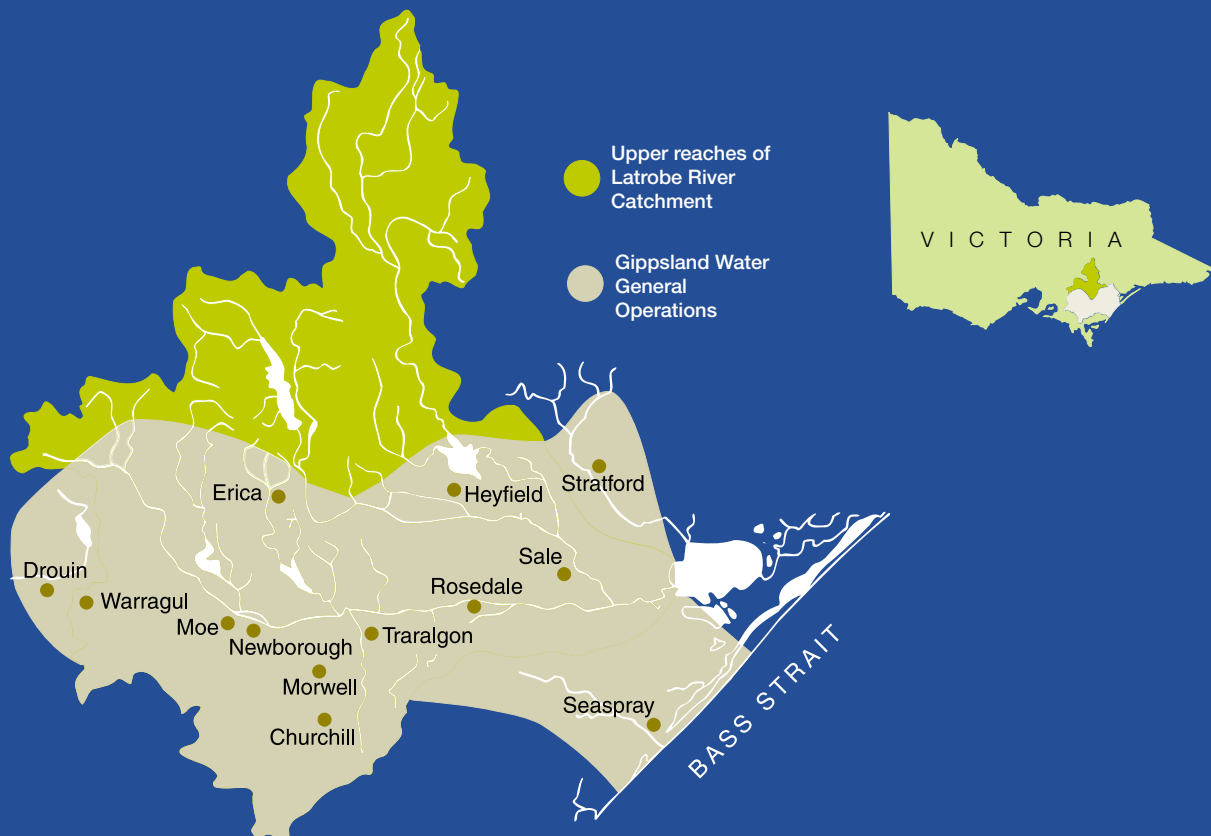
Overview of the Authority

The Central Gippsland Region Water Authority, trading as Gippsland Water, was constituted on 21 December 1994 under the *Water Act 1989*. The Authority is responsible to the Deputy Premier, the Honourable John Thwaites MP, Minister for Water, Minister for Environment and Minister for Victorian Communities.

Gippsland Water's statutory functions of Water and Sewerage are detailed under Parts 8 and 9 of the *Water Act*. Additional functions relating to acceptance, treatment and disposal of major industrial wastewater are provided for under Schedule 8 of the Act.

Our Service Area

Gippsland Water's geographic region stretches from Drouin in the west to Stratford in the east and from Mirboo North in the south to Rawson and Briagolong in the north. This large region supports a population base of more than 130,000 people. Gippsland Water provides water services to 41 towns in the region; 23 of these also receive wastewater services.





Gippsland Water at a Glance

Water

41 towns supplied
57,436 properties
87,111 megalitres of water supplied
1,903 kilometres of water mains
20 water treatment plants


Wastewater

23 towns serviced
49,286 properties
25,992 megalitres of wastewater treated
1,352 kilometres of sewer mains
13 wastewater treatment plants

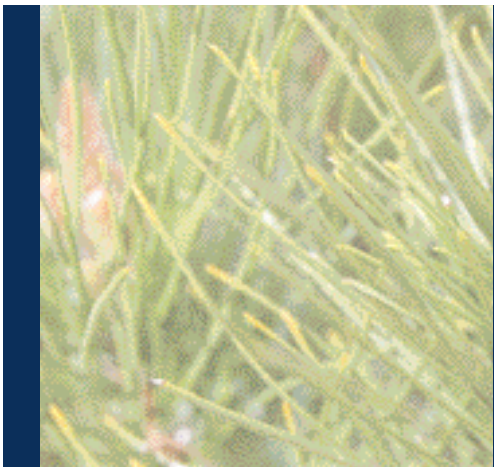
Waste Materials

17,717,110 kilograms of liquid waste treated
8,450,760 kilograms of solid waste treated

Joint Message from the Chair and CEO



Gippsland Water is fully aware of its responsibilities and obligations as a key player in natural resource management. We are also acutely aware that the challenges for organisations and individuals involved in natural resource management are substantial and increasing in complexity. There is an expectation that we will sustain our natural capital in the interests of future generations.



These challenges have been highlighted by the current drought which has impacted on all sections of our community and industry.

For several years now Gippsland Water has strongly advocated the need for a fully integrated approach to natural resource management within natural catchments. We also believe that the capacity to deal with many aspects of water and natural resource management is limited in many cases by a lack of ecological knowledge. Consequently we are strong advocates for the need to pursue coordinated research and knowledge transfer. For these reasons, Gippsland Water has actively supported and participated in key regional initiatives such as:

- Gippsland Integrated Natural Resources Forum;
- Gippsland 'Water for Growth' Committee; and
- Gippsland Research Coordination Group.

The establishment of these regionally focused committees has proven to be farsighted and these initiatives have certainly been supported by recent State Government policy proposals that seek improved resource management integration and coordination, organisational capability, innovation and more research into water cycle management.

During the year the Board developed the 2003-2008 Strategic Plan which reaffirms Gippsland Water's purpose to provide high-quality water and waste recovery services that secure social, environmental and economic benefits for Central Gippsland.

2002-03 in Review

In organisational terms, the 2002-03 financial year has been very successful with highlights being:

- The 2002-03 financial year out-turn represents a 94% improvement on the budgeted bottom line result, before accounting for the unfunded superannuation liability levied on the Authority late in the financial year. This result reflects the level of commitment by the Board and its staff in pursuing revenue growth, focusing on strategies for cost containment and cost reduction as a foundation for financial sustainability. This achievement was managed in a way so as not to impact on customer service levels or our business risk profile. Consequently, Gippsland Water is now well placed to return to

profitability over 2003-04 and subsequent years.

- Our performance against Key Performance Indicators (KPIs) is fully reported in Part 3 of this report. We have every reason to be proud of our overall performance, particularly given the abnormally high sewer and main breakages due to the attendant ground movement from drought conditions.
- Our talented and dedicated staff have again excelled against all their KPIs. We warmly congratulate them all for their outstanding commitment to our customers and our business.
- In July 2002, the State Government announced \$2.4 million funding to establish the Australian Sustainable Industry Research Centre (ASIRC). This exciting announcement justified three years of investigation and business planning by Gippsland Water, the Cooperative Centre for Waste Management and Pollution Control, and Monash University.

ASIRC, based in Gippsland at the Monash University Gippsland Campus, aims to pursue responsible management of our natural resources and the environment, with particular emphasis on the development of sustainable resource management practices for existing and new industries. Several integration and waste management studies are now underway which have the potential to achieve significant outcomes in terms of resource sustainability and waste minimisation.

- Our organisation is committed to the concept of 'triple bottom line' (TBL) reporting. We are actively seeking to incorporate TBL principles into our daily work practices. We are also aware that the community is seeking transparency and accountability in the stewardship of natural resources. Consequently, we invited the Monash Ethics in Stakeholder Relations Research Unit (MESRRU) to include Gippsland Water in a study to investigate how Gippsland, Australian and international companies report on their contribution to the local community and the environment. (Further details of this project are provided on page 22 of this report.)



We will continue to develop both these projects in the ensuing year.

Our Environmental Performance

We continue our quest to improve our environmental performance wherever we can; our initiatives and compliance performance are set out in Part 4 of this report. Of particular note is our achievement in the reduction of the phosphorous load to rivers from 30,000 kg in 1998-99 to 2,700 kg in 2002-03 (see page 56). The dramatic reduction has essentially been driven by capital investment in wastewater treatment plants. This reduction in nutrient load represents a significant environmental improvement for our rivers and ultimately the Gippsland Lakes.

Our Major Strategic Issues

A major strategic focus for Gippsland Water continues to be the development of the Dutson Downs Resource Recovery Facility and the development of a sustainable solution to the Regional Outfall Sewer (ROS).

In respect to the Dutson Downs Resource Recovery Facility, we are now well advanced with plans to construct and operate Victoria's first Contaminated Soil Recycling and Treatment Facility. This planning is being conducted in conjunction with our selected technology partner, Collex.

This is an exciting initiative which will be one of the policy instruments to achieve significantly improved environmental waste management outcomes in accordance with the State Government's Industrial Waste Management Policy.

The ROS receives domestic and industrial wastewaters in bulk from towns and major industries in Central Gippsland. The wastewater is transported along the ROS to the Dutson Downs Resource Recovery Facility. After undergoing biological treatment for approximately 60 to 70 days, the treated effluent is discharged to Bass Strait via an ocean outfall.

Since 1998, Gippsland Water has committed significant investment and resources to examining a wide range of options for the improvement of the ROS. Until recently, most of these options steered Gippsland Water towards the obvious solution: to pipe the open section of the ROS. During 2002-03 a new report commissioned by Gippsland Water suggests that there is potential for a wastewater

reuse scheme. In the long term, this scheme could lead to the elimination of the ROS for the transport of industrial wastewater.

The environment in which we now operate is one which seeks to acknowledge that water is a scarce resource and that a greater focus on reuse is required. While the suggestion of a 100% reuse scheme is exciting, there is still a way to go before being able to confirm the technical achievability and affordability of such a concept.

Gippsland Water is currently undertaking further feasibility studies to assess the potential of this proposal and the environmental benefit that it may offer to the Gippsland region. The scale of this project is significant and has the potential to be one of the largest environmentally sustainable types of reuse activity undertaken in Victoria. To enable reuse, the source effluent will need to be treated to a standard that is acceptable to customers. This means that significant energy and processing is required which puts pressure on the environment with respect to further greenhouse gas emissions.

The solution being pursued by Gippsland Water recognises this environmental conflict and steps will be taken to include in the design solution opportunities for renewable energy inputs and environmentally sustainable treatment of waste outputs.

We look forward to progressing both these key projects during 2003-04.

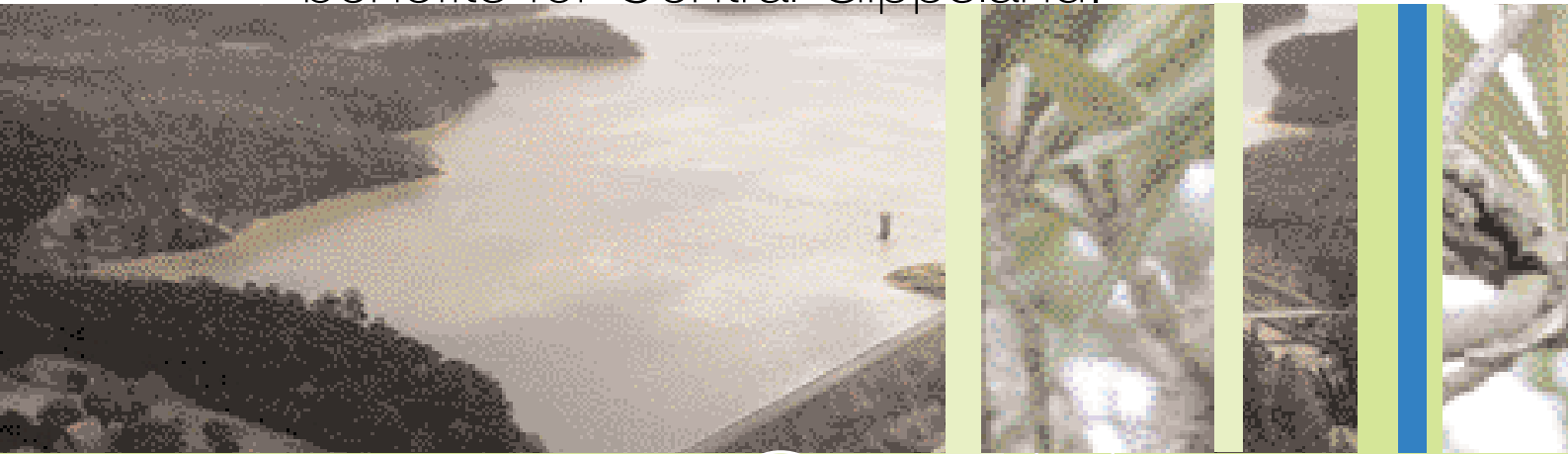
Finally, the Board of Gippsland Water, our staff and alliance partners are all to be commended for their ongoing professionalism and dedication to meeting the needs of Gippsland Water's customers and ensuring that we provide high-quality water and waste recovery services.

Richard Elkington
CHAIR

John Mitchell
CHIEF EXECUTIVE OFFICER


Our purpose

To provide high-quality water, wastewater and waste recovery services that secure social, environmental and economic benefits for Central Gippsland.



Our vision

To manage the water cycle and waste recovery services in a manner that adds recognisable value to our customers, our region and the environment, while ensuring Gippsland Water's organisational sustainability.



What
we
value

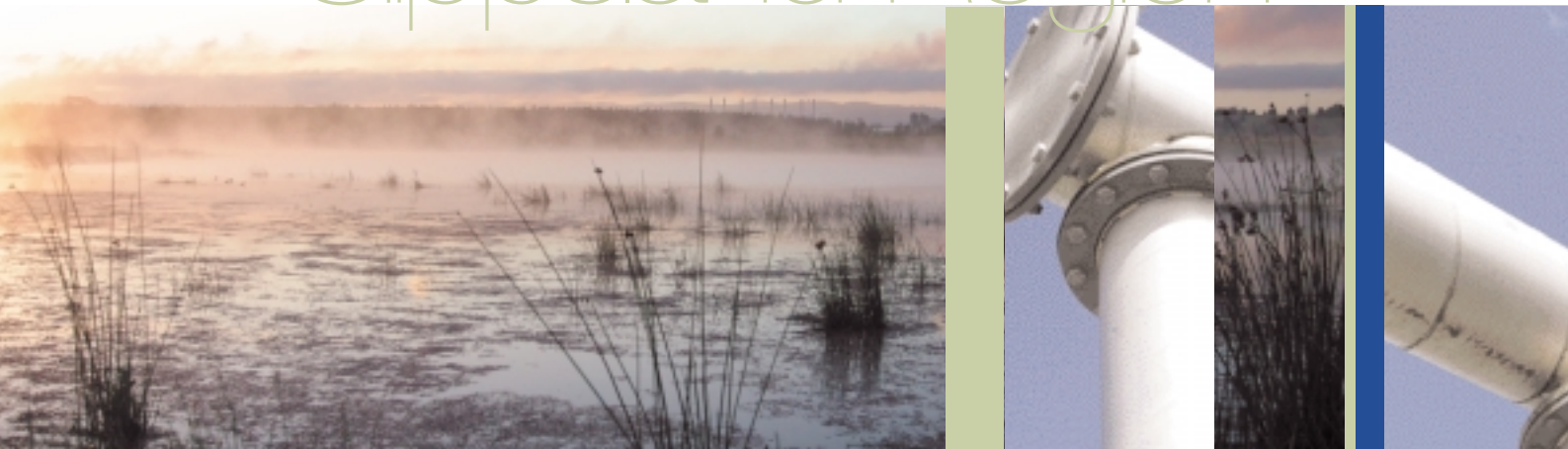
Our strategic and operational decisions reflect our attitude to the community, to our products and service delivery, to our business and to each other.

We aim to:

- Focus on customer satisfaction
- Be environmentally, economically and socially responsible
- Regard safety as equally important as any other business imperative
- Understand our obligations to our region
- Value the influence of our community in decision making
- Be committed to high-quality products and services
- Behave openly, ethically and fairly
- Build and retain employee knowledge and capability
- Work as a team
- Plan for Gippsland Water's long-term sustainability

Water

is amongst the most
precious resources
in the Central
Gipposland Region



Part 2

Strategy and Governance



Introduction to Gippsland Water's Strategic Plan

Water is amongst the most precious resources in the Central Gippsland region. Gippsland Water is a government-owned statutory authority which provides water services to more than 130,000 people living in the region. In addition, an integral part of Gippsland Water's customer base is major local industry; approximately 75% of the total water sold is to these customers.

Of the 15 non-metropolitan urban water authorities in Victoria, Gippsland Water is the largest in terms of total water supplied and volume of wastewater collected. Gippsland Water's geographical location makes us unique in that we are responsible for:

- contributing to the protection of the Moondarra water catchment;
- providing raw water to several major industries of state and national significance;
- an urban water and wastewater reticulation and retail service;
- collecting and disposing of regional domestic and industrial wastewater;
- a significant solid and liquid prescribed waste treatment and storage business.

In addition, Gippsland Water is required to operate in an environmentally sensitive manner and we have a strong track record in doing so. Significant amounts of treated wastewater have been disposed of, on a sustainable basis, over the last 40 years. Gippsland Water operates two ocean outfall pipelines, which are managed within stringent Environment Protection Authority (EPA) guidelines. The prescribed waste business represents for Gippsland Water a 70% market share of all waste produced in the Gippsland region, and the Dutson Downs site has strategic significance for the State as a whole, supporting a number of statewide industries.


Our Operating Environment

Gippsland Water is a key player in natural resource management. The challenges for organisations and individuals involved in natural resource management are substantial and increasing in magnitude.

There is an expectation that we will sustain our natural capital in the interests of future generations. The community is seeking transparency and accountability in governments' stewardship of natural resources, and governments are promising to engender greater community confidence through initiatives such as creating a Commissioner for Ecologically Sustainable Development and a shift in focus to a 'whole of catchment' management approach.

The Key Focus for Gippsland Water

As a result of the strategic planning process, Gippsland Water has identified those issues that will act as key drivers for our business over the upcoming five-year period:

- Water quality, security and management are key government and community priorities.
 - The State Government has demonstrated a commitment to ecologically sustainable development, public accountability, economic prosperity and social justice.
 - The extension of the State Government's regulatory framework is to include the Essential Services Commission and the Energy and Water Ombudsman of Victoria.
 - Commonwealth and State Government reforms are now shifting to a 'whole of catchment' approach. This demands that all resource managers, both public and private, adopt a more coordinated management approach.
 - The capacity to deal with many aspects of water and natural resource management is limited in many cases by a lack of ecological knowledge. Consequently, we need to pursue coordinated research and knowledge transfer.
 - Governments are committed to pursuing National Competition Policy reforms, although the pace and emphasis may be changing.
 - Gippsland Water is a key manager of prescribed waste within Gippsland. The State Government has recently announced a comprehensive industrial waste management strategy that will represent a generational shift in waste management practices, skills, consultation, reporting and investment.
- 

Seven Areas of Strategic Focus

1 Corporate Governance

The Board and Management Team are committed to continuing with a strong Corporate Governance regime and will ensure that Gippsland Water satisfies all of the requirements covered under the *Water Act 1989* and models its behaviour on governance obligations in accordance with Corporations Law.

Our objective is to ensure that Gippsland Water's style of Corporate Governance will enable us to meet our changing and emerging regulatory needs and provide strong leadership within our region.

2 Customer Service

Gippsland Water has adopted a planned and phased approach to enhancing service capability and an ever-improving relationship with our customers in the period 2003-2008, through our Customer Relationship Management (CRM) strategy. This reflects our changing environment, including the expectations of our customers and the regulatory environment in which we operate.

Our objective is to ensure that Gippsland Water's business framework enables it to meet emerging regulatory, statutory and financial obligations, in order to promote and enhance economic, social and environmental development within the region.

5 Waste Recovery

The Dutson Downs site has been receiving and storing liquid and solid industrial (prescribed) waste since 1987 in accordance with an EPA licence. Communities now expect greater environmental management of waste-related activities and the development of our Resource Recovery Facilities will progressively meet these challenges.

Our objective is to develop a Resource Recovery Facility that is economically, environmentally and socially beneficial for the Gippsland region and consistent with best practice technology.



Our objective is to provide water, wastewater and waste recovery services that meet customer expectations and represent 'value'.

3 Natural Resource Management

Water is a key element of our natural environment and it may be said that its availability 'Keeps living things living'. Our logo 'Our Water, Our Future' signals our intention to protect and preserve our most precious resource ... our water.

Our objective is to positively contribute to the sustainability of the regional environment by ensuring that our services do not adversely impact on any of Gippsland Water's environmental values.

4 Organisational Sustainability

Gippsland Water is committed to ensuring the future success of our organisation. Consequently, we will clearly assess and understand our risk profile; we will continue to develop and support our staff in the establishment of an outcome-focused organisation; and we will ensure that the commercial structure of our business recognises stakeholder needs.

6 Wastewater Services

All domestic, commercial and industrial customers produce wastewater that must be collected, transferred, treated and used to the benefit of the environment. The protection of public health and the environment demands that all wastewater infrastructures be operated and maintained skilfully to limit and avoid unacceptable performance.

Our objective is to manage the collection, transfer, treatment and use of domestic, commercial and industrial wastewater in a way that benefits the environment.

7 Water Services

The achievement and maintenance of a high level of community confidence in the safety, reliability and quality of the region's water supply system is a critical objective for the Authority.

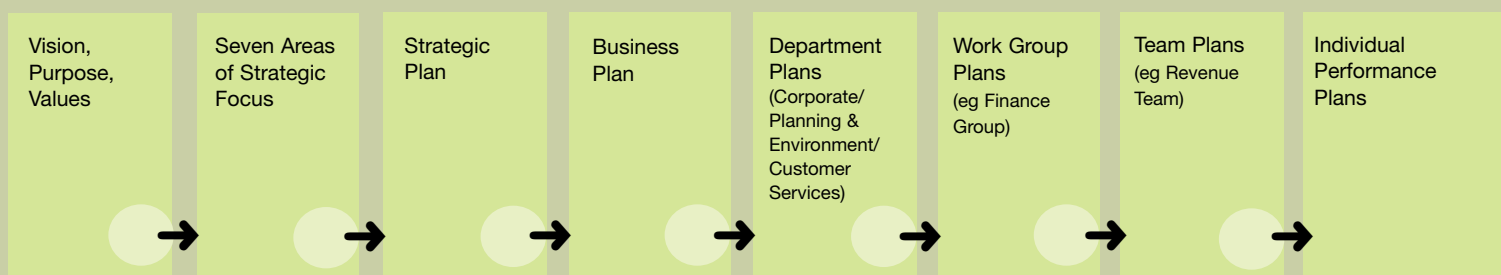
Our objective is to provide responsible asset management, incident treatment and operational audit of the water supply system to ensure that we achieve customer service levels according to the Customer Charter targets.



Strategic Planning and Staff Performance

Staff performance is directly linked to the organisation's Strategic Plan through the development of departmental, work group, team and individual work plans. The development of these plans forms a key part of the annual performance management system and assessment process.

The linkages between Gippsland Water's Strategic Plan and individual performance plans are detailed in the following diagram:



Profile of the Board



Richard Elkington (Chair)
Lorraine Bartling
Jay Bonnington
David Claxton
Pam Keating
Lisa Proctor
Leah Young

Board Member Meeting Attendance

Twelve meetings of the Board were held in the 2002-03 financial year. Board members' attendance at these meetings is detailed in the following table:

Board member	Number of meetings held during the period of office	Number of meetings attended
Richard Elkington	12	12
David Claxton	12	12
Jay Bonnington	12	12
Leah Young	12	12
Lisa Proctor	12	10
Lorraine Bartling	12	12
Pam Keating	12	10



Profile of the Board

Richard Elkington (Chair)

Richard Elkington has occupied a series of senior operational management positions in an engineering career spanning over 30 years in the Latrobe Valley power generation industry. He has a strong commitment to community involvement and has been active in organisations as diverse as the Mid Gippsland Football League, the Latrobe Theatre Company and Gippsland Community Radio.

He is currently Executive Manager, Strategic Services and Corporate Relations with Loy Yang Power and is on the Executive Council of the Victorian Employers' Chamber of Commerce and Industry (VECCI), and the boards of both Gippsland Community Radio and Power Works. Richard also represents Gippsland Water, Loy Yang Power and the Latrobe Valley power industry on a host of committees at state and national level.

Lorraine Bartling OAM

Having been involved in the Gippsland community for the past 33 years, Lorraine Bartling brings to the Board a wealth of knowledge about the key issues that affect the people of Central Gippsland. She has a nursing and social welfare background and has owned and operated a small business for ten years.

Lorraine was a councillor with the former City of Traralgon, including two years as mayor; she also was a councillor with the Shire of Latrobe including one year as deputy mayor and one year as mayor. Lorraine has a strong commitment to the health and wellbeing of the community, and is involved with a number of committees and boards. In June 2002, Lorraine was rewarded for her outstanding contribution to the Central Gippsland community by her nomination in the Queens Birthday honours list for the Medal of the Order of Australia. In the past year she was also awarded with a Centenary Medal from the Australian Prime Minister and had the honour of being named Latrobe City Citizen of the Year.

Jay Bonnington BCom(Auck), MBA(Mon), FCPA, FAICD

Jay Bonnington is Chair of Dental Health Services Victoria, and a Director of Health Super Ltd, Health e-super Pty Ltd, Vic Power Trading, Warrnambool Dairy Cooperative, and Melbourne Exhibition and Convention Centre. She is also the CEO of Make a Wish Australia.

Jay was a national director of CPA Australia from 1999 until March 2001 and held the position of Head of Financial Services with NEMMCO and Finance Director/CFO of Yallourn Energy Ltd. She holds a Bachelor of Commerce, University of Auckland, a Masters of Business Administration from Monash University, is a fellow of the Australian Society of Certified Practising Accountants, a fellow of the Australian Institute of Company Directors and a Trustee of CEDA.

David Claxton

David Claxton worked in the textile industry for over 35 years. His work involved the erection and installation of textile plants, through to research and development of processes and materials, and mill management. David was recruited from England in 1987 to work for Rocklea Spinning Mills, Moe. He emigrated with his family later that year and was the General Manager of Rocklea Spinning Mills until 2000.

He is presently employed as Management Systems Manager by Dasma Industries with responsibilities in the maintenance and accreditation of systems governing occupational health and safety, waste recovery, asbestos removal, surface preparation and industrial coatings.

David brings to the Board extensive managerial skills in engineering,

financial and project management, encompassing a varied industrial base. He has served on the committee of the Australian Institute of Management Gippsland, the Australian Industry Group Gippsland and as president of the Moe Development Group.

Pam Keating

Pam Keating brings to the Board her passionate interest in and commitment to environmental improvement. She has over twenty years' broad experience in the waste management industry, particularly in the development and implementation of practical waste minimisation strategies for a broad range of industry sectors. Pam has also had many years in the retail and service sectors.

Pam has a commitment to social, economic and environmental decision making to ensure the ongoing success of an organisation, its people and the environment. She believes strongly in 'giving back' to industry and community, using her expertise and commitment to aid continual improvement and development on boards, committees and working groups.

Currently Pam is on the Keep Australia Beautiful Victoria Board, is an Executive Member of the Waste Management Association of Australia (Victorian branch), is the Australian representative for the International Solid Waste Association Healthcare Waste Working Group and is joint Managing Director of both a waste/environment management consultancy business and an education and training company.

Lisa Proctor

A local government councillor for the past three and half years, Lisa Proctor's past and current community involvement is diverse. She is a board member of the Regional Aboriginal Justice Advisory Committee, a committee member of PRISM (Program of Resources, Information and Support for Mothers) Traralgon Service Centre as well as the Library Task Force, a council representative of Basketball Stadiums Victoria, and also a Traralgon council representative for the Eve West Memorial Scholarship. For the past 11 years Lisa has worked for the legal firm Maurice Blackburn Cashman, at both their Melbourne and Traralgon offices, working as office manager, and as a paralegal at the Traralgon office in the areas of accident compensation, superannuation and commercial litigation. A proud mother of two children, Lisa is also undertaking a Bachelor of Laws Degree.

Leah Young BBus, GradDipBus

Business management and strategic planning are Leah Young's key areas of contribution to the Board. Leah has held the position of Business Manager at St Paul's Anglican Grammar School since 1996. Leah has lived in Gippsland all her life and she has over 12 years' experience in local government, holding senior positions in key areas covering financial and corporate planning, capital works development, administration and human resource management.

A keen traveller and mother of two young children, Leah is a partner in a horticultural business with her husband. Leah has been a member of the Victorian Association of School Bursars and Administrators representing independent schools and the Central Gippsland Institute of TAFE Council.

Governance

Audit Committee

Gippsland Water's Audit Committee was founded in 1998. This committee plays a key role in assisting the Board to fulfil their corporate governance and overseeing responsibilities in relation to financial reporting, internal control systems, risk management systems and the internal and external audit functions.

The Audit Committee's responsibilities and the scope of its activities include:

- ensuring that Gippsland Water's accounting policies and principles are in accordance with the stated financial reporting framework;
- ensuring that internal control and risk management systems are appropriate;
- establishing and continuously monitoring a framework and processes for compliance with laws, regulations, standards, government guidelines and Gippsland Water's code of conduct;
- reviewing reports to regulators requiring Board approval;
- reviewing third party transactions;
- management information systems;
- preventing, detecting and investigating fraud and irregularities;
- considering the scope and quality of the external audit.



The 2002-03 members were:

- **Victoria Mavros**, Independent Chairperson (appointed for three years in June 2001)
Since 1986 Victoria has worked in the auditing and accounting field. She was appointed as a member of the Audit Committee in 1997. While living in Zimbabwe, she qualified as a chartered accountant (Zimbabwe) and became an audit manager in the accounting firm Deloitte and Touche. She migrated to Australia in 1993 and broadened her experience by working as an internal auditor for Queensland Health. She is also a trained secondary school teacher and on her arrival in Sale assisted as a voluntary literacy tutor. Victoria has continued to contribute to the community by volunteering her financial skills on a number of committees. She is a mother of two young boys.
- **Richard McDowell**, Independent Member (appointed for three years in June 2001)
Richard McDowell is a chartered accountant involved with a number of Gippsland companies. Most notably, he is a director of Duesburys Gippsland Accountants and holds a Diploma of Business Studies (Accounting) FCA, FTIA, is a Registered Tax Agent and Registered Company Auditor.
- **Leah Young**, Board member (see page 15)
- **Jay Bonnington**, Board member (see page 15)

The Audit Committee met three times during the 2002-03 financial year. Members' attendance at these meetings is detailed in the following table:

Committee member	Meeting 9 May 2003	Meeting 28 January 2003	Meeting 6 August 2003
Victoria Mavros	X	X	X
Richard McDowell		X	X
Leah Young	X		X
Jay Bonnington	X	X	

During the three meetings in 2002-03, the Audit Committee reviewed the following audits (conducted by Gippsland Water's internal auditors, Acumen Alliance) which were part of the 2002-03 Internal Audit Program:

- General Government Purchasing Card;
- Great Plains Financial Systems Implementation;
- Transfield Value for Money;
- Privacy Audit;
- Revenue Processes;
- Customer Information and Billing System Replacement.



The Audit Committee also reviewed the audit charter and membership requirements to ensure that they complied with the government guidelines introduced from 1 July 2003 in the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*.

Executive Remuneration Committee

The Executive Remuneration Committee is responsible for implementing the Gippsland Water Executive Remuneration Policy, and for ensuring full compliance with State Government policy and the Government Sector Executive Remuneration Panel guidelines that relate to executive employment conditions for Statutory Authorities and Government Business Enterprises.

The remuneration policy currently applies to level 1 and level 2 managers (Executive). This management level is subject to executive contracts (consistent with State Government policy) with limited tenure and annualised salaries.

The Executive Remuneration Committee comprises:

- Richard Elkington, Chairperson;
- Jay Bonnington, Board member;
- Lorraine Bartling OAM, Board member.

Technical Review Committee

It is the aim of the Technical Review Committee (TRC) to:

- provide technical advice to Gippsland Water's Board and staff on strategies for innovative problem solving in technical and environmental areas of the business;
- identify technical and environmental issues for consideration;
- provide comment and observations on Gippsland Water's management activities based on a national and international perspective.

The TRC membership includes eminent persons from organisations such as the CSIRO, the Cooperative Research Centre (CRC) for Waste Management and Pollution Control, the CRC for Water Quality, the Environment Protection Authority and Monash University.

During 2002-03 the TRC considered proposals relating to the Regional Outfall Sewer and suggested that reuse of the wastewater should be regarded as the key outcome of any improvement works. This requirement was later included in the options for analysis.

As of 30 June 2002, the committee comprised:

Committee member	Organisation
Professor Barry Hart (Chairperson)	Water Studies Centre, Monash University
Mr Arnold Dix	Partner, Phillips Fox Lawyers
Dr Brian Robinson	Ex Chairman, Environment Protection Authority
Mr Chris Bell	Acting Executive Director, Environment Protection Authority
Dr David Garman	Executive Director, CRC for Waste Management and Pollution Control
Dr Denis Saunders	Ex Chief Researcher, Sustainable Landscapes Program, CSIRO Sustainable Ecosystems

Corporate Key Performance Indicators

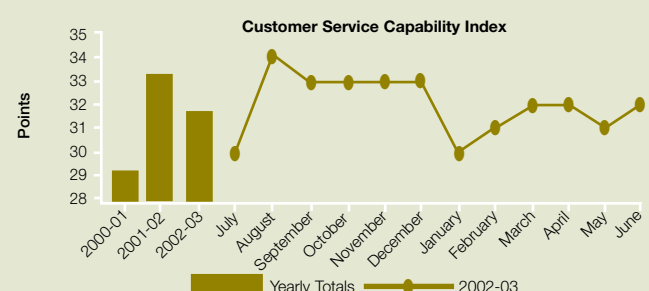
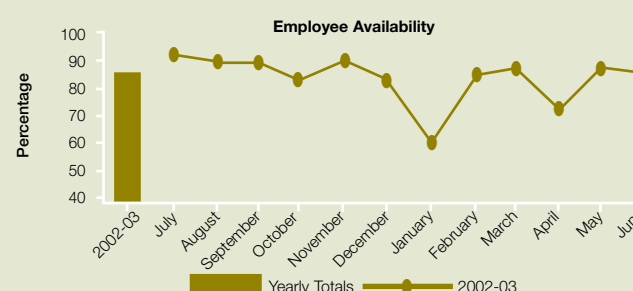
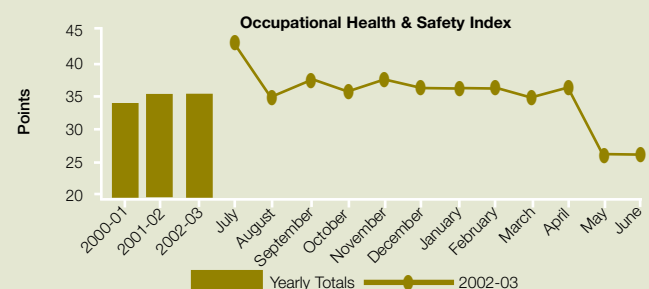
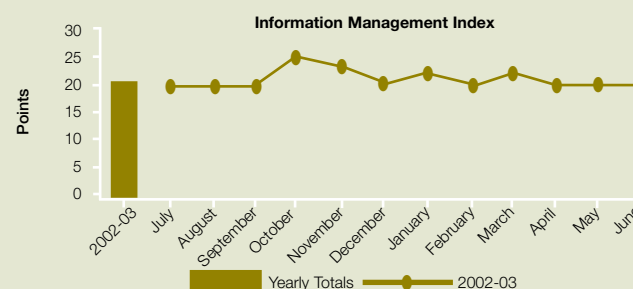
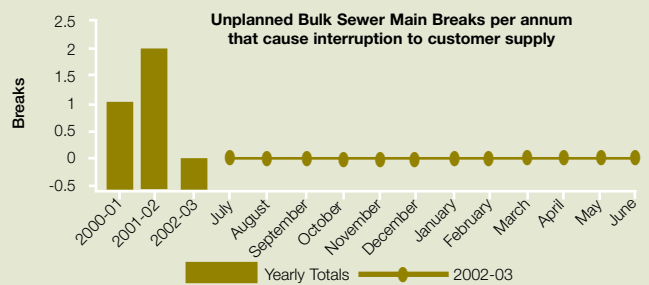
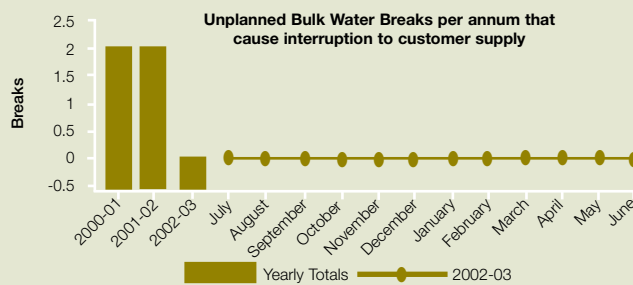
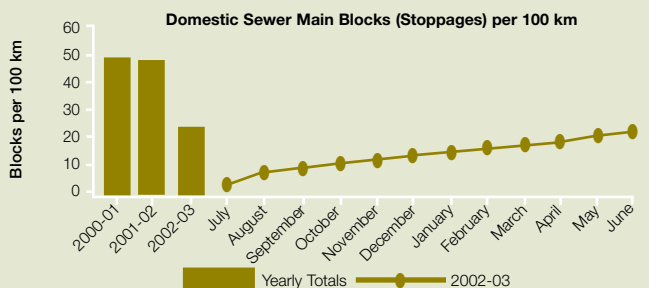
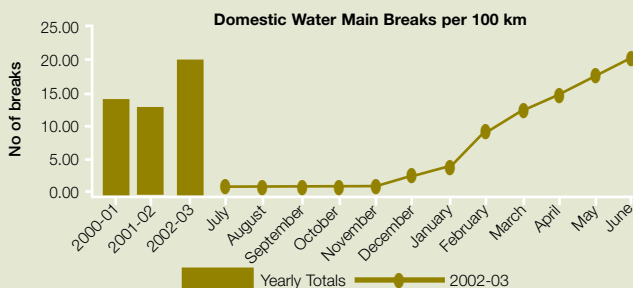
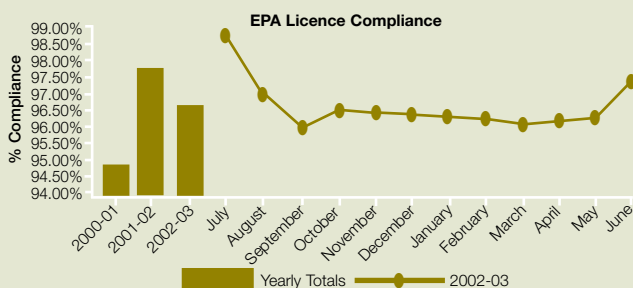
Since 1999, Gippsland Water has been reporting against a set of established Key Performance Indicators (KPIs). Each year we review these KPIs and their targets to ensure that they remain relevant and continue to improve performance. The corporate KPI framework consists of 15 individual measures (either an absolute number, a ratio or a calculated index) that indicate the performance of the organisation in its areas of strategic focus.

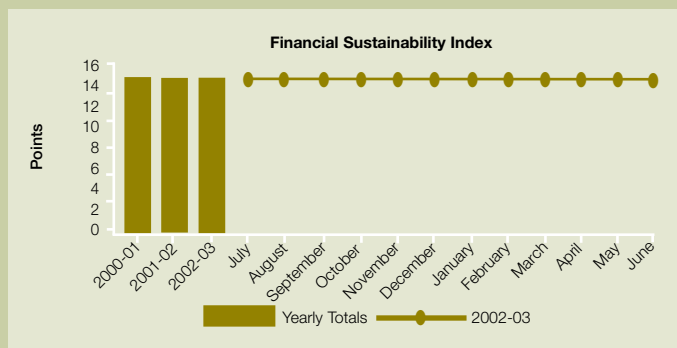
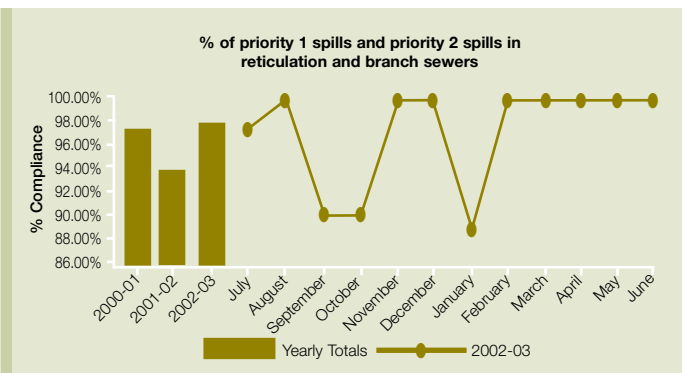
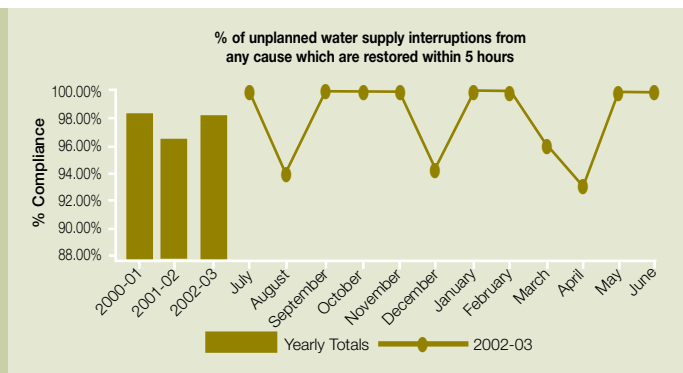
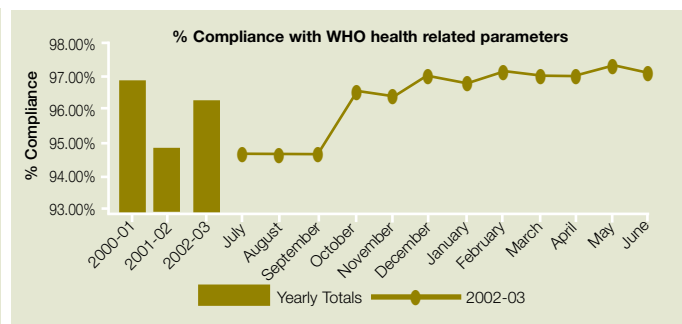
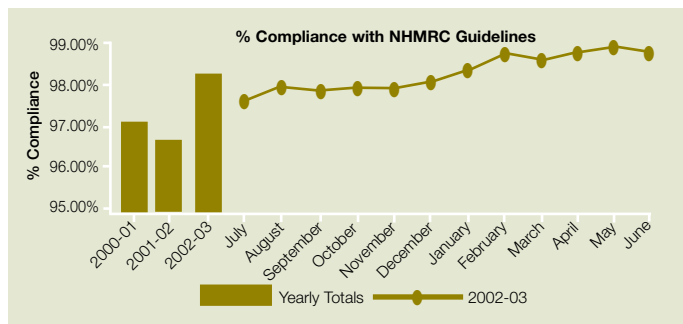
As well as linking to the organisation's strategic focus, the KPIs also link to the Australian Business Excellence Framework, which provides further ability to benchmark Gippsland Water against other organisations.

Overall results for 2002-03 are summarised in the following table:

Key Performance Indicators	Link to Strategic Plan	Target	Result as at 30 June 2003	Compliance
EPA licence compliance	Corporate Governance	98%	96.64%	✗
Performance against Business Excellence Framework	Organisational Sustainability	560	621	✓
Domestic water main breaks per 100 km	Water Services	≤18	19.22	✗
Domestic sewer blocks (stoppages) per 100 km	Wastewater Services	≤40	23.88	✓
Unplanned bulk water breaks per annum that cause interruption to customer supply	Water Services	≤2	0	✓
Unplanned bulk sewer main breaks per annum that cause interruption to customer supply	Wastewater Services	≤2	0	✓
Information Management Index Overall satisfaction with the products and services available in terms of improving access to data and information, ensuring data quality and integrity, improving users' knowledge and understanding of the information management systems, and improving the integration and flow of customer data.	Organisational Sustainability	≥20	21.17	✓
Occupational Health and Safety Index Gippsland Water's overall performance with regard to occupational health and safety including the number of hours lost, number of compensatable injuries, % attendance at refresher training, progress against regulatory medical examinations and Safety Committee meeting frequency.	Organisational Sustainability	≥31	35.33	✓
Employee availability Gippsland Water's overall 'employee availability'. This includes the total number of hours worked as opposed to the number of hours of annual leave, sick leave, long service leave and other leave (including family leave, study leave, public holidays etc) taken.	Organisational Sustainability	≥80%	84.41	✓
Customer Service Capability Index Overall satisfaction with the way Gippsland Water manages customer needs including follow-up and response to written and telephone enquiries, telephone response times, customer enquiries resolved at first point of contact, and issuing of accurate and timely accounts.	Customer Service	≥30	32	✓
% compliance with NHMRC Guidelines	Water Services	97%	98.26%	✓
% compliance with WHO health-related parameters	Water Services	95%	96.30%	✓
% of unplanned water supply interruptions from any cause which are restored within five hours	Water Services	95%	98.11%	✓
% of 'priority 1 spills' and 'priority 2 spills' in reticulation and branch sewers which are fully contained within five hours	Wastewater Services	98%	97.17%	✗
Financial Sustainability Index Gippsland Water's financial viability, with regard to liquidity, profitability and cash flow.	Organisational Sustainability	≥13	15	✓

Where data was available, our performance over the past three reporting periods has been detailed in the following trend graphs:





Where an index is detailed as a points score, the elements of the total score are explained below.

Financial Sustainability

The Financial Sustainability Index (FSI) consists of five individual financial ratios, which have been determined as being relevant in measuring Gippsland Water's short- and long-term financial risk at a given point in time.

The five ratios selected measure:

- Primary Cash Requirements (short term)
- Return on Investment (long term)
- Return on Equity (long term)
- Reliance on External Funding (long term)
- Debt Exposure (long term).

To calculate the index, each financial ratio is allocated FSI weighting points. These FSI points are then totalled and compared with an agreed financial risk scale. The scale is:

- Low Risk = 25-30 FSI points
- Medium Risk = 20-24 FSI points
- High Risk = <20 FSI points.



Business Excellence Framework

The Business Excellence Framework defines seven performance categories that are interrelated, and organisations cannot achieve sustained success without sound systems and processes in place for all seven. Each category is allocated a certain number of points, and the points achieved in each category add up to the total score achieved by the organisation. These categories are evaluated in annual Organisational Self Assessment.

The categories and available points are:

Category	Points available
Leadership and Innovation	180
Strategy and Planning Processes	100
Data, Information and Knowledge	100
People	160
Customer and Market Focus	150
Processes, Products and Services	160
Business Results	150
Total	1000

Occupational Health and Safety

The measure focuses on outputs and results, as well as factors that influence the organisation's performance in terms of both health and safety. These include:

- The number of hours lost as a result of work related injury;
- Attendance at OHS related training;
- Number of near hits reported;
- Progress against planned Safety Committee Meetings;
- Injury frequency rate.

Customer Service Capability

Several indicators contribute to the overall customer service capability indicator. These include:

- Customer follow-up;
- Telephone response times;
- Response times to customer correspondence;
- Customer enquiry resolution at first point of contact;
- Accurate and timely response to customer account queries.

Information Management

The Information Management Index KPI is a composite indicator, made up of several measures, including:

- Key Result Area—to improve access to data and information.
KPI measure = perception of access to key information management data—maintain or increases. Measured via survey of key data users' perceived availability.
- Key Result Area—to improve the integration and flow of customer data.
KPI measure = % completion of project to progress the billing/customer care upgrade.

Sustainability Reporting

A cross-department working group was formed during the year to investigate the establishment of annual sustainability reporting, and to assess our position in respect to ongoing sustainability. Significant work was undertaken to assess Gippsland Water's capacity to produce a Sustainability Report based on Global Reporting Initiative (GRI) guidelines.

While elements of GRI reporting are included in the 2002-03 Annual Report, the working group will continue its focus on delivering a full Sustainability Report for the 2003-04 year.

We have identified as priorities the need to focus on the development of improved reporting of quantified performance measures and targets, and the involvement of stakeholders in setting these targets.

National Competition Policy

Gippsland Water complies with the Victorian Government policies and timetables for National Competition Policy, including Competitive Neutrality.

Building Act 1993

During the reporting period, the Authority met the relevant compliance provisions of the *Building Act 1993* in all building and maintenance activities.

Pecuniary Interest

In accordance with Section 95(5) of the *Water Act 1989*, Board members and all nominated officers have completed declarations of pecuniary interest. The Board has extended the requirement for nominated officers to complete a declaration to include all staff with a delegation of \$20,000 or more.



Monash Ethics in Stakeholder Relations Research Unit Study

The Monash Ethics in Stakeholder Relations Research Unit (MESRRU) aims to address issues of ethical practice in stakeholder relations, within and across public and private sector organisations, in national and international contexts, and in individual and comparative organisational settings. During the year the MESRRU began undertaking projects that investigate how Gippsland, Australian and international companies report on their contribution to the local community and the environment.

Gippsland Water was the first Gippsland business to volunteer to be part of this study and worked closely with the MESRRU, critically examining the nature and extent of external reporting on ethical, social and environmental impacts of the local organisation, together with reporting processes.

Freedom of Information

Gippsland Water received no Freedom of Information requests during the 2002-03 financial year.

Information Prepared and Available

The information listed in 9.1.3 (iv) of the Reporting Requirements in terms of Part 7 of the *Water Act 1989*, has been prepared and is available to the relevant Minister, Members of Parliament and the public on request.

Consultant Services and Reviews

During the 2002-03 financial year, \$387,069.59 was spent on a total of 32 consultancy services, compared with \$557,648.67 in 2001-02. No individual consultant engagement exceeded \$30,000.

Overseas Travel

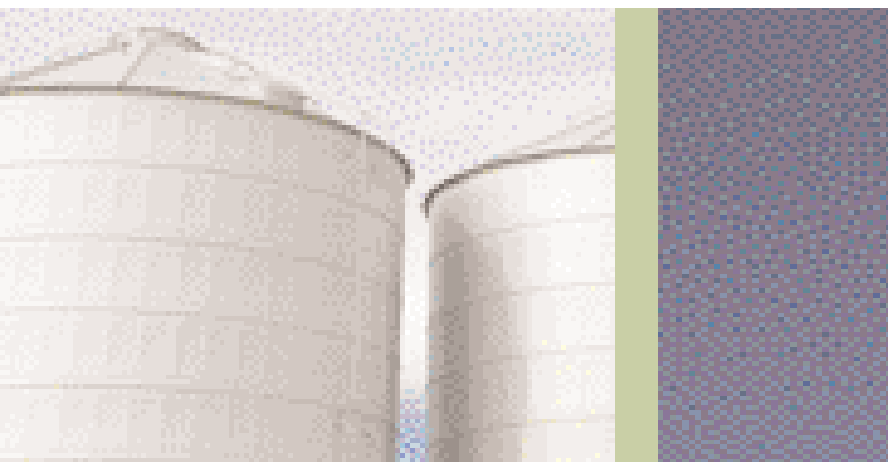
No staff or Board members travelled overseas during the reporting period.

Whistleblowers Protection Act 2001

Gippsland Water recognises the value of transparency and accountability in its administrative and management practices. It also supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

As such, Gippsland Water is committed to the aims and objectives of the *Whistleblowers Protection Act 2001*. It does not tolerate improper conduct by its employees, officers or members, nor the taking of reprisals against those who come forward to disclose such conduct.

There were no matters referred to the Authority during the reporting period that required action or investigation under this Act.



Emergency Management Planning

Gippsland Water has established emergency management procedures that clearly demonstrate the organisation's ability to deploy resources rapidly and effectively to control a given incident. During 2002-03, the Gippsland Water Emergency Management Plan was prepared and endorsed by the newly formed Emergency Planning Committee. An Incident Room has been established to provide a dedicated base for effective management of an incident under provisions of the Emergency Management Plan.

Desktop emergency exercises and management plan training have been held with all operational groups. In conjunction with the Department of Sustainability and Environment (DSE), Gippsland Water's critical infrastructure has been identified in relation to possible terrorist activities.

Information Technology

Key focus areas for the Information Technology Team during the 2002-03 financial year have been data security and business continuity or disaster recovery. All information technology systems were extensively and independently audited. An off-site disaster recovery site has been established in Doncaster, Melbourne to ensure business continuity in case of a catastrophic failure of systems. This process has been fully tested and independently audited.

Information Management

During November 2002, Gippsland Water issued an Expression of Interest (EOI) for a Customer Information and Billing System, or suite of systems. Twenty-one responses were received from the EOI, with a final shortlist of seven proposed vendors selected for Request for Tender. The preferred system should be selected and the contract awarded by late October 2003. Implementation is scheduled for January to July 2004.

Water Industry Benchmarking

Gippsland Water participates in a number of industry benchmarking programs, including WSAA Facts—a Water Services Association of Australia (WSAA) program, and the Urban Water Review by the Victorian Water Industry Association (VWIA). WSAA Facts compares larger water businesses nationally, and the Urban Water Review benchmarks Victorian urban water businesses.

These reports assist Gippsland Water in comparing our performance across a range of business operations, and support initiatives to improve our performance. The information captured in these reports is detailed in the following table:

Indicator	WSAA	VWIA
Water supply		
Water supplied: Environmental flows; Bulk; Residential; Commercial	✓	✓
Water population serviced	✓	✓
Water properties: Residential; Non-residential	✓	✓
Water consumed per residential property	✓	✓
Water supplied per non-residential property	✓	✓
Sources of supplied water		✓
Number of water treatment plants	✓	✓
Number of water pumping stations	✓	✓
Length of water mains	✓	✓
Properties per kilometre of main	✓	✓
Bulk water storage assets		✓
Wastewater		
Waste collected: Residential and non-trade	✓	✓
Wastewater population served	✓	✓
Wastewater properties: Residential; Non-residential	✓	✓
Wastewater collected per property	✓	✓
Treatment methods	✓	✓
Number of wastewater treatment plants	✓	✓
Number of wastewater pumping stations	✓	✓
Length of wastewater mains and channels	✓	✓
Properties per kilometre of wastewater main	✓	✓
Number of outfalls: Marine; Inland waterway; Estuarine environment	✓	✓
Environment		
Environmental policy and governance	✓	✓
Environmental management systems		✓
Percentage of water recycled	✓	✓
Percentage of biosolids reused	✓	✓
Wastewater overflows	✓	✓
Wastewater treatment plant compliance	✓	✓
Compliance with environmental regulator	✓	✓
Infrastructure leakage index	✓	
Net greenhouse gas emissions	✓	
Whole utility		
Workforce turnover		✓
Training		✓
Lost time injury frequency rate (injuries per hours worked)	✓	✓
Customer service		
Average connect time to operator	✓	
Total number of complaints: Water quality; Water supply reliability; Sewerage service and reliability; Odour; Affordability	✓	✓
Complaint response times	✓	✓
Pricing		
Residential customer water charges	✓	✓
Customer wastewater charges	✓	✓
Payment issues, options and assistance		✓
Financial data		
Water supply	✓	✓
Wastewater	✓	✓
Whole of utility	✓	✓

Further information on the above reports can be obtained from:

- Water Services Association of Australia: www.wsaa.asn.au
- Victorian Water Industry Association: www.vicwater.org.au



Review of Policies

During the year, a significant review of all policies was undertaken. The review focused on defining policies and establishing an ongoing review program to ensure that all policies are current and remain relevant to our operational environment.

Water Services Agreement

The Water Services Agreement between ourselves and the Government formalises the current obligations of Gippsland Water to our customers. Gippsland Water undertakes to monitor and report against the obligations set out within the agreement on a half-yearly basis. Gippsland Water is significantly well advanced in meeting all obligations described in the agreement.

Risk Management

A comprehensive project to re-evaluate 'whole of business' risks was undertaken during 2002-03, together with a review of risk policy and risk management within Gippsland Water.

Significant progress included:

- full implementation of a computerised risk management software tool;
- continued work by risk owners in managing and mitigating assigned risks;
- the establishment and adoption by the Board of a whole of business risk management framework;
- establishment of risk procedures that assist and guide risk owners in managing, monitoring and mitigating assigned risks;
- establishment of a Risk Committee that reports quarterly to the Board.

The adoption of the whole of business risk management framework provides clear direction in risk management for the organisation and will ensure that risk management is embedded as part of our business operations on an ongoing basis.

Water

is amongst the most
precious resources
in the Central
Gioposland Region



Part 3 Social Performance



Our Customers

Customer Relationship Management

Gippsland Water's business-wide approach to customer relationship management continues to reflect the changing needs and expectations of our customers. Our commitment to providing the highest standard of products and services possible to our customers also remains at the forefront of our strategy.

Our Integrated Service Centre is now established and continues to develop as one of the most critical parts of the organisation. Feedback from our customers indicates that our Service Centre—where our prime objective is to offer maximum resolution to the majority of customer enquiries at first point of contact—is now offering a service beyond most expectations. Further development of our Service Centre is assisting us in offering a professional 24-hour service, 365 days a year.

Part of our strategy this year has been the introduction of targeted customer satisfaction surveys, where we contact customers who have had recent dealings with us. This provides us with timely and accurate feedback from our customer's perspective in relation to our performance. These surveys complement our independent customer satisfaction surveys. Our commitment to multiskilling customer service staff continues and has shown improved results in our goal to personalise the relationship with our customers and find satisfactory solutions to their issues.

We continue to review all services offered to our customers including our Internet site which allows customers to access their account information at their convenience. Accessing the online payment option on our website allows our customers to not only pay their accounts but also view information such as their account balance, transaction history, check calculations of their invoice amounts and also keep track of their water usage.

We continue to focus on improving our services and relationships with our major clients. Building healthy partnerships with all our major industry customers is important to the economic sustainability of our region.

Cultural Diversity

Gippsland Water operates in a diverse region which reflects a highly multicultural demographic. Our customer needs, therefore, are widely diverse. By seeking to understand and address these needs, we are able to build stronger relationships with our customers. Gippsland Water offers and funds a translator service for our non-English speaking and hearing-impaired customers, and staff are encouraged to visit customers if required in order to find solutions to issues our customers may have.

Customer Charter

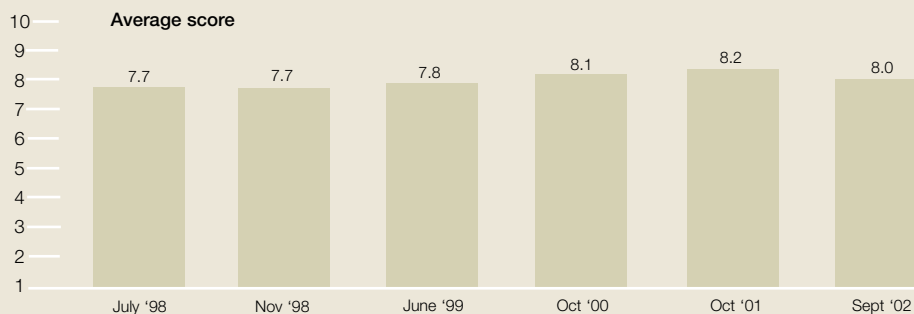
Our Customer Charter defines how Gippsland Water will provide water supply, wastewater, trade waste and prescribed waste services to our customers. It specifies the minimum level of service delivery that Gippsland Water endeavours to provide to its customers and outlines and explains a customer's rights and obligations in any dispute that may arise. The charter was first introduced in October 1998 and has subsequently been reviewed in March 2001 and 2003. Minor adjustments have been made to reflect operational changes in both our internal and external environments.

Customer Satisfaction

Gippsland Water again embarked on a comprehensive market research program during 2002-03 with the aim of measuring the levels of customer satisfaction in our region. The areas of focus for our annual customer satisfaction survey included issues such as water quality, wastewater services, environmental performance, water conservation strategies, and billing and customer service performance. Overall, these results were most pleasing for Gippsland Water, achieving high levels of satisfaction in the majority of areas.



The table below provides an indication of Gippsland Water's performance in comparison with similar surveys from previous years.



The average score generated by the total sample for 2002 was 8.0. In statistical terms, this result is not significantly different from the 8.2 recorded in 2001.

These results are used to create internal performance benchmarks to assist Gippsland Water to identify gaps in performance and drive improvement in our service delivery capability.

During the year Gippsland Water also conducted qualitative surveys with our ten largest clients. The objective of these interviews was to confirm our clients' needs and expectations of Gippsland Water and to measure their overall satisfaction with our products and services. All major clients are highly satisfied with the service they receive from Gippsland Water.

Erica and Rawson Water Quality Reference Group

Gippsland Water provides the townships of Erica and Rawson with disinfected water. However, community opposition to the introduction of chlorine into the water supply has resulted in the absence of a full water treatment process. As a result, bacterial counts are not consistently within World Health Organization (WHO) 1984 guidelines.

For some time, Gippsland Water has engaged the community on this issue and a community meeting held at Erica in March 2002 resulted in the formation of the Erica and Rawson Water Quality Reference Group. Members of the group are Sandra Paul, Karin Klode, Rhonda Micah and Ron Walsh.

The Erica and Rawson Water Quality Reference Group has met eight times since the initial meeting in May 2002. During this time the group has:

- reviewed a number of options for improving microbiological water quality;
- assessed the impact of an air scouring and chlorine super dosing trial;
- conducted site visits to review the super dosing trial;
- visited a Gippsland Water system where chloramination is used as a disinfectant to determine the group's impressions of the water's taste and odour; and
- learned that Gippsland Water is committed to working with the community to find an acceptable solution.

The members have also assisted Gippsland Water in providing information about the process to the local community and despite the small size of reference group, it has proved to be consultative and capable of representing the views of the community. Reference group members have approached the process of reviewing and assessing each option in an open and positive manner.

Community Service Obligations

Gippsland Water provides a number of services to the Central Gippsland community free of charge.

These Community Service Obligations (CSOs) include:

- administration of the pensioner rebate and health care card schemes on behalf of the Victorian Government;
- free water for fire-fighting purposes;
- water used in council street cleaning and stormwater drain cleaning;
- the supply of free educational material and advice for schools, students and the general public;
- comprehensive water conservation information and advice for our customers;
- Administration of the 'Water Smart' rebate scheme.

Community Service Obligations

	2002-03 \$000's	2001-02 \$000's	2000-01 \$000's
Concessions to Pensioners	1,766.03	1,722.03	1,693.88
Rebates paid to Non-Profit Organisations	198.50	181.02	154.72
Utility Relief Grant Scheme	3.78	8.72	16.57
Total	1,968.31	1,911.78	1,865.17

Service Affordability and Customer Complaints

Gippsland Water is required to record and report all customer complaints for the Authority as a whole.

Gippsland Water achieved all customer complaint performance indicator targets for the 2002-03 period.

Complaints are categorised and measured against performance indicator targets as detailed in the table below.

Customer Complaints Performance Indicator	Target ¹	Achieved ¹	Variation (%)
Water quality complaints	5.1	1.7	-66.7% ³
Water supply reliability complaints	1.4	1.4	0.0%
Sewerage service quality and reliability complaints	0.8	0.4	-50.0% ⁴
Affordability complaints	0.4	0.01	-97.5% ⁵
Other complaints ²	0.4	0.27	-32.5% ⁶

¹ Complaints per thousand customers.

² Includes all complaints concerning quality and timeliness of other services; eg connections, account confidentiality, responding to correspondence and staff behaviour.

³ The target for water quality complaints is higher than the achieved figure as customer *enquiries* and *complaints* were previously included in this indicator. These figures are now recorded separately; therefore, the achieved figure represents only customer *complaints*.

⁴ The number of complaints received has been less than forecast.

⁵ Affordability complaints were less than predicted.

The Energy and Water Ombudsman (Victoria), formerly the Energy Industry Ombudsman, has served the needs of electricity and gas customers for some years, and now serves the water industry. The role of EWOV is to investigate and resolve customer complaints where the complaint has not been resolved with the Authority.

Gippsland Water promotes the role of the Ombudsman in a number of ways, including advertising EWOV's service on every customer account.

Community Sponsorship

Our community sponsorship program was again a success, with Gippsland Water providing both financial and in-kind sponsorship to a number of local organisations, events and activities. Gippsland Water continued as a major sponsor and partner of Gippsland Waterwatch; our \$20,000 sponsorship assisted this organisation in increasing community awareness and understanding of water quality and conservation issues.

Another significant sponsorship was \$2,000 to Scope Quality Learning for the Gippsland Community Leadership Program. Other organisations to benefit during the year included Golden and Paradise Beach Ratepayers and Residents Association, The Gippsland Field Days, St Kieran's Primary School (Moe) Water Science Garden, Kurnai College (Morwell) Coastal Ambassadors Program, Sale and Churchill Swimming Clubs and the Yallourn Golf Club.



Gippsland Water this year also launched its Mobile Water Fountain. The Mobile Water Fountain gives local groups a facility to provide drinking water at their community events. The Mobile Water Fountain was provided free of charge for events such as Gippsland Farm World, the Gippsland Harvest Festival, the Sale Relay for Life and the National Historical Machinery Association Rally held in Heyfield.

School Education

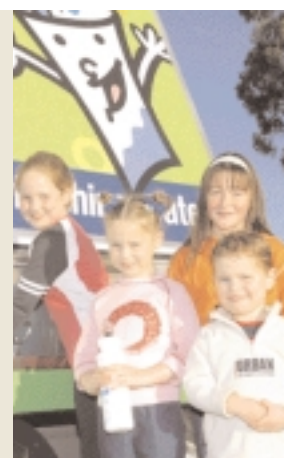
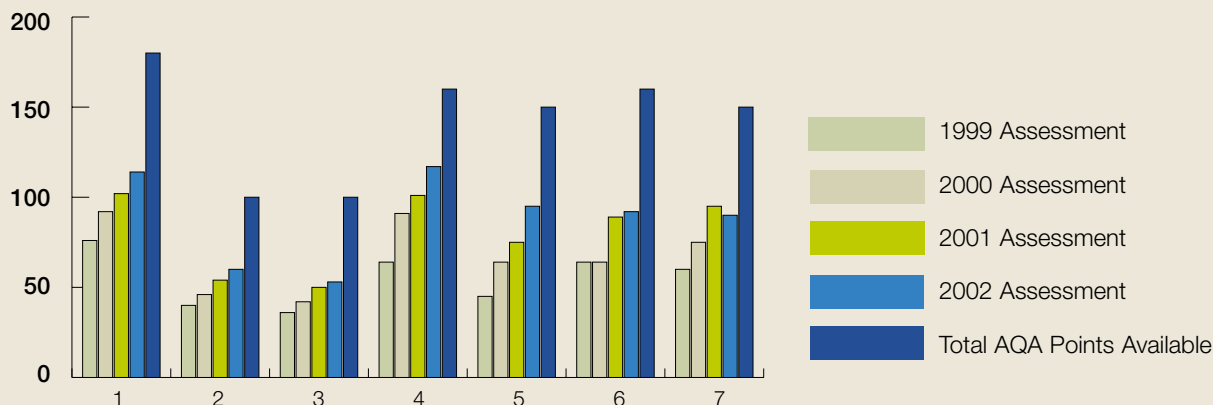
Gippsland Water continued with its comprehensive school education program during the year. This involved a number of classroom visits and the conducting of site visits by Gippsland Water staff. As part of our water conservation and waste minimisation strategy, these visits and tours focused on the development of 'environmentally friendly' habits and how to protect the environment by adopting sound water and waste management practices at home and at school. In addition to these school visits and site tours, Gippsland Water was heavily involved in activities in the Science in Schools program, with a focus on environmental practices at the Morwell River Wetlands.

National Water Week activities were again fruitful. The highlight was the official opening of the Morwell River Wetlands viewing platform by marathon swimmer Tammy Van Wisse. In addition, Gippsland Water sponsored drama production company Vox Bandicoot on a tour throughout the Gippsland region. Primary schools in Longford, Loch Sport, Seaspray, Traralgon, Sale and Warragul were treated to a performance of *Some People Think Water Came Down in the Last Shower*.

Our People

Organisational Self Assessment

The key focus of the Organisational Development Section is the development of a continuous improvement culture within Gippsland Water that fosters growth in the skills and confidence of employees. Significant progress was made during 2002-03 towards this goal, including conducting the fourth Organisational Self Assessment against the Australian Quality Council's Business Excellence Framework. The results of this confirmed that improvements had been generated over the previous 12 months.



The year has also seen productivity improvement and cost reduction benefits generated from the Enterprise Agreement, the continuation of Gippsland Water's Management and Leadership Development Program, and the ongoing improvement of the Performance Management System. As well, the third organisation-wide Employee Opinion Survey was conducted which enabled improvement opportunities to be identified and action plans developed. Significant further progress has also been made in developing and delivering high-quality occupational health and safety refresher training during the year.

Employee Opinion Survey

The third organisation-wide Employee Opinion Survey was conducted during the month of September 2002. The purpose of the survey was to:

- benchmark Gippsland Water's Enterprise Agreement;
- assess employee beliefs and perceptions;
- develop improvement opportunities throughout the organisation;
- give all employees input into the annual business planning process.

The survey was completed by approximately 82% of the organisation, representing Gippsland Water employees, contract employees, trainees and agency staff.

Data was collected on 19 different dimensions of employee satisfaction, including 'commitment to the organisation' and 'attitude to the survey'.

In response to 'things that Gippsland Water does well in', the majority of employees made comments relating to four main themes:

- 1 Customer service
- 2 Culture
- 3 Training and development
- 4 Water and wastewater services.

Potential areas 'that Gippsland Water could improve on' were identified by the majority of employees as:

- 1 Communication
- 2 People management
- 3 Culture
- 4 Corporate image.

The results of the Employee Opinion Survey indicated the positive trend in further increases in the level of performance in all categories surveyed, as compared with the previous surveys held in 1999 and 2000.

The information gained from the survey was used by all work groups in developing their improvement projects and work plans for the following year.

Enterprise Agreement

Gippsland Water is two years into the implementation of its second Enterprise Agreement. The agreement aims to generate savings and efficiencies of \$2.2 million over the life of the agreement. The actual savings and efficiencies that have been generated to date have exceeded \$3.3 million. This Enterprise Agreement is a continuous improvement initiative based on a process improvement and balanced scorecard approach.

Employee Turnover

Employee turnover for the 12-month period to June 2003 was 9.14%.

Employment by Category

Category	30 June 2001	30 June 2002	30 June 2003
Full-time male	114	126	129
Full-time female	53	46	50
Part-time male	1	1	2
Part-time female	8	10	11
Casual male	0	0	0
Casual female	0	5	5
Total employees	176	188	197
Full-time equivalent	169.72	178.79	181
% Female employees	35.22	34.12	36.46

Percentage of leadership positions (1/2/3 level managers) held by female employees is 16.68%.

Staff service (all staff in excess of ten years)	Male	Female
>10 <15 years service	21	3
>15 <20 years service	14	0
>20 <25 years service	11	0
>25 <30 years service	5	0
>30 years service	3	0

Occupational Health and Safety

A strong focus on the strategic management of occupational health and safety (OHS) continued, with the organisation-wide Umbrella Health and Safety Committee conducting a detailed annual review of Gippsland Water's OHS Management System against the Safety MAP framework. The Umbrella Committee has also incorporated both emergency and environmental management within its charter.

During 2002-03 there was refinement of the coordinated approach to developing and delivering workplace OHS refresher training via the Training and Safety Work Group and the Warragul Training Facility. An audit of OHS training has been conducted, using an independent expert safety consultant, to determine how OHS training can be further improved at Gippsland Water and to assist in the further development of a training policy and strategy. The results of this audit will be implemented in the following year.

Gippsland Water continued its productive relationship with a local health services provider who provides a regulatory health testing regime, in addition to developing preventative health and well being programs.

Despite all our work, unfortunately three lost-time injuries were registered for the 2002-03 year, resulting in 374 hours of lost time.

There was no lost time due to industrial disputes for the reporting period.



Employment and Development Opportunities for Young People

Gippsland Water continues to provide employment and development opportunities for young people through offering placements in a number of programs.

These programs that Gippsland Water either initiated or has been involved in during the 2002-03 financial year have been:

- Vacation students: 7
- Internships: 3
- Work experience students: 7
- Traineeships: 14.

Equal Employment Opportunity

Gippsland Water continues to maintain a workplace that complies with Equal Employment Opportunity (EEO) legislation and the Public Service Code of Conduct. During 2002-03, the Human Resources Policy was amended to include reference to workplace bullying to ensure that our policy reflects current best practice in EEO.

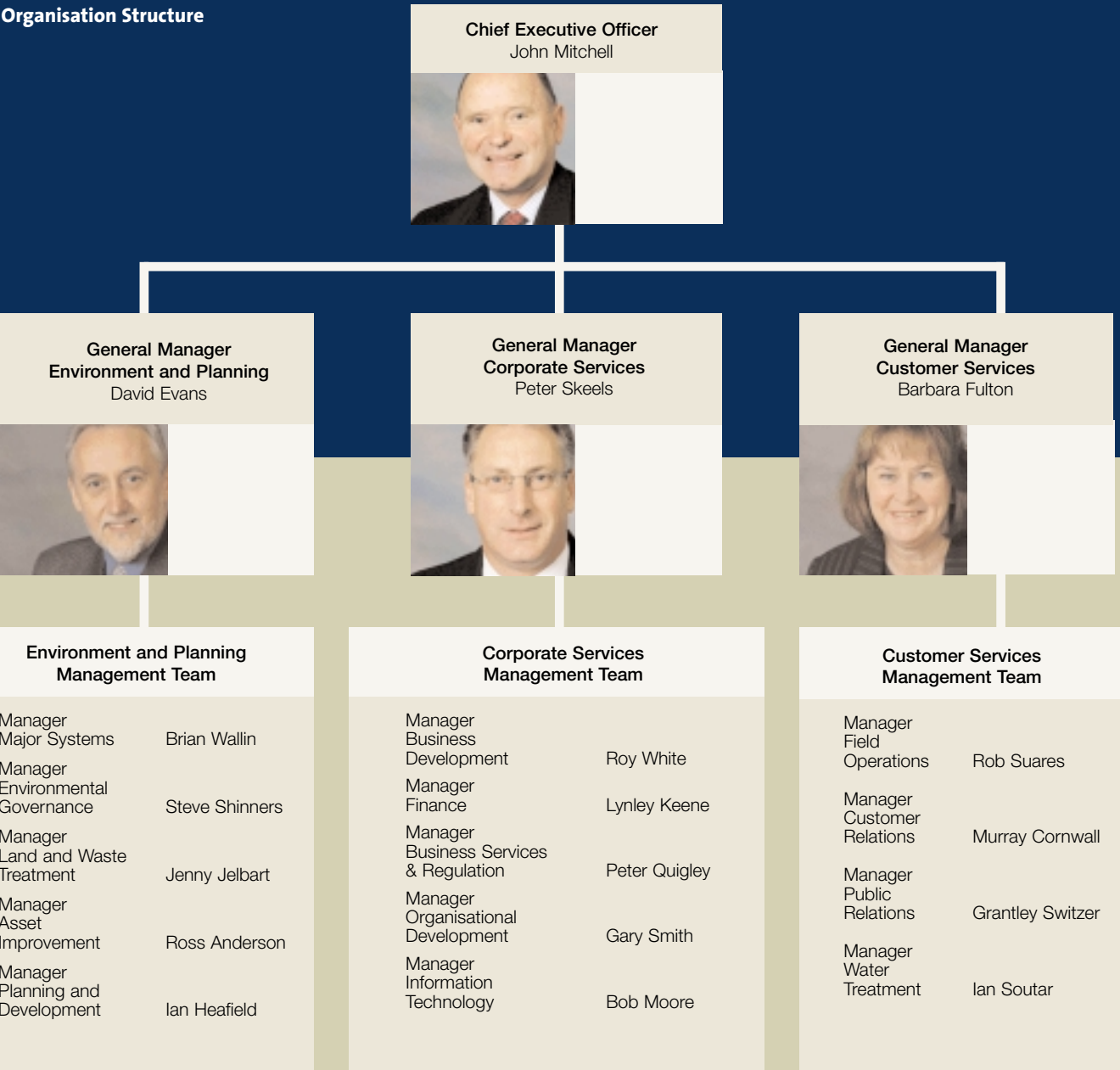
There were no formal complaints of workplace bullying or EEO issues at Gippsland Water for the reporting period.

Training and Development

A coordinated and structured approach to identifying, planning and delivering training and development continued at Gippsland Water during 2002-03. A further facilitation training course was conducted, involving employees from both Gippsland Water and employees from other organisations. This has continued the development of the Gippsland Water facilitator network and the in-house training program.

Gippsland Water also continued with its Management and Leadership Development Program, which has included four programs run in conjunction with the Mount Eliza Business School. The programs delivered have included a Front Line Management Program, Graduate Certificate and Diploma in Business Administration, and Masters in Business Administration.

Organisation Structure



Our Performance

Field Services

The resources of the Field Services Team were fully stretched during the year, with 463 water main breaks, a record number of breaks, which far exceeded 185 breaks for the previous year. The exceptionally dry climatic conditions during the summer period caused the above average number of breaks.

The now improved 24-hour emergency customer response process combined with the technologies of a global positioning system and a geographical information system enabled us to address and meet our corporate Key Performance Indicators and work within our operational budget.

Preventative maintenance programs (manhole inspections and valve marking and inspections) were carried out and continue to have a positive influence on our customers.

Field Contracts

The Field Contracts Team completed \$800,000 of minor capital projects for the Field Services Group and performed audits on contractors who carry out the service contract work for Gippsland Water.

The sewer main cleaning contract—being undertaken by contractor GMA Environmental Services—began at the start of the financial year and had an immediate impact in reducing the number of blockages and spills that normally occur. The contract is for four years and when completed all sewer towns in the region will have been jetted and cleaned.

Water Quality

The Water Quality Team continued with their customer-focused approach ensuring that follow-up requests from customers were addressed.

Other initiatives within the water quality area were the cleaning of many water storage basins and tanks, both inside the storages and on the floating covers.

The data storage, retrieval and reporting process has been further enhanced to ensure that an easy-to-use and auditable system is in place for future changes in legislative requirements.

A focus on ensuring that physical water quality parameters are met resulted in the installation of pH correction for the town of Yarragon. pH correction using carbon dioxide resulted in an immediate improvement to the physical characteristics of the water supplied to the town.

Preparations for the new regulatory framework for drinking water quality continue in view of the new *Safe Drinking Water Act 2003* becoming enforceable on 1 July 2004. Work is focusing on preparing risk management plans for the water supply systems, from the catchment areas to our customers.

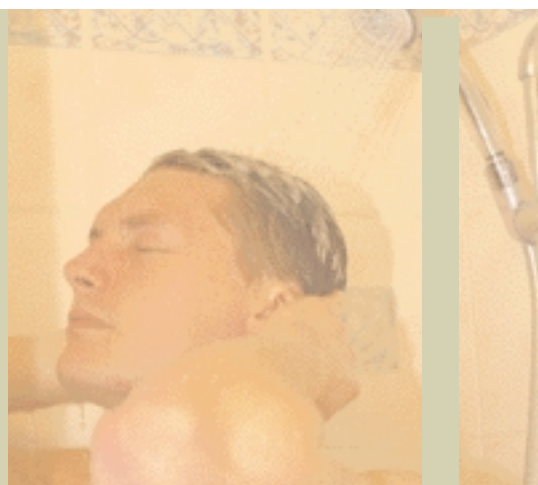
Approximately 2,300 samples were taken across 36 potable water zones for independent laboratory analysis to compile the water quality data in this report. Numerous other samples were taken to monitor and improve system performance throughout the water supply systems.

Asset Management

The Planning and Development Team has been working with all operational groups to identify the risk of assets not meeting required levels of service. All projects now are evaluated via a computer-based risk tool; the output from this tool prioritises future capital investment.

The increase in building development in many towns in the region has required close and ongoing consultation with representatives from developers in order to service these developments from existing assets. Additional consultation is occurring with local government authorities with the aim of identifying likely future development so that strategic asset plans can be created to guide the augmentation of water and wastewater systems.

Continued investment in the SCADA (supervisory control and data acquisition) system have enabled sophisticated control systems to be used in operating assets to improve water quality and security of supply and reduce electricity consumption (thus reducing operating costs and greenhouse gas emissions). Other benefits relate to improved corporate reporting on asset performance and the potential to operate wastewater pumping more effectively and efficiently.



Water and Wastewater Performance

Environmental Management of Water Yields

Bulk water entitlements provide Gippsland Water with approval to divert from a waterway to provide a reasonable security of supply. The entitlements have been negotiated over a period of time and in general do not alter the former security of supply that existed, but include consideration of all diversers and required environmental flows.

Bulk water entitlements (ML)		
Town served	Source	Total (ML)
Boolarra	Walkley Creek O'Gradys Creek	145
Erica/Rawson	Trigger Creek	340
Not currently utilised	Deep Creek/Loch River	73
Moe/Newborough/Trafalgar/Yarragon/ Yallourn North	Narracan Creek Tanjil River	3,884 15,000
Mirboo North	Little Morwell River	270
Seaspray	Merrimans Creek	61
Thorpdale	Easterbrook Creek	80
Cowwarr/Toongabbie	Cowwarr Weir	250
Heyfield	Thomson River Main Southern Channel	450
Coongulla/Glenmaggie	Glenmaggie Reservoir	135
Maffra/Stratford	Macalister River	1,500
Neerim South	Tarago Reservoir Pederson Weir	BWE not yet converted ²
Drouin/Warragul/Buln Buln/Rokeby/Nilma/Darnum	Pederson Weir	BWE not yet converted ²
Sale/Wurruk	Groundwater bore	3,850
Briagolong	Groundwater bore	100
Boisdale	Groundwater bore	13
Willow Grove	Blue Rock Lake	150
Latrobe Valley Water Supply System	Moondarra Reservoir ¹	62,000
	Total	88,301

¹ Moondarra Reservoir supplies the following towns: Traralgon, Traralgon South, Morwell, Churchill, Yinnar, Glengarry, Rosedale, Tyers, Jeeralang, Jumbuk and Hazelwood North.

² A bulk water entitlement is yet to be negotiated with the Department of Sustainability and Environment for the supply of water for the Warragul and Neerim South systems.

Provision of Water, Wastewater and Waste Management Services to Major Clients

The following table details metered water usage and waste discharges from major industry within Gippsland Water's region for the 2002-03 year:

Annual water consumption and wastewater discharges of major industry			
Client	Raw water	Treated water	Wastewater
Australasian Correctional Management Pty Ltd		112	98
Australian Char Pty Ltd	67	3	29
Australian Paper	21,843		4,562
Bonlac Foods Limited (Darnum)		262	
Bonlac Foods Limited (Drouin)		2	
Edison Mission	375		14
Energy Brix Australia Corporation	3,876	2	12
ESSO Australia Limited			3,478
Hazelwood Power Corporation Limited	14,606	54	61
HRL Technology Limited	1	5	2
Jelfor Treated Timber			4
Latrobe Regional Hospital		46	34
Loy Yang Power Limited	1,168		22
Murray Goulburn Cooperative		416	240
National Foods Dairy Foods Group Limited		294	265
Park Avenue Laundry Services		22	21
Pure Harvest		35	15
RAAF Base - Sale		20	56
Rosedale Leather Pty Ltd		2	146
Sale Livestock Exchange		25	18
Skilled Engineering		9	9
Traralgon Sale Yards		2	5
Warragul Linen Service		96	92
Warragul Sale Yards		16	19
Yallourn Energy Limited		1,516	71
Total	41,936	2,939	9,273

Note: All data reported as megalitres.

Annual Water Consumption and Number of Connections

The following table details residential, non-residential and major industry metered consumption for the 2002-03 year. 'Other' details system losses. These figures do not include water supply allocated to environmental flows. Actual annual consumption/average demand is the percentage of metered consumption versus the total treatment plant output.

Supply system	Actual annual consumption (ML) and number of connections (No.)						Average annual demand	Actual annual demand/ Average annual demand
	Residential		Non-residential		Major industry	Other		
	ML	No.	ML	No.	ML	ML	ML	%
Boisdale	7.6	31	2.9	5	0	2.0	12.5	95.8
Boolarra	46.3	308	4.4	30	0	19.8	70.4	95.0
Briagolong	72.5	323	11.3	18	0	22.0	105.7	120.0
Coongulla/ Glenmaggie	58.4	471	5.8	8	0	15.5	79.7	116.2
Erica/Rawson	52.6	294	10.9	41	0	61.5	125.0	85.8
Heyfield	204.1	818	84.3	112	0	57.0	345.4	106.4
Maffra/Stratford	653.0	2,625	105.8	280	416	188.6	1,363.4	97.9
Mirboo North	139.2	686	24.2	83	0	82.0	245.4	115.5
Moe/Newborough ¹	2,019.1	9,799	321.1	801	1,525	521.9	4,387.1	95.8
Moondarra Reservoir ²	5,084.0	20,924	1,161.8	2,107	42,344	2,408.2	50,998.0	95.6
Neerim South/Noojee	156.1	525	44.7	63	0	53.5	254.2	118.1
Warragul/Drouin ³	1,930.6	8,459	494.0	989	433	420.8	3,278.4	104.9
Willow Grove	46.1	141	1.8	11	0	12.5	60.4	122.6
Sale/Wurruk	1,480.2	5,869	408.5	727	157	268.0	2,313.7	108.1
Seaspray	34.7	343	3.6	8	0	16.0	54.3	114.8
Thorpdale	10.5	81	3.0	19	0	4.6	18.1	62
Toongabbie/Cowwarr	166.9	422	12.2	29	0	41.9	221.0	98.2
Total	12,161.8	52,119	2,700.3	5,331	44,875	4,195.6	63,932.7	

¹ Supplies Moe, Newborough, Trafalgar, Yarragon, Yallourn and Yallourn North.

² Supplies Churchill, Glengarry, Hazelwood North, Morwell, Rosedale, Traralgon, Traralgon South, Tyers and Yinnar.

³ Supplies Buln Buln, Darnum, Drouin, Nilma, Rokeby and Warragul.

Reliability of Water Supply

Combined unplanned and planned interruptions to water supply performance are detailed in the following table:

	No. properties	No. interruptions	No. properties that experienced a service interruption	Properties interrupted ratio	Average time to restore service (hours)	Unplanned interruptions restored within five hours (%)
Target	N/A	N/A	N/A	46.0	3.26	95.0%
Actual	57,436	271	16,200	29.55	2.25	95.3%
Variation	N/A	N/A	N/A	-35.76%	-30.98%	0.3%



National Health and Medical Research Council Physical Properties

The performance of drinking water quality as measured against the National Health and Medical Research Council guidelines are detailed in the following table:

Zone	Estimated peak population	Total no. tests for each parameter	Total no. tests meeting guidelines for turbidity	% Compliance for turbidity	Total no. tests meeting guidelines for colour	% Compliance for colour	Total no. tests meeting guidelines for pH	% Compliance for pH
Boisdale	271	12	12	100	12	100	12	100
Boolarra	478	12	12	100	12	100	12	100
Briagolong	271	12	12	100	12	100	12	100
Churchill	4,898	12	12	100	12	100	12	100
Cowwarr	562	11	11	100	11	100	9	81.8 ¹
Drouin	5,815	12	12	100	12	100	12	100
Erica	194	12	12	100	12	100	9	75.0 ²
Glengarry	688	12	12	100	12	100	12	100
Glenmaggie/Coongulla	176	12	12	100	12	100	12	100
Heyfield	1,436	12	12	100	12	100	12	100
Jumbuk	572	12	12	100	12	100	12	100
Maffra	3,916	12	12	100	12	100	12	100
Mirboo North	1,382	12	12	100	12	100	12	100
Moe	15,117	12	12	100	12	100	12	100
Morwell	12,278	12	12	100	12	100	12	100
Neerim South	535	12	12	100	12	100	12	100
Newborough	4,666	12	12	100	12	100	11	91.7 ³
Noojee	119	12	12	100	12	100	12	100
Rawson	277	12	12	100	12	100	11	91.7 ²
Rokeyby/Buln Buln	831	12	12	100	12	100	12	100
Rosedale	1,042	12	12	100	12	100	12	100
Sale/Wurruk	12,854	12	12	100	12	100	12	100
Seaspray	208	12	12	100	12	100	12	100
Stratford	1,330	12	12	100	12	100	12	100
Thorpdale	155	12	12	100	12	100	12	100
Toongabbie	463	12	12	100	12	100	12	100
Trafalgar	2,279	12	12	100	12	100	12	100
Traralgon	19,614	12	12	100	12	100	12	100
Traralgon South/Hazelwood North	1,053	12	12	100	12	100	12	100
Tyers	226	12	12	100	12	100	12	100
Warragul	13,196	12	12	100	12	100	12	100
Warragul South/Nilma/Darnum	1,157	12	12	100	12	100	12	100
Willow Grove	194	12	12	100	12	100	12	100
Yallourn North	1,185	12	12	100	12	100	12	100
Yarragon	707	12	12	100	12	100	6	50.0 ⁴
Yinnar	550	12	12	100	12	100	12	100
Whole of Authority		431	431	100%	431	100%	418	97.0%

¹ pH level slightly above guideline limit. Disinfected untreated water supply that suffers increased pH levels during low flow periods.

² pH levels were slightly below compliance level due to disinfection process and pH correction plant malfunction.

³ pH level just above compliance limit due to a restriction of flow caused by a shut valve.

⁴ pH levels recorded in town exceed guidelines due to lime leaching from supply main to town. pH correction was installed in February 2003 and the problem has been rectified

Drinking Water Quality (WHO Bacterial)

The performance of drinking water quality as measured against the World Health Organization guidelines is detailed in the following table:

WHO 1984 Bacterial							
Zone	Estimated peak population	Total no. tests	% <i>E. coli</i> (<1 org/100 mL)	% Total coliform (<1 org/100 mL)	Planned (%)	% Overall compliance	WHO compliance ¹
Boisdale	271	24	100	100	100	100	Yes
Boolarra	478	24	100	100	100	100	Yes
Briagolong	271	24	100	100	100	100	Yes
Churchill	4,898	57	100	93.0 ²	100	93.0	No
Cowwarr	562	48	100	100	100	100	Yes
Drouin	5,815	68	100	92.6 ²	100	92.6	No
Erica	194	28	100	82.1 ³	100	82.1	No
Glengarry	688	32	100	100	100	100	Yes
Glenmaggie/Coongulla	176	35	100	100	100	100	Yes
Heyfield	1,436	24	100	100	100	100	Yes
Jumbuk	572	24	100	100	100	100	Yes
Maffra	3,916	52	100	96.2 ²	100	96.2	Yes
Mirboo North	1,382	36	100	100	100	100	Yes
Moe	15,117	96	100	100	100	100	Yes
Morwell	12,278	84	100	100	100	100	Yes
Neerim South	535	24	100	100	100	100	Yes
Newborough	4,666	60	100	100	100	100	Yes
Noojee	119	24	100	100	100	100	Yes
Rawson	277	41	95.1 ⁴	34.1 ³	100	34.1	No
Rokeyby/Buln Buln	831	24	100	100	100	100	Yes
Rosedale	1,042	76	100	100	100	100	Yes
Sale/Wurruk	12,854	97	100	100	100	100	Yes
Seaspray	208	24	95.8 ⁵	95.8 ⁵	100	95.8	Yes
Stratford	1,330	111	100	100	100	100	Yes
Thorpdale	155	96	100	99.0 ⁶	100	99.0	Yes
Toongabbie	463	32	100	100	100	100	Yes
Trafalgar	2,279	48	100	100	100	100	Yes
Traralgon	19,614	192	100	100	100	100	Yes
Traralgon South/ Hazelwood North	1,053	25	100	100	100	100	Yes
Tyers	226	28	96.4 ⁵	96.4 ⁵	100	96.4	Yes
Warragul	13,196	112	100	97.3 ²	100	97.3	Yes
Warragul South/ Nilma/Darnum	1,157	56	100	94.6 ⁷	100	94.6	No
Willow Grove	194	33	100	100	100	100	Yes
Yallourn North	1,185	24	100	100	100	100	Yes
Yarragon	707	46	100	100	100	100	Yes
Yinnar	550	36	100	100	100	100	Yes
Whole of Authority	110,695	1,865	99.8%	97.2%	100.0%	97.2%	Yes

¹ WHO bacterial compliance means 95% of samples complying for bacterial guideline values.

² Total coliform count in the presence of adequate chlorine residuals. Re-samples were all clear.

³ At present, unable to achieve adequate chlorine dioxide disinfectant levels, without also having high disinfectant by-products (chlorite). The disinfection dose rate has been set to adequately achieve <1 *E. coli* and <1 total coliforms at the 'water entry' site of towns. This level will not produce disinfection residuals that would potentially control coliform regrowth in the towns.

⁴ Low levels of *E. coli* were detected. Corrective works were performed; however, counts continued in re-samples. A Boiled Water Alert was issued 24/12/02-7/1/03. No obvious source of contamination was identified.

⁵ One *E. coli* detected. Due to plant malfunction.

⁶ Total coliform count in an area prone to low disinfectant levels. Flushing in this area had temporarily ceased due to Stage 2 water restrictions. Routine flushing has resumed.

⁷ Total coliform count in the presence of adequate chlorine residuals. Capital works being performed to cover Warragul South Basin which will relieve this occurrence.

Water Quality Compliance

The following table provides a comparison of Gippsland Water's water quality performance for the past four financial years:

	1999-00	2000-01	2001-02	2002-03
Overall bacterial compliance (% of samples with <1 <i>E. coli</i> and <1 total coliforms)	98%	95.5%	94.4%	97.2%
Faecal coliforms (% Samples with <1 <i>E. coli</i>)	99.8%	99.9%	99.9%	99.8%
Total coliforms (% Samples with <1 total coliforms)	98%	95.5%	94.4%	97.2%

Reliability of the Wastewater System

The unusually dry climatic conditions caused a high number of sewer overflows due to the intrusion of tree roots. A sewer main cleaning program commenced in July 2002 and has had an immediate impact in reducing the number of blockages and spills that normally occur. A four-year program has commenced to clean all sewer towns within the region.

Wastewater system overflow performance is detailed in the following table. Actual performance is measured against targets defined in the Corporate Plan.

System	Assessments	Actual no. of overflows	Kilometres of sewers	Target no. overflows per 100 km	Actual no. overflows per 100 km	Variation no. overflows per 100 km (%)
Boolarra	282	0	19.1	0	0	-
Churchill	2,074	5	63.4	6.7	5.1	-23.88 ²
Drouin	2,483	5	61.8	0	8.1	810
Glengarry/Toongabbie	456	0	30.1	0	0	-
Heyfield	777	5	22.8	13.0	21.7	66.92
Maffra	1,987	8	51.1	3.9	15.7	302.54
Mirboo North	591	0	20.3	0	0	-
Moe/Newborough	7,921	30	145.0	5.9	14.9	152.54
Morwell	7,438	17	150.4	15.0	11.3	-24.67 ²
Neerim South	282	0	13.5	0	0	-
Rawson	169	1	8.4	0	12.5	1250
Rosedale	570	0	16.8	14.3	0	- 100 ²
Sale	6,332	10	128.4	7.9	7.8	-1.26
Stratford	640	0	21.1	0	0	-
Trafalgar/Yarragon	1,498	0	56.5	0	0	-
Traralgon	9,957	22	187.0	5.5	11.8	114.55
Warragul	4,898	16	108.8	4.0	14.7	267.5
Willow Grove	118	2	7.5	0	25.0	2500
Yallourn North	552	2	15.1	6.5	13.3	104.61
Yinnar	261	0	16.7	0	0	-
Whole of Authority	49,286	123	1,143.8¹	6.29	10.75	70.90

¹ Excludes rising mains, Fulham Correctional Centre, Dutson Downs–Delray Beach and SWOP pipelines.

² Fewer overflows than predicted occurred in this region.

Towns having no overflows through the year were Boolarra, Glengarry/Toongabbie, Mirboo North, Neerim South, Rosedale, Stratford, Trafalgar/Yarragon and Yinnar.

Sewer Spillages

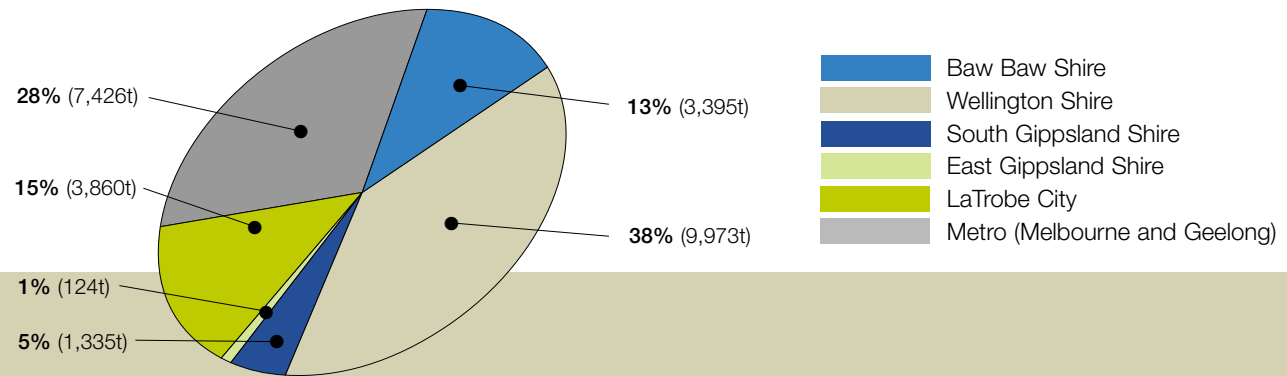
Number of sewer spillages (Priority 1 and 2) contained within five hours:

- Target: 98%
- Achieved: 96%
- Variance: -2%

Waste Deliveries to Dutson Downs

% Waste received by Local Government Area

Origin of Waste accepted at RRF, Dutson Downs for 02-03 Financial Year



Waste type	Weight (tonnes)
Prescribed waste	16,899
Non-prescribed waste	2,702
Tannery waste containing chromium	4,4678
Tannery waste other	390
Biosolids	1,202
Soils	456
Asbestos	627
Number of loads received	2,628

Environmental Compliance of Wastewater Treatment Plants

The following table provides a breakdown of compliance performance of all wastewater treatment facilities, as measured against Environmental Protection Authority (EPA) licence requirements:

Treatment system	Overall compliance ³ (%)	Population served	Volume to water course (ML)	Physical/Chemical (%)	Bacteria (%)	Nutrients (%)	Metals (%)	Organic Pollutants (%)
Drouin	97	5,815	155	100	80	100	NM	NM
Drouin (irrigation only)	100	5,815	0	100	100	NR	NM	NM
Heyfield (irrigation only)	100	1,436	0	100	100	NR	NM	NM
Maffra (domestic)	100	3,916	0	100	100	NR	NM	NM
Maffra (trade waste)	82 ⁴	-	167	82	NR	NR	NM	NM
Mirboo North	100	1,382	0	100	100	NR	NM	NM
Moe	100	15,117	1,972	100	100	100	NM	NM
Morwell	100	12,278	530	100	100	100	NM	NM
Neerim South	100	535	53	100	100	100	NM	NM
Rawson	100	277	37	100	100	100	NM	NM
ROS ¹	100	25,249	12,370	100	100	100	100	100
SWOP ²	99	-	7,529	98	NM	NM	100	NM
Stratford (irrigation only)	100	1,330	0	100	100	NR	NM	NM
Warragul	96	13,196	1,421	100	75	92	NM	NM
Willow Grove	100	194	0	100	100	NR	NM	NM

¹ ROS - Regional Outfall Sewer to Delray Beach.

² SWOP - Saline Waste Outfall Pipeline to McGaurans Beach.

³ Business plan target 100% compliance for all systems.

⁴ Algal activity combined with caustic trade waste resulted in increased pH discharge levels. Acid dosing commenced to reduce ph. Gippsland Water no longer treats the trade waste associated with this discharge.

NM: Not monitored for either EPA licence compliance or operational control.

NR: Not required for EPA licence compliance, but monitored to assist in operational control.



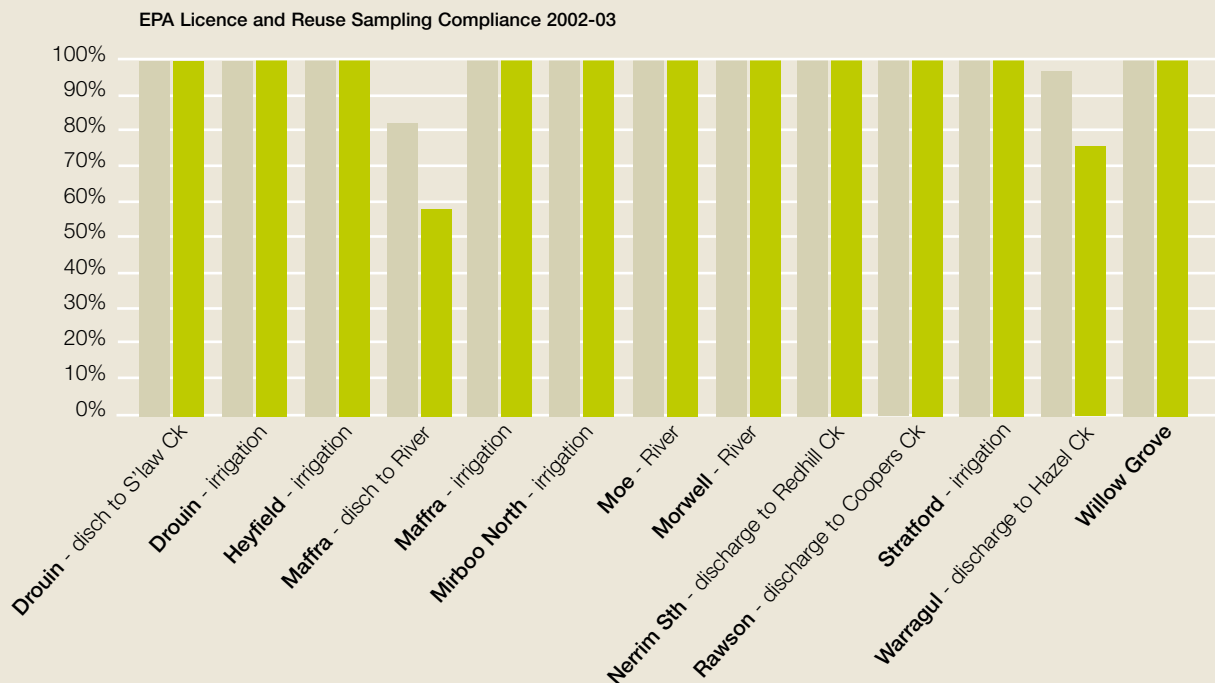
EPA Licence Compliance

The following graph illustrates the percentage compliance for all Gippsland Water licensed discharges and reuse sites.

A 'sample' represents a single water quality indicator and is reported as the percentage of samples that complied with EPA licence limits.

A 'set' represents all the tests done for a range of water quality indicators and is reported as the percentage of sets in which all tests complied with EPA licence limits. Gippsland Water's target was 100% sampling compliance for all systems.

Warragul sets failed compliance due to specific trade waste interfering with UV disinfection of the final wastewater. Gippsland Water has negotiated a 12-month timeframe with this customer to transfer this waste to another facility.



Treated Wastewater Discharges to the Environment

The following table details the relative amount of effluent (in megalitres) directly discharged to the ocean compared with that discharged to two major catchments in the Gippsland Water region.

Customer source	Treatment system	Final disposal location	Volume (ML)
Electricity industry	Saline Water Outfall Pipeline	Ocean, Bass Strait	7,529
All sources ¹	Regional Outfall Pipeline	Ocean, Bass Strait	12,370
Domestic/Commercial	Local treatment plants	Lake Wellington (catchment)	4,180
Domestic/Commercial	Drouin Treatment Plant	Western Port (catchment)	155
Total discharge			24,234

¹ Domestic, Commercial, Electricity industry; Oil and Gas industry; Paper Manufacturing industry; and Leather industry.

Water

is amongst the most
precious resources
in the Central
Gippsland Region



Part 4

Environmental Performance



Environmental Management System

Gippsland Water continued to address action items from the 2001 audit of its Environment Management System (EMS), with quarterly progress reports provided to the EMS Sub-committee, and the Board Environment Sub-committee.

An internal audit of the EMS in April 2003 identified the following key action items:

- an organisation-wide Waste Audit;
- an Energy and Greenhouse Gas Audit;
- development of an environment training program specific to operational responsibility of staff and contractors.

Following internal review, the audit report will be referred to Acumen Alliance for further review and recommendations for action. From these reports, an EMS Action Plan for 2003-05 will be developed and implemented.

Working with Major Clients

Gippsland Water fosters a cooperative relationship with its major clients, who have specific requirements such as a highly secure water supply, or the treatment and disposal of large volumes of trade waste. The servicing of very large customers such as Australian Paper, the Latrobe Valley power generators and major dairy product manufacturers sets Gippsland Water apart from many other water authorities and entails special challenges and rewards. Decisions that relate to these requirements often involve the input of Gippsland Water's engineers and scientists.

Two examples are listed below.

AP/ERA Acid Recovery Project

For a number of years, Gippsland Water has worked with Environmental Resources Australia (ERA), Australian Paper (AP) and local industry to develop opportunities to recycle spent acid from AP's operations for reuse in other industrial applications. The advantage to Gippsland Water would have been the reduction of sulphate in the waste stream to the Regional Outfall Sewer (ROS). Due to a number of constraints, the project has currently been shelved; however, Gippsland Water will continue to seek

opportunities to reinstitute the project should circumstances change.

National Foods Treatment Plant

National Foods operates a small wastewater treatment plant to pre-treat its liquid industrial waste prior to discharge to the ROS. Variations in the volume and strength of wastewater to be treated made the plant difficult to manage and resulted in costly use of treatment chemicals. Gippsland Water has worked with National Foods to identify opportunities to improve performance of the plant. Efficiencies have been gained by separating low- and high-strength waste streams to ensure that treatment resources are only allocated to high-strength wastes entering the ROS.

Environmental Incidents

On the evening of Monday, 27 January 2003 (Australia Day long weekend), Gippsland Water was notified of a sewage leak from the pipeline under the Morwell River bridge, Driffield Road, Yinnar. While not directly discharging into the river, wastewater was running off the embankment into the river. Valves were closed to isolate the pipeline, and a simple catch-dam created, using plastic sheeting, to contain the run-off. The Environment Protection Authority (EPA) was notified of the incident, and Southern Rural Water was asked to contact licensed water diverters downstream of the bridge.

The leak was caused by a break in a pipeline joint, most likely caused by bridge movement due to the unusually hot weather (approximately 43°C) that day. Monitoring of water quality indicated that elevated bacteria counts were evident in water samples collected immediately downstream following the incident. Subsequent water samples collected the following day indicated that water quality downstream was similar to that of samples collected upstream from the bridge, indicating that water quality impacts from the incident were short-lived.

Future Initiatives for Continuous Improvement

Greenhouse/Energy Management

The water industry (including wastewater treatment) accounts for 0.5 of 1% of greenhouse gas emissions in Australia, primarily due to methane emissions from waste treatment processes and energy consumption in the pumping of large volumes of water.

Gippsland Water has reviewed electricity usage patterns for individual water and wastewater pump stations in order to determine whether pump regimes can be managed to minimise energy consumption. Changes to pump operations are only undertaken if no impact on service provision is encountered.



Using Australian Greenhouse Office and EPA guidelines, Gippsland Water undertook a review of sources of greenhouse gas emissions and energy consumption from its operations in 2002-03. The relative greenhouse gas impacts of these operational areas, standardised as equivalent tonnes of carbon dioxide gas emitted, are summarised in the table below.

Activity	CO ₂ - equivalent emitted (tonnes/year)
Waste treatment	13,300
Cattle farming	3,100 ¹
Fuel use	1,200
Electricity	21,600
Total	36,100

¹ 1998-99 data

As these results indicate, greenhouse impacts from Gippsland Water's operations are primarily due to the emission of methane and nitrous oxide gases during waste treatment, and electricity consumption from pumping of water and wastewater throughout the region. From this review, opportunities for energy use reduction and greenhouse gas abatement will be outlined in an action currently being prepared for the EPA.

Gippsland Water has identified the need for the Victorian water industry to better identify opportunities for incorporating renewable energy technologies into plant design. It has facilitated a working group, consisting of representatives of the Victorian Water Industry Association (VicWater), Water Services Association of Australia and the Sustainable Energy Authority Victoria, to identify ways that the industry can contribute to meeting renewable energy targets for Victoria in the future.

Waste Minimisation

Gippsland Water successfully participated in the Gippsland Green Links pilot program, managed by GippsTAFE, the EPA and EcoRecycle. The program encouraged large companies and organisations to work with their suppliers to identify and address opportunities for reducing waste in the provision of goods and services. Expected outcomes included less waste generated in the delivery of services and potential cost savings for both Gippsland Water and its service providers.

The following Gippsland Water service providers also participated in the program:

- SGS Environmental Laboratories
- Aluminates
- Transfield
- GMA Environmental Services.



Some of the successful outcomes from the pilot program included:

- minimisation of paper consumption by adopting, where practical, electronic reporting of laboratory results;
- changes to the way that broken water mains under concrete driveways are repaired, to minimise the amount of concrete waste generated;
- minimisation of transportation costs by taking waste material from sewage wet well pumpouts to the nearest wastewater treatment plant, rather than Dutson Downs;
- reduction in the amount of waste alum filter cake produced from water treatment plants, through changes to treatment processes.

In addition to these highlighted benefits, the program improved relationships between Gippsland Water and its suppliers, and successfully demonstrated that significant cost savings can be gained from adopting cleaner production principles to improve daily activities.

Purchasing Policy

Gippsland Water's Purchasing Policy includes specific reference to understanding the environmental impact of what is purchased, considering alternatives before purchasing, and making the best choice for the environment and Gippsland Water. The policy reflects the current State Government guidelines for both service and construction contracts.

Performance of Ocean Outfalls

Performance of both the Delray Beach Ocean Outfall and Saline Water Outfall Pipeline (SWOP) continued to meet stringent operating conditions. All water quality monitoring data for 2002-03 met EPA licence requirements for water discharged from the Delray Beach Ocean Outfall. The following compliance issues with the SWOP were encountered during the reporting period:

- One suspended solids result of 24 mg/L obtained for the water entering the SWOP was above the licence limit of 20 mg/L. This result was unusual, as the result for turbidity (an alternative measure of suspended particles in water) was not elevated. The elevated

suspended solids result was not replicated in subsequent samples.

- A significant laboratory study investigated the source of elevated copper results in saline water samples taken from the ash pond, prior to entering the SWOP. The study concluded that the elevated results were due to analytical errors. A strategy has been adopted to independently confirm copper analyses with an alternative laboratory should elevated concentrations of copper be detected in future.

Australian Sustainable Industry Research Centre

In July 2002, Victoria's Gippsland region won \$2.4 million of funding from the Victorian Government to establish the Australian Sustainable Industry Research Centre (ASIRC). As a result, ASIRC officially began operating in 2003 out of the freshly refurbished 'state of the art' laboratory and office complex on Monash University's campus in Churchill.

ASIRC was established through a grant from the Victorian Government's Science and Technology Infrastructure Program, together with substantial financial commitments from its Industry and Research Organisation Members. ASIRC's founding partners are Gippsland Water, Monash University and the Cooperative Research Centre for Waste Management and Pollution Control.

As a founding partner, Gippsland Water was influential in establishing this research centre. Gippsland Water recognised the need for the establishment of an independent research and development body to ensure the more responsible management of our natural resources and the environment, with particular emphasis on the development of sustainable waste management practices within new and existing industries.

The centre will boost the sustainable directions and activities of the region with regard to water, wastewater and industrial waste management which are part of Gippsland Water's strategic responsibilities. Gippsland Water has a commitment to assist the establishment of sustainable industry in the region and ASIRC will be a key factor in ensuring our success.



Gippsland Integrated Natural Resources Forum

Gippsland Water is acutely aware of its environmental responsibilities. By proactively identifying environmental aspects we are able to mitigate and prevent our environmental impacts. Gippsland Water aims to foster this approach of identification and risk minimisation in all operations. To facilitate this, Gippsland Water has developed a register of all its environmental impacts. The Environmental Aspect and Impact Register is accessible to all employees to review and enter new issues as they arise. This system of early detection and recording allows corrective action and preventative maintenance to be enlisted before an identified problem or potential issue escalates.

Environmental aspect and impact assessments have been conducted on all wastewater treatment plants, the two ocean outfalls and the sewage distribution systems. Progress in addressing environmental aspects of a specific location is specifically reviewed during environmental audits of sites, to provide an opportunity to discuss site management issues with the operator.

Environment Improvement Plan

An Environment Improvement Plan (EIP) for all Gippsland Water's operations was developed for the period 2002-03. This plan incorporates the EIP for the operation of the Saline Water Outfall Pipeline. Of the 47 actions identified within the 2001-03 EIP, 12 are in progress, 19 have been identified as requiring ongoing attention for continuous improvement, and 15 have been completed. One item, the development of a decommissioning management plan, has not yet been addressed.

The EIP for Gippsland Water's operations is in the process of review for the period 2003-05. The EIP will again focus on the objectives of the Strategic Plan.

Beneficial Reuse of Treated Wastewater

The State Environment Protection Policy (SEPP)–Waters of Victoria, states that: 'It is important that the reuse and recycling of wastewater is sustainable and does not pose an environmental risk to the beneficial uses of surface waters and groundwaters. To enable this, wastewater reuse and recycling needs to be consistent with guidance from the Environment Protection Authority, including that provided in the *Guidelines for Environmental Management: Use of Reclaimed Water* (2002).'

Subject to factors such as seasonality, temperature and discharge rate, the SEPP allows reclaimed water to be used to provide water for the environment or uses other than irrigation. The Morwell River Wetlands is an example of environmentally beneficial reuse of reclaimed water supplied by Gippsland Water.

Irrigation has been the major potential water reuse option in the non-urban context. The climate in Gippsland Water's region ranges from high rainfall in the west to the Macalister Irrigation Area 'rain shadow' in the east. The annual average irrigation demand varies from 200 mm to 400 mm. This irrigation demand is low when compared with 500 mm to 1,000 mm north of the Great Dividing Range.

Gippsland Water operates a number of irrigation facilities according to the EPA guidelines and also supplies reclaimed water for irrigation of private land. The long-term sustainability of irrigation depends on careful irrigation and land management with rigorous monitoring of soil quality and groundwater. This is especially important considering Gippsland's high and variable rainfall.

As the cost of water increases so does the value that is placed on reuse (new) water, making innovative reuse options, such as distribution of treated wastewater back to industry, look not just feasible but attractive.

Treated wastewater is stored over the winter months and used for irrigation of pasture over summer at Maffra, Heyfield, Stratford, Mirboo North and Willow Grove. Winter storage is also undertaken at Drouin, although excess volumes of treated wastewater may be discharged to Shillinglaw Creek during winter months. Irrigation of pasture is then undertaken when weather conditions allow.

Wastewater biosolids currently accumulate in treatment lagoons. During the reporting period there was no need for sludge removal. Biosolids from Neerim South and Warragul treatment facilities were combined and transported to Dutson Downs for beneficial reuse.

Wastewater is also supplied for reuse at the Maffra Recreational Reserve, the Mirboo North Golf Course, Mirboo North Recreation Reserve and a private farm in Willow Grove. Formal agreements are held at each site for the acceptance of wastewater.

The use of high-quality reclaimed water for industrial, environmental or other purposes is likely to become more attractive in the future. Water scarcity, subsequent increase in water value, competing land uses, and urban expansion challenge irrigation as the preferred water reuse option.

Treated wastewater from Morwell Wastewater Treatment Plant is now discharged to the Morwell River Wetlands. As this water contributes to the viability and health of the wetlands, it is considered to be a beneficial reuse of the treated wastewater.



The following table shows the proportion of wastewater reused in 2002-03, compared with the proportion discharged to inland waterways:

Treatment facility	Volume of effluent reused (ML)		Total volume discharged (ML)		Target % effluent reused ¹		Actual effluent reused ¹		Variation % effluent reused ¹	
	Liquid	Sludge ⁴	Liquid	Sludge	Liquid	Sludge	Liquid	Sludge ⁴	Liquid	Sludge
Drouin	235	0	345	N/A	40	0	40	0	-	N/A
Heyfield	96	0	0	N/A	100	0	100	0	-	N/A
Maffra (domestic)	238	0	0	N/A	100	0	100	0	-	N/A
Maffra (trade waste)	0	0	167	N/A	0	0	0	0	N/A	N/A
Mirboo North	39	0	0	N/A	100	0	100	0	-	N/A
Moe	0	0	1,972	N/A	0	0	0	0	N/A	N/A
Morwell	530	0	0	N/A	100	0	100	0	-	N/A
Neerim South	0	-	53	N/A	0	100	0	100 ⁶	N/A	-
Rawson	0	0	37	N/A	0	0	0	0	N/A	N/A
ROS ²	0	0	12,370	N/A	0	0	0	0	N/A	N/A
Stratford	113	0	0	N/A	100	0	100	0	-	N/A
SWOP ²	0	0	7,529	N/A	0	0	0	0	N/A	N/A
Warragul	0	1,500 ⁶	1,421	N/A	0	70	0	70	N/A	-
Willow Grove	12	0	0	N/A	100	0	100	N/A	-	N/A
Totals	1,263	1,500	23,894	N/A			31.61%³	N/A⁵		

¹ Percentage of total volume discharged.

² Salinity levels prohibit irrigation.

³ Effluent reused percentage is calculated excluding ROS and SWOP.

⁴ Sludge currently accumulates in treatment lagoons. During the reporting period there was no need for sludge removal.

⁵ Not calculable as volumes can only be clearly determined by above-ground stock piles. Gippsland Water has only one above-ground facility located at Dutson Downs. As indicated above, the remainder of sludge accumulates in treatment lagoons.

⁶ Neerim South effluent transported to Warragul where biosolids are combined and transported to Dutson Downs for beneficial reuse.

The drier autumn/winter period of 2003 allowed an extended irrigation season, which gave more opportunity than in typical years to apply treated wastewater from the numerous treatment plants to pasture.

Water Conservation

In 2001, the Board of Gippsland Water officially endorsed a set of water conservation protocols, including the use of water restrictions as a conservation tool. As a result, it is now Gippsland Water policy that:

'Level 1 water restrictions are to be introduced automatically across all Gippsland Water customers at the onset of each summer as a precautionary step.'



Consequently, Stage 1 water restrictions were implemented for all Gippsland Water customers on 1 December 2002. As at 30 June 2003, Stage 1 restrictions remained in force due to continuing drought conditions.

In addition to these measures, Gippsland Water was active in communicating the message of water conservation through the following initiatives:

- water supply updates for local television weather reports on nightly news to inform our customers of water storage levels, including 'water-saving tip of the week';
- employment of a 'Water Patrol Officer' who monitored restriction compliance and provided advice to our customers on water conservation measures;
- summer television and radio advertising campaign featuring Gippsland Water's 'Turn it off, Shut it down' advertisement;
- educational water-saving tips and restrictions advice in Gippsland Water's customer newsletter *Water Words*;
- development and distribution of information brochures aimed at raising water conservation awareness;
- provision of information on Gippsland Water's website relating to water conservation, water supply updates and rainfall levels.

Drought Response Management Plan

The drought response plan includes specific action plans for each stand-alone water supply system. An emphasis is placed on providing information to assess trends of weather patterns, water availability and water consumption.

Information is also provided to assist with the understanding and management of some of the broader ramifications of drought conditions, such as catchments and environmental management, which are linked with water quality and availability.

Research

Odour Reduction

The issue of odour control on the Regional Outfall Sewer is of major importance to Gippsland Water. The generation and transfer of odour in the ROS is a complex reaction influenced by a wide range of factors, including the mix of materials in the channel and local meteorological conditions. In order to understand and control these reactions, Gippsland Water engaged the Cooperative Research Centre for Waste Management and Pollution Control to develop a model to simulate odour generation under various modes of operation. This model has been unable to provide any further understanding of the mechanisms leading to odour generation, reflecting the complexity of the system and its inputs.

Gippsland Water has engaged a number of suppliers to develop proposals for reducing odours from the ROS. These proposals include chemical and biological controls, and the development of a dynamic model of odour generation. These proposals will continue to be investigated for effectiveness and economic viability, with a number of field trials to be undertaken in the coming year.



Comparative Study of Land Uses in the Strzelecki Ranges

Gippsland Water is providing assistance to a PhD student to research land use planning in the Strzelecki Ranges, particularly the upper reaches of Morwell River, that will lead to improved environmental and ecological health.

A total catchment management approach is inherent in an innovative method of observing the trends in sediment transport and identifying sediment origins. Three similar catchments will be identified and observed during the field component of the research to determine the extent of sediment movement due to forestry and agricultural practices in comparison with relatively untouched land.

This information will assist land managers to target the practices that lead to soil erosion, and manage these practices in a more sensitive manner. Gippsland Water will also be able to better predict events of high sediment loading in watercourses, providing more effective potable water treatment and preventing water treatment plant overload.

National Pollutant Inventory Reporting

The National Pollutant Inventory (NPI) is an Internet database designed to provide the community, industry and government with information on the types and amounts of certain chemicals being emitted to the environment throughout Australia.

Emissions of specific chemicals from a facility are reported for inclusion on the database if their total concentration over a year is greater than a pre-established threshold value. In 2001, the list of reportable chemicals expanded from 36 to 90 compounds; however, the number of compounds above the threshold value reportable by Gippsland Water remains unchanged.

Data for reporting were determined for the emissions from thirteen wastewater treatment and disposal facilities in 2002-03. The following emissions above threshold values were reported to Environment Australia. Data for 2002-03 are included for comparison.

Facility	Sulphide to air (kg-S/yr)		Ammonia to air (kg-N/yr)		Ammonia in effluent (kg-N/yr)		Total nitrogen in effluent (kg-N/yr)		Total phosphorus in effluent (kg-P/yr)	
Reporting threshold Period	10,000 2001-02 2002-03		10,000 ¹ 2001-02 2002-03		10,000 ¹ 2001-02 2002-03		15,000 2001-02 2002-03		3,000 2001-02 2002-03	
Drouin WWTP	-	-	8,148	-	2,929	-	-	-	-	-
Maffra WWTP	-	-	-	-	-	-	-	-	5,412	-
Moe WWTP	-	-	670	607	1,927	1,578	-	14,790	-	-
Morwell WWTP	-	-	1,856	1,097	105	133	-	-	-	-
Warragul WWTP	-	-	3,902	3,402	2,011	696	-	-	-	-
Dutson Downs	96,277	87,085	84,699	76,892	103,277	69,272	186,472	162,047	28,688	24,740

¹ As ammonia is a volatile substance, reporting is required if influent loads are greater than 10,000 kg-N/yr.

Threshold values were not triggered by Maffra and Drouin WWTPs in 2002-03, due to reductions in nutrient loads received and improvements in irrigation to land.

Training and Awareness

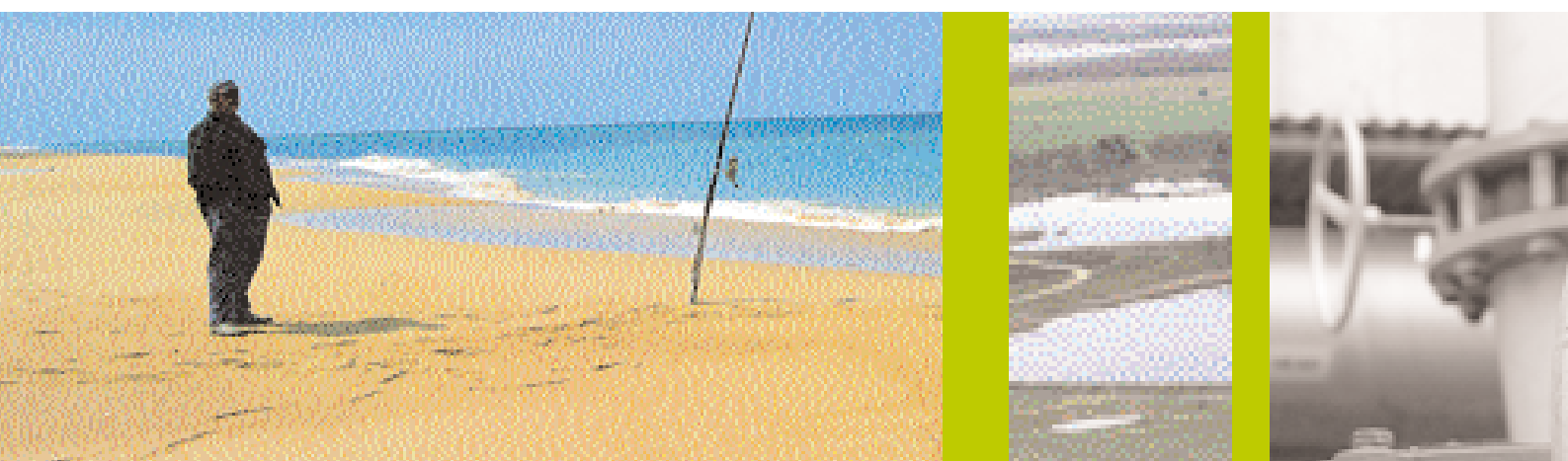
To maintain a high level of environmental awareness throughout the organisation, employees and contractors receive Environmental Management inductions. The induction program provides an awareness of Gippsland Water's role in protecting the environment, and training in the Environmental Management System. The level of training varies depending upon the role of the employee.

The induction program commenced in July 1999 and has continued to evolve to include Gippsland Water's largest operational contractors. Below is a summary of training of current employees:

Department	No. inducted	No. employees ¹	% inducted
Environment and Planning	44	61	72
Corporate Services	35	40	88
Customer Services	67	91	74
Total	146	192	76

¹ Includes Gippsland Water contractors and trainees.

Examples of major contractors inducted include:



Gippsland Water contractors	No. employees
Transfield	28
Aluminates	20
GMA Environmental Services	6
Gippsland Land Services	13

Employees received additional training on water sampling procedures (in accordance with the EPA's *A Guide to the Sampling and Analysis of Waters, Wastewaters, Soils and Wastes*) and reporting procedures for odour, noise and sewer spill notifications.

Community Consultation

One of the objectives identified as part of Gippsland Water's Marketing and Communications Strategy is to set up committees to provide feedback from the community in 'key areas of the business'. As a result, Gippsland Water facilitates three ongoing consultative committees involving its customers: the Environment and Customer Committee, the Coastal Advisory Committee and the Dutson Downs Advisory Committee.

All three have very similar charters: to provide broad representation of customer viewpoints to the Gippsland Water Board, to facilitate communication between the Authority and the community, and to give advice on policies and strategies from a community viewpoint.

All of Gippsland Water's consultative committees are chaired by a member elected from within the committee who has appropriate communication channels to the Board and Management of Gippsland Water.

Gippsland Water also conducts annual customer focus groups, which are larger group sessions intended to improve communication between the Authority and the wider community on specific issues.

Environment and Customer Committee

The Environment and Customer Committee was formed in 2002-03. In light of the State Government's increased emphasis on triple bottom line reporting (economic, social and environmental reporting) the new committee has reviewed a number of policies and strategies and considered the impact that Gippsland Water operations have on the environment, our customers and the community.

The committee met three times during the year, focusing on such issues as water conservation and restrictions, Gippsland Water's pricing path for the future and the 'value of water', Gippsland Water's review of the Customer Charter, prescribed waste management activities at the Dutson Downs Resource Recovery Facility and Gippsland Water's Environmental Management System.

As at 30 June 2003 the committee comprised:

Committee member	Town
Des Sinnott, Chairperson	Boisdale
Francois Vallette	Maffra
Maree McPherson	Traralgon
Alan Wilson	Drouin
Don Blackley	Drouin
Peter Smolenaars	Sale
Jane Gurling	Nambrok
Patricia Brown	Sale
Tammy Dawson	Traralgon
Simon Vanderzalm	Churchill
Peter Brown	Traralgon
Jodie Halliwell	Darnum



Coastal Advisory Committee

The Coastal Advisory Committee continued to play a key role in reviewing the performance of Gippsland Water's two ocean outfalls, and operations of the ROS and SWOP systems. Four meetings were held during 2002-03. The committee reviewed the environmental compliance and operational performance of both the McGaurans Beach and Delray Beach Ocean Outfalls.

A key achievement of the committee was the release of the inaugural *Gippsland Water Coastal Advisory Committee Community Report*, developed to inform the community about issues relating to the operation of the outfalls. Other issues discussed included a review of the regional imperatives for the two ocean outfalls, unusual occurrences of marine algae along the Ninety Mile Beach, and investigations into the analytical problems associated with determination of trace levels of copper in saline water samples.

As at 30 June 2003, the committee comprised:

Committee member	Town
Mr Neil Terrill, Chairperson	Churchill
Cr Peter Garlick, Deputy Chairperson	Stradbroke
Mr Frank Johns	Golden Beach
Mr Jeff North	Lakes Entrance
Mr Alan Eagle	Morwell - Australian Paper
Mr Russell Pentland	Traralgon - Loy Yang Power
Mr Mark Duthie	Sale - ESSO
Mr Steve Weidemann	Seaspray
Mr Peter Marwood	Traralgon
Ms Rebecca McGuigan	Traralgon - EPA
Natalie Liddell ¹	Sale
Cr Charles McCubbin ¹	Sale

¹ Cr Charles McCubbin replaced Natalie Liddell during the year.

Dutson Downs Advisory Committee

The Dutson Downs Advisory Committee was formed in August 2001 to look closely at issues relating to past, current and future practices at the Dutson Downs Resource Recovery Facility. The committee is made up of a cross-section of representatives from community groups, tourism bodies, local government authorities and local industries.

The committee met on seven occasions during the year with the major areas of focus being:

- the development of an Environment Improvement Plan for the Dutson Downs Resource Recovery Facility;
- the development and commissioning of a waste stabilisation facility;
- Gippsland Water's Expression of Interest to establish a contaminated soils recycling and treatment facility;
- Gippsland Water's EPA Works Approval to adopt composting activities;
- the Dutson Downs Integrated Land Use Management Plan and proposal to develop an Environmental Park.



As at 30 June 2003, the committee comprised:

Committee member	Organisation
Ms Toni Meek, Chairperson	EPA Victoria
Mr Steven Dickson	Wellington Shire Council
Cr Charles McCubbin	Wellington Shire Council
Dr Jo McCubbin	Wellington Residents Against Toxic Hazards Inc
Mr Grant Soosalu	Wellington Residents Against Toxic Hazards Inc
Mr John Mitchell	Gippsland Water
Mr John Lapidaire	Golden and Paradise Beach Ratepayers and Residents Association Inc
Mr Wally Evans	Watermark Inc
Mr John Hirt	Sale Field and Game Association
Mr Steve Weideman	Ninety Mile Beach Tourism Development Group
Mr Allan Cooper	Ninety Mile Beach Tourism Development Group
Mr Richard Crooke	Victorian Farmers Federation
Mr John Steel	Community Representative
Mr Alan Eagle	Australian Paper
Mr Mark Duthie	ESSO
Mr Darren Baumgarten	Rosedale Leather
Ms Rebecca McGuigan	EPA - Gippsland Region
Ms Tanya Brooker	Department of Sustainability and Environment

Environment Protection Authority Licence Compliance and State Environment Protection Policy

Gippsland Water operates 14 facilities under EPA licences. These facilities include 11 wastewater treatment plants, 2 ocean outfalls and a prescribed waste management facility.

Gippsland Water conducts extensive analyses of performance against the requirements of each EPA licence, and for 2002-03 eight of the wastewater treatment facilities were 100% compliant with the wastewater quality objectives of their respective licence. A summary of annual performance against the quality objectives for each facility is provided in the 'Water and Wastewater Performance' section in this report.

EPA licence no.	Facility	Discharge to inland	Effluent reuse waterway	Discharge to ocean outfall
LX43	Drouin WWTP	Shillinglaw Creek	Irrigation of crops/pasture	-
ES344	Dutson Downs Resource Recovery Facility	-	-	-
LX18	Heyfield WWTP	-	Irrigation of crops/pasture	-
LX19	Maffra WWTP (trade waste) Maffra WWTP (domestic)	Macalister River (ceased in 2003)	Maffra Recreational Reserve and irrigation of crops/pasture	-
LS251	Mirboo North WWTP	-	Irrigation of pasture, Mirboo North Golf Club and Recreational Reserve	-
LW65	Moe WWTP	Moe Drain	-	-
LW513	Morwell WWTP	Morwell River Wetlands	-	-
LW32948	Neerim South WWTP	Red Hill Creek	-	-
LW732	Rawson WWTP	Coopers Creek	-	-
LX42	ROS/Dutson Downs Wastewater Treatment Facility	-	-	Delray Beach Ocean Outfall
EW449	Saline Wastewater Outfall Pipeline	-	-	McGaurans Beach Ocean Outfall
LS259	Stratford WWTP	-	Irrigation of crops/pasture	-
LW70	Warragul WWTP	Hazel Creek	-	-
LX25	Willow Grove WWTP	-	Private landholder - Irrigation of crops/pasture	-

Of these licences, six allow for the discharge of treated wastewater to inland waterways (discharge of treated trade waste from the Maffra WWTP to the Macalister River ceased in early 2003) with the commissioning of Thames Water's Maffra Effluent Treatment Plant. Discharge of treated wastewater from the Morwell WWTP to the Morwell River Wetlands is beneficial to the long-term viability of the wetlands.

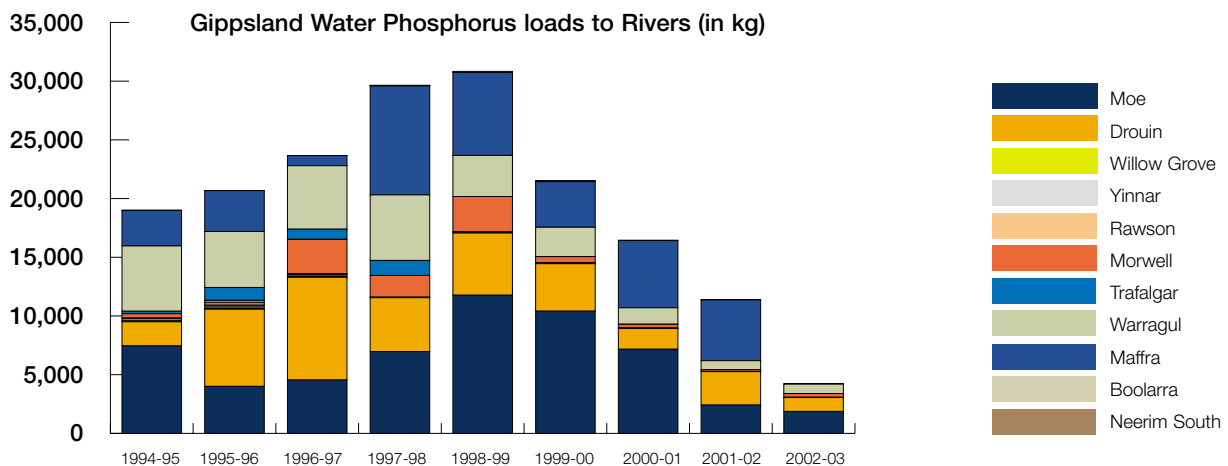
Impacts of discharges to inland waterways are assessed relative to the State Environment Protection Policy (SEPP) (Waters of Victoria). Specific objectives of the SEPP are primarily outlined in Schedule F5: 'Waters of the Latrobe and Thomson River Basins and Merriman Creek Catchment'; the Drouin Wastewater Treatment Plant is situated in the Western Port catchment and, therefore, is assessed under Schedule F8: 'Waters of Western Port and Catchment'. To monitor

compliance with respect to the SEPP, routine water quality and macro-invertebrate testing is conducted on waterways where wastewater treatment plant discharges occur.

Gippsland Water has focused on nutrient reduction as a key issue in the SEPP implementation programs for wastewater treatment plants. The benefits of the considerable expenditure over the last nine years are now being realised.

In addition to addressing improvements at existing plants, the Regional Outfall Sewer continues to play a role in reducing nutrient discharges to inland waterways. Wastewater from towns connected to the ROS is treated at Dutson Downs prior to discharge to the ocean. This wastewater system has significantly reduced the load of nutrients previously discharged to the Gippsland Lakes.

The following figure demonstrates the reduction in phosphorus loads from wastewater treatment plants to waterways. Over the 2002-03 period, the total phosphorus load discharged to waterways has decreased by 7,322 kilograms, a 73% decrease on the 2001-02 year.



Tyers River Catchment

Gippsland Water continues to support the activities of the Mountain Rivers Landcare group, with an \$11,000 grant provided to support a number of projects involving fencing and revegetation of sections of Tyers River and Jacobs Creek, and their tributaries. These works will restrict stock access to the waterways and help to stabilise banks to minimise erosion of soils.

The four hydrographic monitoring stations in the Tyers River catchment are currently undergoing significant upgrades in order to be incorporated into the Gippsland Regional Water Monitoring Partnership. This will ensure better management of the sites into the future, as well as improved availability of water quality and quantity data for all stakeholders.

Victorian Biodiversity Strategy

Gippsland Water will continue to work with the Department of Sustainability and Environment to develop appropriate goals and objectives for the establishment of a biodiversity register to meet the requirements of the Victorian Biodiversity Strategy. Objectives of the Victorian Biodiversity Strategy will be integral to the further development of the Dutson Downs Integrated Land Use Management Plan.

Environment Protection and Biodiversity Conservation Act 1999

Gippsland Water did not undertake any projects in 2002-03 that required referral or approval under the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999*.

Dutson Downs Integrated Land Use Management Plan

Gippsland Water has continued to investigate opportunities to diversify land management activities at Dutson Downs, including the restoration of native habitat to complement the local ecosystem.

The Department of Sustainability and Environment has selected Dutson Downs as an appropriate location to actively protect and manage native flora habitat including replacing vegetation disturbed by oil and gas exploration and construction activities undertaken by both Esso and Duke Energy. These companies will fund the establishment of protected areas of habitat.

The CSIRO and the Department of Primary Industries have also selected Dutson Downs as one of five locations in Victoria suitable for incorporation into the National Biosolids Research Program. This program was established to investigate the sustainable use of biosolids

for agricultural activities throughout Australia. A series of trial plots have been established onsite to intensively monitor the impact of biosolids on crop yield and quality, and soil quality over a period of five years.

Gippsland Farm Plantations is undertaking a Natural Heritage Trust project entitled 'Indigenous Plantations for the Gippsland Plains'. They have selected Dutson Downs as one of four sites between Sale and Bairnsdale for the trial. Four tree species will be propagated onsite from seed collected within the region: Forest Red Gum, Spotted Gum, Southern Mahogany and Black Wattle.

Glossary

Biosolids

Organic solids and minerals that accumulate as a final product of wastewater treatment processes.

Catchment

The area drained by a stream, lake or other body of water. Frequently referred to as the area used to feed water into reservoirs or dams.

CO₂-equivalent

A variety of atmospheric gas compounds, collectively known as greenhouse gases, contribute to global warming. Each compound has a different degree of impact on global warming per unit of concentration, making comparison between sources difficult. To overcome this problem, greenhouse gas emissions are converted to CO₂-equivalents, which is the concentration of carbon dioxide (CO₂) that would contribute an equivalent degree of impact as the total amount of greenhouse gases emitted.

Environment

Surroundings in which an organisation operates, including air, water, land, natural resources, flora, fauna, humans and their interrelation.

Environmental aspect

Element of an organisation's activities, products or services, which can interact with the environment.

Environmental impact

Any change to the environment, whether adverse or beneficial, wholly or partially resulting from an organisation's activities, products or services.

Environmental Management System (EMS)

An overall management system that includes organisational structure, planning activities, responsibilities, practices, procedures, processes and resources for developing, implementing, achieving, reviewing and maintaining the environmental policy.

Environmental policy

Statement by the organisation of its intentions and principles in relation to its overall environmental performance, which provides a framework for action and for the setting of its environmental objectives and targets.

EPA

Environment Protection Authority, Victoria

Nutrients

Chemical substances required by plants and animals for nourishment and growth. Examples include nitrogen, phosphorus and carbon compounds.

Ocean outfall

A pipeline that carries effluent to the ocean where it is dispersed and diluted. Gippsland Water's two ocean outfalls are strictly monitored in accordance with EPA regulations to ensure water quality.

Regional Outfall Sewer (ROS)

The ROS is the major pipeline and channel that transports approximately 50% of Central Gippsland's wastewater to Dutson Downs Wastewater Treatment Facility.

Saline Wastewater Outfall Pipeline (SWOP)

Pipeline used to transfer saline wastewater from the Loy Yang Ash Pond to Bass Strait. The SWOP is owned and operated by Gippsland Water.

SEPP

State Environment Protection Policy

Significant environmental aspect (SEA)

An environmental aspect that has or can have a significant environmental impact.

Water

is amongst the most
precious resources
in the Central
Gipposland Region



Part 5

Economic Performance

Future Tariffs and Charges

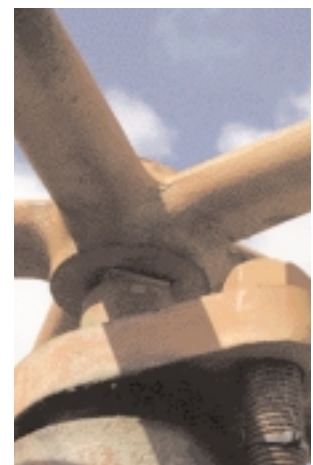
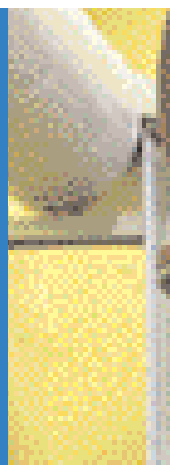
Traditionally, water as a resource has been free and water users have only paid for the cost of service delivery. This has resulted in water prices not adequately reflecting the scarcity of the resource or the environmental impacts associated with providing water services.

In the future, the Government proposes to introduce new pricing arrangements which will support a move towards the sustainable management of Victoria's water resources. Under the proposed arrangements:

- Water prices will be structured to reward water conservation and to encourage the efficient and beneficial use of the most sustainable, fit for purpose source of supply.
- Prices will increase to better reflect the scarcity of the resource and costs related to the impacts associated with the provision of water-based services.
- Prices will be set at a level to recover all service delivery costs incurred by water authorities to ensure that these authorities meet viability and other financial requirements of Government.
- From 1 January 2004, the Essential Services Commission will commence responsibility for ensuring any price changes are fair and reasonable and that the long-term interests of customers are protected.

Once finalised, the proposed arrangements will be established in the Government's pricing framework. This framework will set out the Government's pricing objectives and principles (the rules) in relation to the structure and design of prices, pricing to reflect the needs of the environment and pricing to recover all service delivery costs.

The Essential Services Commission, as the price and quality regulator of the whole water industry, will be responsible for administering the Government's



pricing framework. In fulfilling its responsibilities, the Essential Services Commission will ensure that:

- prices are not too high, reflecting misuse of monopoly power, nor too low, undermining the long-term sustainability of the water industry, and the health of water resources;
- processes to set prices are transparent and consultative, and engage customers and the community on their preferences with respect to prices and level of service; and
- prices are easy to understand and are accompanied by separate arrangements that provide appropriate support, such as hardship policies, for low-income or vulnerable customers.

The Government will continue to provide concession arrangements for pensioners and health care card holders.

(*Includes excerpts as taken from Fact Sheet 7: 'Pricing for Sustainability' from the Green Paper *Securing Our Water Future*, DSE)

Capital Investment in System Improvement

Significant investment in major infrastructure projects during 2002-03 included:

- \$1,000,000 in water main replacements;
- \$500,000 for a ring main at Maffra to improve low water pressure issues;
- \$1,000,000 on covering a water storage basin at Warragul to improve water quality;
- \$500,000 to replace a section of corroded pipe on the Regional Outfall Sewer (ROS) at Longford Siphon.

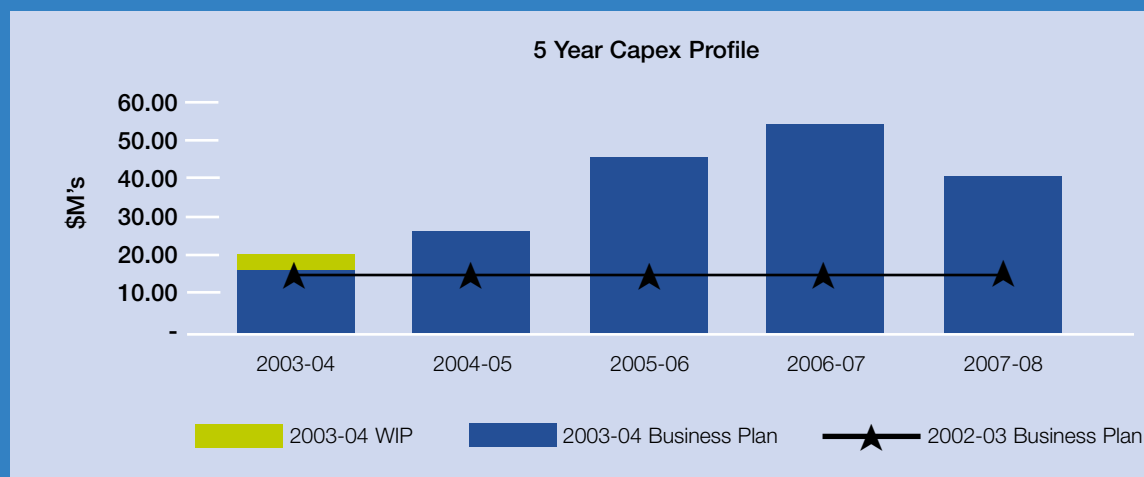
Future Capital Expenditure

Gippsland Water's five-year investment plan focuses on prioritising spending on projects to reduce major risk, and also on efficiency in spending to reduce overall risk in the areas of:

- security of water supply;
- quality of drinking water;
- wastewater effluent discharge quality.

The plan also includes a provision for alternative waste disposal into the ROS with the ultimate aim of making the ROS redundant.

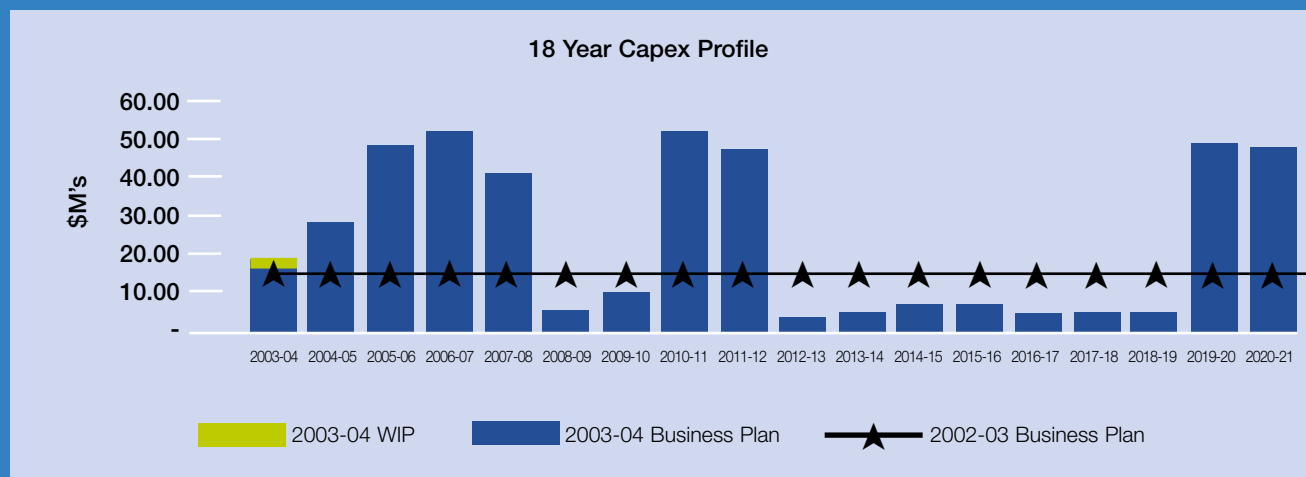
The capital expenditure program for the next five years is projected to total \$193 million. The figure below summarises the five-year capital program. The capital program has focused on continuing to upgrade our water and wastewater treatment facilities and also undertaking capital works at a time that they are assessed to be required, to maximise the effectiveness of the investment.

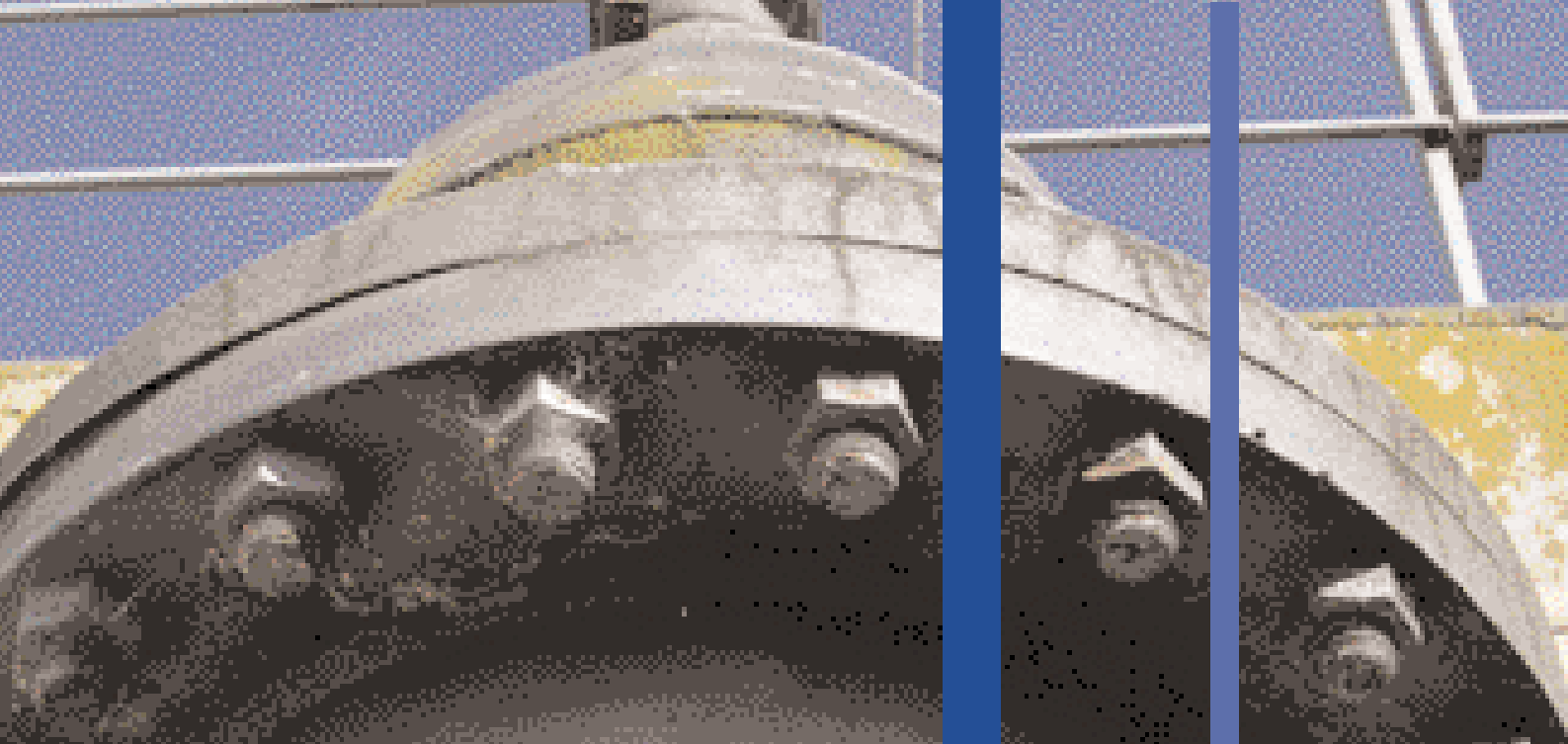


As is the case for most local government and water authorities, most of Gippsland Water's assets were constructed after World War 2 and are now reaching the end of their design lives.

This will represent a significant funding issue in the future if not properly planned for.

The figure below summarises our 18-year forward plan which highlights the significant capital investments that will need to be made.





Part 6

Financial Performance

financial performance

FINANCIAL PERFORMANCE & BUSINESS INDICATORS AS AT 30 JUNE 2003

Water is amongst the most precious resources in the Central Gippsland Region

Dividend Payment

Dividends payable to the Victorian Government are calculated at 65% of the previous year's operating profit before income for capital purposes and tax. As Gippsland Water recorded an operating loss in the 2001-02 financial year, a dividend was not payable during the 2002-03 financial year.

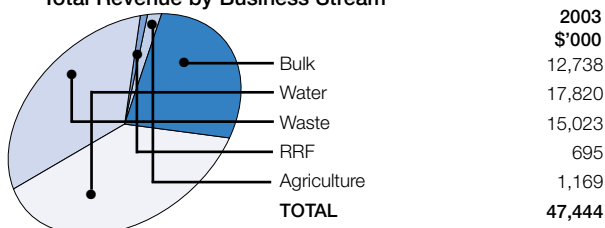
Summary of Financial Results

	2001-03 \$'000	2001-02 \$'000	2000-01 \$'000	1999-00 \$'000	1998-99 \$'000	1997-98 \$'000
Core Business Revenue	41,449	38,459	37,011	36,505	35,444	38,670
Interest Revenue	858	768	1,317	1,539	2,129	1,848
Government Contributions		-	28		18	
Non/Government Contributions	3,753	5,261	1,383	2,048	1,605	2,733
Other Revenue (Farm & Gross Proceeds)	1,384	2,038	1,937	2,024	1,819	1,389
	47,444	46,526	41,676	42,116	41,015	44,640
Operations & Maintenance Expense	26,136	24,082	22,491	21,188	17,546	14,303
Depreciation Expenses	15,763	14,743	14,969	14,672	15,285	14,536
Administration Expenses	6,949	6,750	8,100	8,643	9,313	9,006
Finance Expenses				1	485	1,529
	48,848	45,575	45,560	44,504	42,629	39,374
Net Operating Result	(1,404)	951	(3,884)	(2,388)	(1,614)	5,266

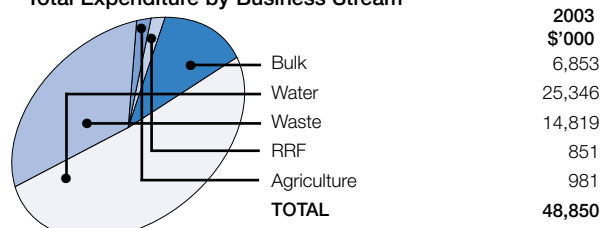
The operations of Gippsland Water can be separated into five vertically integrated 'Business Segments' each of which can be accounted for as a separate operating entity, but each of which is dependent, to some degree, upon either the upstream or downstream segment for optimal performance. These segments are:

- Industrial Bulk Water and Waste;
- Treated (Potable) Water;
- Wastewater;
- Agriculture;
- Waste (Trade/Industrial/Prescribed).

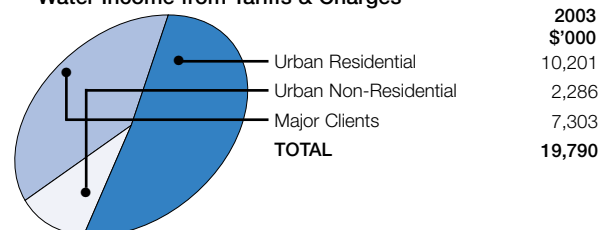
Total Revenue by Business Stream



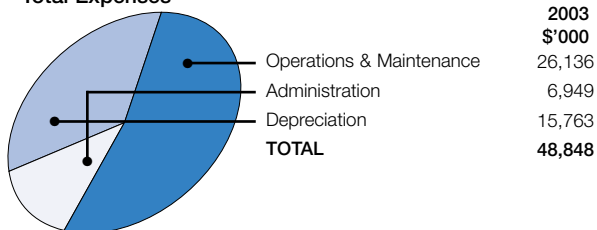
Total Expenditure by Business Stream



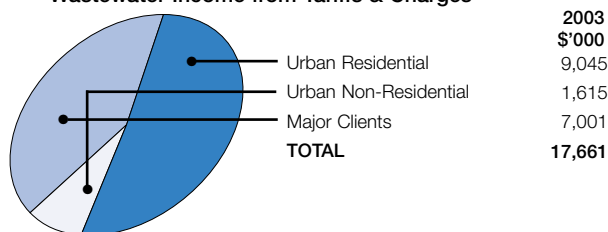
Water Income from Tariffs & Charges



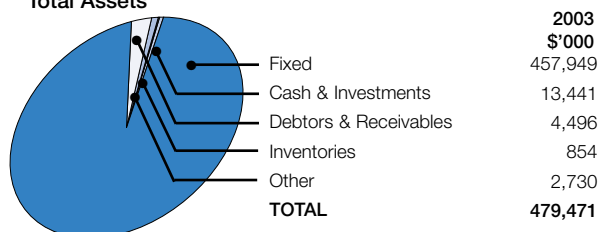
Total Expenses



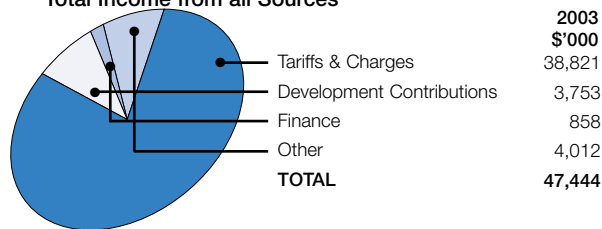
Wastewater Income from Tariffs & Charges



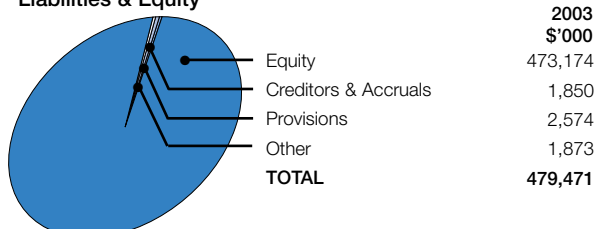
Total Assets



Total Income from all Sources



Liabilities & Equity



STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003

	Note	2003 \$'000	2002 \$'000
Revenues from Ordinary Activities			
Operating Revenue			
Service Charges – Domestic	2(a)	12,593	11,946
Service Charges – Commercial	2(a)	13,358	12,388
Volumetric Charges – Domestic		6,653	5,624
Volumetric Charges – Commercial		6,217	6,212
Other Revenue		3,210	3,061
Total Operating Revenue		42,031	39,231
Non-Operating Revenue			
Gross Proceeds from Sale of Assets	2(b)	802	1,266
Investment Income		858	768
Income for Capital Purposes	2(a)	3,753	5,261
Total Non-Operating Revenue		5,413	7,295
Total Revenues from Ordinary Activities		47,444	46,526
Expenses from Ordinary Activities			
Employee Benefits		12,977	11,919
Suppliers		18,831	17,462
Depreciation	2(b) & 7(b)	15,764	14,743
WDV of Assets Sold	2(b)	1,276	1,451
Total Expenses from Ordinary Activities		48,848	45,575
Surplus/(Deficit) from Ordinary Activities before Tax	14(b)	(1,404)	951
Income Tax Expense	1(o)	-	-
Net Result for Operating Period		(1,404)	951
Movements in Equity			
Net (Decrease) in Asset Revaluation Reserve	14(a)	(2,309)	(272)
Total Movements Directly Recognised as Equity		(2,309)	(272)
Total Changes in Equity other than those resulting from transactions with the Victorian State Government as owner		(3,713)	679

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2003

	Note	2003 \$'000	2002 \$'000
Current Assets			
Cash Assets	3	13,441	13,406
Receivables	4	4,954	4,923
Inventories	5	2,269	2,270
Other	6	857	765
Total Current Assets		21,521	21,364
Non-Current Assets			
Other Financial Assets	3	1,113	113
Property, Plant and Equipment	7	450,056	451,069
Capital Work in Progress	7	6,180	6,640
Other	6	600	581
Total Non-Current Assets		457,949	458,403
Total Assets		479,470	479,767
Current Liabilities			
Payables	8	2,786	2,773
Employee Benefits	9	1,187	1,130
Total Current Liabilities		3,973	3,903
Non-Current Liabilities			
Payables	8	937	-
Employee Benefits	9	1,386	1,224
Total Non-Current Liabilities		2,323	1,224
Total Liabilities		6,296	5,127
Net Assets		473,174	474,640
Equity			
Contributed Capital	10	191,385	191,385
Asset Revaluation Reserve	14(a)	279,731	282,039
Accumulated Surplus/(Deficit)	14(b)	2,058	1,215
Total Equity		473,174	474,640

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2003

	Note	2003 \$'000	2002 \$'000
Cash Flows from Operating Activities			
Cash Receipts in the Course of Operations			
Receipts from Customers (inclusive of GST)		45,896	43,064
Cash Payments in the Course of Operations			
Wages and Salaries		(12,303)	(11,066)
Suppliers and Others (inclusive of GST)		(22,587)	(22,301)
Interest Received		844	948
Net Cash Provided by Operating Activities	15(b)	11,850	10,645
Cash Flows from Investing Activities			
Payments for Property, Plant and Equipment		(13,612)	(17,627)
Income for Capital Purposes		1,995	4,229
Proceeds from Sale of Property, Plant and Equipment		802	1,266
Net Cash (Used in) Investing Activities		(10,815)	(12,132)
Cash Flows from Financing Activities			
Increase in Investments		(1,000)	-
Net Cash (Used in) Financing Activities		(1,000)	-
Net Increase/(Decrease) in Cash		35	(1,487)
Cash Held Beginning of Year		13,406	14,893
Cash Held End of Year	15(a)	13,441	13,406

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

These notes form part of and should be read in conjunction with the financial statements of Central Gippsland Region Water Authority ('the Authority') for the year ended 30 June 2003.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

General

This financial report of Central Gippsland Region Water Authority is a general purpose financial report that consists of a Statement of Performance, a Statement of Financial Position, a Statement of Cash Flows and notes accompanying these statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions.

This financial report has been prepared on an accruals and going concern basis.

The financial report has also been prepared under the historical cost convention except where specifically stated in note 1 (c).

Accounting Policies

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year. Where appropriate, comparative figures have been amended to accord with current presentation and disclosure made of material changes to comparatives.

Classification between Current and Non-Current

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

Rounding

Unless otherwise stated, amounts in the report have been rounded to the nearest thousand dollars.

(b) Revenue Recognition

Water and Sewerage Charges

Rate/tariff and service charges are recognised as revenue when levied or determined. Water and sewerage charges by measure are recognised as revenue when the product is provided. Meter reading is undertaken progressively during the year. An estimation, calculated by multiplying the number of days since the last reading by each major customer's average service usage, is made at the end of each accounting period. Major customers' meters are read one week prior to balance date so that invoices can be raised.

Services Acquired for No Cost

The value of services received free of charge are recognised as revenue when received.

Developer Contributions

Fees Paid by Developers

Fees paid by developers to connect new developments to the Authority's existing water supply and sewerage systems are recognised as revenue when the contributions are received.

Assets Received from Developers

When infrastructure assets are provided to the Authority free of charge, the 'fair value' of those assets is recognised as revenue when the assets are controlled.

Government Contributions

Government grants and contributions are recognised as operating revenue on receipt or when an entitlement is established whichever the sooner is, and disclosed in the Statement of Financial Performance as 'Government Contributions'. However, grants and contributions received from the Victorian State Government which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Sustainability and Environment have indicated are in the nature of owners' contributions are accounted for as 'Equity - Contributed Capital'.

Sale of Assets

The profit or loss on sale of an asset is determined when control has passed to the buyer. In accounting for the sale of non-current assets, gross proceeds from the sales are included as other revenue and the written down value of the assets sold is disclosed as an operating expense.

Interest and Rents

Interest and rentals are recognised as revenue when earned or the service provided.

(c) Recognition and Measurement of Assets

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the 'fair value' of the assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition.

Where assets are constructed by the Authority, the cost at which they are recorded includes an appropriate share of fixed and variable overheads and any associated borrowing costs.

Assets acquired at no cost by the Authority are recognised at 'fair value' at the date of acquisition.

Property, plant and equipment represent non-current assets comprising land, buildings, water, sewerage and drainage infrastructure, heritage assets, plant, equipment and motor vehicles, used by the Authority in its operations. Items with a cost or value in excess of \$500 and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

Repairs and Maintenance

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

Operating Leases

Lease payments for operating leases are recognised as an expense in the years in which they are incurred as this reflects the pattern of benefits derived by the Authority.

Recoverable Amount

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of the asset exceeds the recoverable amount, the asset is written down to the lower amount.

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

The carrying amount of Gippsland Water's non-current assets has been reviewed in accordance with Australian Accounting Standard AASB1041 'Revaluation of Non-Current Assets'. From a review of the undiscounted future net cash flows, the Authority's asset values do not exceed their recoverable amount from continued use and their subsequent disposal and, as such, no adjustment to these values is required.

Revaluation

The Authority has a plan to undertake formal revaluations by experienced independent experts of its non-current assets on a progressive basis, over a five-year period.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluations decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

(d) Depreciation and Amortisation of Non-Current Assets

Property, Plant and Equipment

Property, infrastructure, plant and equipment assets having limited useful lives are systematically depreciated over their useful lives to the Authority in a manner that reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on an annual basis.

Where assets have separate identifiable components that have distinct useful lives and/or residual values a separate depreciation rate is determined for each component.

Straight line depreciation is charged based on the residual useful life as determined each year.

Major depreciation periods used are listed below and are consistent with the prior year unless otherwise stated:

Class of Fixed Asset	Periods
Buildings	60 years
Water Infrastructure	
- Storages	150 years
- Distribution Networks	60 years
- Treatment Plants	25 → 50 years
Wastewater Infrastructure	
- Storages	70 years
- Distribution Networks	80 years
- Treatment Plants	25 → 50 years
Plant & Equipment	10 → 20 years
Motor Vehicles	8 years
Furniture & Computers	3 → 10 years

(e) Self-Generating and Regenerating Assets

Plantations

Plantations are forests, which are established by planting seedlings at specified spacings, following intensive site preparation. Softwood plantations have been recognised in these accounts at their net market value.

The net increment in market value of trees in forests recognised as revenue is determined as the difference between the net market value at the beginning of the period and the net market value at the end of the period, less the cost of acquiring and planting trees in the period. All costs incurred in developing and managing the trees in forests are recognised as an expense when incurred, except acquisition and planting costs, which are recognised as self-generating and regenerating assets.

Sam Paton & Associates Pty Ltd, Certified Practising Valuers, completed an independent valuation of plantations as at 30 June 2003.

The value and physical quantity of commercial trees in plantations at balance date are as follows:

Plantation	2002-03	2001-02
Softwood <i>Pinus radiata</i> Hectares	778.4	778.4
Softwood <i>Pinus radiata</i> Valuation	\$530,000	\$473,000

Plantations have been valued based on expected volumes of merchantable timber that could be obtained from existing stands, given current management strategies. Only the current crop has been valued, and the limit of the cash flow analysis for plantation types is based on the nominated rotation periods for each plantation type. The cost of growing the trees has been deducted in determining net cash flows. Costs associated with the land on which plantations are grown are rates, land tax and other costs.

Livestock

Livestock refers to all heifers, steers, cows and bulls of varying ages, located at Gippsland Water's farming properties in Gippsland.

Chris Stanley Livestock of Woori Yallock completed an independent valuation of livestock as at 30 June 2003.

The value and physical quantity of livestock at balance date are as follows:

Livestock	2002-03	2001-02
Livestock Numbers	2,666	2,618
Livestock Valuation	\$1,415,000	\$1,469,000

A visual appraisal of livestock was performed in undertaking this valuation with the condition, quality, age of the stock, current and projected market and seasonal conditions plus breeding values of cows and heifers taken into consideration in calculating their net market value.

(f) Cash Assets

For the purposes of the Statement of Cash Flows, cash assets include cash on hand and highly liquid investments with short periods to maturity that are readily convertible to cash on hand at the Authority's option and are subject to insignificant risk of changes in values, net of outstanding bank overdrafts.

(g) Receivables

Trade debtors are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for doubtful debts. A provision is made for doubtful debts based on a review of all outstanding receivables at balance date. Bad debts are written off in the period in which they are recognised.

(h) Inventories

Inventories comprise stores and materials used in the construction of new works and for the repair and maintenance of existing assets. All inventories are valued at the lower of cost and net realisable value. Costs are assigned to inventory quantities on hand at balance date on an average cost basis.

(i) Investments

Investments are brought to account at cost with interest revenue recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield in the financial asset. The investments are classified between current and non-current assets according to the Authority's intention at balance date in respect of the timing of disposal.

(j) Payables

Liabilities are recognised for amounts payable in the future for goods and services received, whether or not billed to the Authority.

(k) Employee Benefits

Superannuation

Defined Benefit Unfunded Superannuation

Central Gippsland Region Water Authority contributes in respect of its employees to the Local Authorities Superannuation Fund (the Fund) established in respect of Local Authorities, as defined in Victoria. The Authority contributes amounts as determined by the Fund's actuary for its defined benefits members and its accumulation members in accordance with statutory requirements.

Unfunded liabilities are defined as the difference between the present value of the employees' accrued benefits at the reporting date and the net market value of the superannuation plan's assets at that date.

An Actuarial Assessment was completed by Towers Perrin as at 31 December 2002 which indicated that the assets of the Fund were insufficient to meet the accrued benefits liability of defined benefits members of the Fund. The Authority's 30 June 2003 share of the Scheme's unfunded liability is \$1,170,883.39. The Authority has elected to pay this liability in equal instalments over a ten-year period, which commenced in 2002-03.

Accumulation Benefit Scheme - Lasplan

The Fund's Lasplan category receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with the Superannuation Guarantee Legislation. The accrued benefits of accumulation members were fully funded.

Superannuation Contributions

Contributions by Gippsland Water to the Local Authorities Superannuation Board for the financial year ended 30 June 2003 are detailed below:

Local Authorities Superannuation Board	2002-03	2001-02
	\$000	\$000
Defined Benefits Members	325	345
Accumulation Members	529	406

Contributions were made in accordance with the following ranges of percentages of employee gross salary:

Local Authorities Superannuation Board	2002-03	2001-02
	%	%
Defined Benefits Members	9.25 - 15.25	9.25 - 15.25
Accumulation Members	9.0	8.0

Wages, Salaries, and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave expected to be settled within twelve months of the reporting date, are measured at their nominal amounts in respect of employees' services up to the reporting date. The nominal basis of measurement uses employee remuneration rates that the entity expects to pay as at each reporting date and does not discount cash flows to their present value. Non-vesting sick leave is not expected to exceed current and future sick leave entitlements and, accordingly, no liability is recognised in these financial statements.

Annual Leave

Annual leave entitlements are accrued on a pro rata basis in respect of services provided by employee up to balance date, having regard to current rates of pay and on-costs. Annual leave entitlements are provided for at their nominal value as above.

Long Service Leave

A liability for long service leave is recognised and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national Government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash flows. The nominal amount of long service leave expected to be paid in the next financial year is included as a current liability.

(l) Segment Information

Segment information is reported on the basis of business segments, as the Authority's risks and returns are affected predominantly by differences in the products and services provided through those segments.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily

of operating cash, receivables, inventories, property, plant and equipment and other intangible assets, net of related provisions. Segment liabilities consist primarily of trade and other creditors, employee entitlements and provision for service warranties.

Segment revenues, expenses and results include transfers between segments. These transfers are priced on an 'arm's-length' basis and are eliminated on consolidation.

(m) Reporting Lines of Business

The financial report includes a note reporting the two main lines of business of the Authority, a wholesale headworks bulk water business and a retail water distribution business in accordance with the requirements of a Ministerial Direction under Section 51 of the *Financial Management Act 1994*.

(n) Changes in Accounting Policy**Employee Benefits**

In the reporting periods prior to 30 June 2003, provisions for employee benefits were measured using remuneration rates current at reporting date.

For the period ending on 30 June 2003, Gippsland Water is required by AASB1028 'Employee Benefits' to measure provisions for employee benefits at remuneration rates expected to apply when the obligation is settled, including the expected future increase in remuneration rates.

The transitional arrangements of AASB1028, adopted on 1 July 2002 gave rise to an adjustment to opening employee benefits liabilities of \$61,810.49 and corresponding change in accumulated surplus.

The impact of this change is:

Decrease in Accumulated Surplus	\$61810.49
Increase in Employee Benefits	\$61810.49

Provisions, Contingent Liabilities and Contingent Assets

The Authority changed its accounting policy in the financial year ending 30 June 2002 relating to provisions, contingent liabilities and contingent assets in order to comply with AASB1044 'Provisions, Contingent Liabilities and Contingent Assets'; there has been no impact as a result of the adoption of this standard.

(o) Taxation

For the financial year 2001-02, the Authority was subject to the rules applicable under the State Equivalent Tax Regime administered by the Victorian Department of Treasury and Finance.

The Authority became subject to the National Tax Equivalent Regime (NTER) from 1 July 2002. The NTER is administered by the Australian Taxation Office. The Authority made a (\$500,411.00) tax loss during the financial year (2002 \$241,370.00). There has been no impact in the year ended 30 June 2003 in assets/liabilities or operating surplus due to the inability of the Authority to derive future assessable income of a nature and sufficient amount to enable this benefit to be realised beyond any reasonable doubt. These amounts have not been recorded in the financial statements.

The Authority has adopted the liability method of Tax Effect Accounting in accordance with the requirements of AAS3.

Tax effect accounting is applied using the liability method whereby income tax is regarded as an expense and calculated on accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial report and when items are taken into account in determining taxable income, the net related taxation benefit and liability, calculated at tax rates applicable at the point of reversal, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset as the benefit is not virtually certain of being realised.

It is unlikely that the Authority will generate sufficient operating profits; however, in the event that it does, the directors estimate that the potential future income tax benefit at 30 June 2003 in respect of tax losses not brought to account is \$14,379,826.20.

(p) Dividend Policy

The Authority is required to pay a dividend in accordance with a determination of the Treasurer of Victoria under the *Public Authorities (Dividend) Act 1983*, based on a prescribed percentage of the previous years' operating profit.

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer. Gippsland Water was not required to pay a dividend in the 2002-03 financial year.

(q) Goods and Services Tax

Revenues, expenses and assets are recognised net of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows arising from operating activities are disclosed in the Statement of Cash Flows on a gross basis—ie inclusive of GST. The GST component of cash flows arising from investing and financing activities which is recoverable or payable to the taxation authority is classified as operating cash flows.

Note 2 Statement of Financial Performance – Disclosures

(a) Revenue

Service Charges

Sewerage Charges	15,631	14,711
Trade Waste Charges	1,369	1,137
Water Service Charges	8,951	8,486
	25,951	24,334

Developer Contributions

Fees Paid by Developers	1,996	4,229
Assets Received from Developers	1,757	1,032
	3,753	5,261

(b) Net Gains and Expenses

The surplus (deficit) from ordinary activities includes the following specific Net Gains and Expenses

Net Gain (Loss) on Disposal

Investments	(12)	-
Property, Plant & Equipment	(474)	(185)

Expenses

Depreciation		
Buildings	132	110
Water Infrastructure	8,252	7,849
Wastewater Infrastructure	5,420	5,085
Plant & Equipment	1,471	1,190
Motor Vehicles	489	509
Total Depreciation	15,764	14,743

<i>Bad & Doubtful Debts</i>	103	75
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<i>Superannuation Contributions</i>	854	751
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<i>Increment or Decrement Arising from Asset Revaluation</i>	-	(7)
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<i>Gross Profit from Livestock</i>	826	506
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Auditors Remuneration

Auditor General for Audit of Financial Statements	37	36
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(c) Individually Significant Items (Note 1(k))

Unfunded Superannuation Liability	1,171	-
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	2003 \$'000	2002 \$'000
Note 3 Cash Assets		
Current		
Cash on Hand and Bank Accounts	1,150	2,174
Bank Bills and Short-Term Deposits	12,291	11,232
	13,441	13,406
Other Financial Assets		
Government Securities – Inscribed Stock	29	29
Loans to Other Authorities	40	40
Shares at Cost	44	44
Long-Term Investments	1,000	-
	1,113	113

A valuation of investments at 30 June 2003 indicated that the market value of short-term deposits and bank bills was \$18,273 less than their carrying value. These amounts represent a net decrease in market capitalisation of future income, and are a direct result of interest rate changes since the time of acquisition.

Shares at cost represent four thousand, eight hundred and forty-five \$9.00 fully paid ordinary shares in Incitec Pivot Limited.

Long-term investment held is an EPA Security Deposit in accordance with EPA Licence ES344.

Note 4 Receivables

Accrued Interest	42	28
Trade Debtors	4,551	4,752
Sundry Debtors	-	98
less Provision for Doubtful Debts	(97)	(75)
Total Trade Debtors	4,454	4,775
Accrued Income	458	120
	4,954	4,923

	2003 \$'000	2002 \$'000
Note 5 Inventories		
Stores at Cost	854	801
Livestock at Valuation (refer Note 1(e))	1,415	1,469
	<u>2,269</u>	<u>2,270</u>
Note 6 Other Assets		
Current		
Private Schemes Unmatured Capital	35	44
Prepayments	238	272
Goods & Services Taxation Refund Due	573	449
Other	11	-
	<u>857</u>	<u>765</u>
Non-Current		
Private Schemes Unmatured Capital	70	108
Plantations (refer Note 1(e))	530	473
	<u>600</u>	<u>581</u>

	2003 \$'000	2002 \$'000
Note 7 Property, Plant and Equipment		
(a) Classes of Property, Plant and Equipment		
Land		
At Cost	79	65
At Independent Valuation	13,160	13,161
	<u>13,239</u>	<u>13,226</u>
Buildings		
At Cost	2,805	1,310
Less: Accumulated Depreciation	(70)	(28)
At Independent Valuation	4,454	4,454
Less: Accumulated Depreciation	(211)	(122)
	<u>6,978</u>	<u>5,615</u>
Water Infrastructure		
At Cost	43,751	36,759
Less: Accumulated Depreciation	(2,703)	(1,471)
At Independent Valuation	206,300	206,332
Less: Accumulated Depreciation	(28,148)	(21,128)
	<u>219,200</u>	<u>220,492</u>
Wastewater Infrastructure		
At Cost	21,523	16,343
Less: Accumulated Depreciation	(1,155)	(488)
At Independent Valuation	201,942	202,273
Less: Accumulated Depreciation	(19,175)	(14,423)
	<u>203,135</u>	<u>203,706</u>
Equipment		
At Cost	9,150	8,983
Less: Accumulated Depreciation	(4,593)	(3,910)
	<u>4,557</u>	<u>5,073</u>
Motor Vehicles		
At Cost	3,754	3,577
Less: Accumulated Depreciation	(807)	(619)
	<u>2,947</u>	<u>2,957</u>
Under Construction (Work In Progress)	6,180	6,640
	<u>6,180</u>	<u>6,640</u>
Total	<u>456,236</u>	<u>457,709</u>

Infrastructure assets were revalued by Gutteridge, Haskins and Davey, Consulting Engineers, using depreciated replacement value at 30 June 1999. Land, buildings and site improvements, and plant and equipment were revalued by Colliers Jardine, Consulting Engineers, at 30 June 1999.

- Buildings were revalued at market value for existing use
- Land at current market value
- Plant and equipment using depreciated replacement value

The Hazelwood Road building was revalued using market value for existing use as at 30 June 2001, by Chris Lee & Associates, Registered Valuers and Property Consultants. This revaluation was performed due to the significant upgrade undertaken after the revaluation in 1999.

Amounts reported at cost relate to corporate motor vehicles and software assets, together with purchases since the last revaluation. In accordance with AASB1041 'Revaluation of Non-Current Assets' and *AFR Bulletin 42* all plant, equipment and motor vehicles were reverted to cost as at 30 June 2002.

Note 7 Property, Plant and Equipment (continued)

(b) Movements during the Reporting Period

	Opening WDV	Additions	Disposals	Depreciation	Closing WDV
Land					
At Cost	65	14	-	-	79
At Independent Valuation	13,161	-	(1)	-	13,160
	<u>13,226</u>	<u>14</u>	<u>(1)</u>	<u>-</u>	<u>13,239</u>
Buildings					
At Cost	1,282	1,495	-	(43)	2,735
At Independent Valuation	4,332	-	-	(89)	4,243
	<u>5,615</u>	<u>1,495</u>	<u>-</u>	<u>(132)</u>	<u>6,978</u>
Water Infrastructure					
At Cost	35,288	6,992	-	(1,232)	41,048
At Independent Valuation	185,204	-	(32)	(7,020)	178,152
	<u>220,492</u>	<u>6,992</u>	<u>(32)</u>	<u>(8,252)</u>	<u>219,200</u>
Wastewater Infrastructure					
At Cost	15,855	5,180	-	(667)	20,368
At Independent Valuation	187,850	-	(331)	(4,753)	182,766
	<u>203,706</u>	<u>5,180</u>	<u>(331)</u>	<u>(5,420)</u>	<u>203,135</u>
Plant & Equipment					
At Cost	5,073	997	(42)	(1,471)	4,557
	<u>5,073</u>	<u>997</u>	<u>(42)</u>	<u>(1,471)</u>	<u>4,557</u>
Motor Vehicles					
At Cost	2,957	1,392	(913)	(489)	2,947
	<u>2,957</u>	<u>1,392</u>	<u>(913)</u>	<u>(489)</u>	<u>2,947</u>
Under Construction	6,640	13,891	(14,351)	-	6,180
	<u>6,640</u>	<u>13,891</u>	<u>(14,351)</u>	<u>-</u>	<u>6,180</u>
Total Property, Plant and Equipment	457,709	29,960	(15,670)	(15,764)	456,236

	2003 \$'000	2002 \$'000
Note 8 Payables		
Current		
Accruals	1,850	1,879
Other Creditors	819	598
Unfunded Superannuation Liability	117	296
	<u>2,786</u>	<u>2,773</u>
Non-Current		
Unfunded Superannuation Liability	937	-
	<u>937</u>	<u>-</u>
Note 9 Employee Benefits		
Current		
Provision for Annual Leave	1,118	1,013
Provision for Long Service Leave	69	117
	<u>1,187</u>	<u>1,130</u>
Non-Current		
Provision for Long Service Leave	1,386	1,224
	<u>1,386</u>	<u>1,224</u>
Number of Employees at Reporting Date	197	188

Non-current Long Service Leave is the amount that is expected to be settled more than 12 months from the reporting date and is measured by their present values. The following assumptions were adopted in determining the present value:

- Weighted average rates of increase in annual employee entitlements to settlement of liabilities	6.50%	6.90%
- Weighted average discount rates	4.58 – 5.10%	4.45 – 6.06%
- Weighted average terms to settlement of the liability (years)	12	12

Note 10 Contributed Capital

Opening Balance	191,385	189,240
Government Cash Contributions	-	-
add Transfer of Accumulated Surplus Opening Balance	-	2,145
	<u>191,385</u>	<u>191,385</u>

2003	2002
\$'000	\$'000

Note 11 Commitments**Lease Commitments**

As at 30 June the Authority had finance lease commitments due for payment as follows:

- within one year
- later than one year but not later than five years
- later than five years

73	63
395	261
350	231
818	555

Capital Commitments

Capital Project Commitments due within 12 months

2,668	474
2,668	474

Note 12 Contingent Liabilities and Contingent Assets

There are no known Contingent Liabilities to the Authority at balance date.

Note 13 Superannuation

The Authority contributes in respect of its employees to the following superannuation schemes:

- Local Authorities Superannuation Scheme
- Local Authorities LASPLAN Scheme

Contribution details are shown in the following:

	Type of Scheme	Contribution Rate	2003 \$'000	2002 \$'000
Local Authorities Super – Defined Benefits	Defined	9.25 – 15.25%	325	345
Local Authorities Super – Lasplan	Accumulation	9%	529	406
			854	751

As at the reporting date, there were no outstanding current contributions payable to the above funds.

As at the reporting date, there were no loans to or from the Authority to any of the above funds.

2003
\$'000

2002
\$'000

Note 14 Reserves and Accumulated Surplus

(a) Asset Revaluation Reserves

Opening Balance	282,039	282,309
Building Revaluation Decrement	-	(7)
Net Revaluation Decrement arising from Asset Revaluations	-	(7)
Transfer to Accumulated Surplus for component of assets sold during the year	(242)	(263)
Transfer to Accumulated Surplus	(2,067)	-
Closing Balance	279,731	282,039

(b) Accumulated Surplus

Opening Balance	1,215	2,147
Plus Transfer of Asset Revaluation component of assets sold during the year	242	264
Less Transfer of Opening Balance to Contributed Capital	-	(2,147)
Add Transfer from Revaluation Reserve	2,067	-
Less Changes in Accounting Policy Adoption	(62)	-
	3,462	264
Less Surplus/(Deficit) from Ordinary Activities	(1,404)	951
Closing Balance	2,058	1,215

Note 15 Cash Flow Disclosures

(a) Cash at the end of the year, as shown in the Statement of Cash Flows

Reconciled to the related items as follows:

Cash on Hand	2	2
Cash at Bank	1,148	2,172
Short-Term Investments	12,291	11,232
	13,441	13,406

(b) Reconciliation of Net Cash provided by Operating Activities to Operating Profit/(Loss)

Operating Profit / (Loss) for Year	(1,404)	951
Add/(less):		
Loss on Sale of Fixed Assets	475	184
Depreciation	15,763	14,743
Income for Capital Purposes	(3,753)	(5,261)
Plantations Revenue Non-Cash	(57)	(122)
Net Cash provided by Operating Activities before change in Assets and Liabilities	11,024	10,495
Changes in Assets and Liabilities		
(Increase)/Decrease in Debtors	(30)	35
(Increase)/Decrease in Other Assets	(53)	108
(Increase)/Decrease in Inventory and Livestock	-	(439)
(Decrease)/Increase in Creditors and Provisions	909	446
Net Cash Provided by Operating Activities	11,850	10,645

Note 16 Responsible Person's Related Disclosures

(a) Responsible Persons

The names of persons who were responsible at anytime during the financial year were:

The Hon Sherryl Garbutt MP – Minister for Environment and Conservation (1 July – 4 December 2002)

The Hon John Thwaites MP – Minister for Sustainability and Environment (5 Dec 2002 – 30 June 2003)

Board Members

Richard Elkington (Chairman)

Lorraine Bartling Pamela Keating

Jay Bonnington Lisa Proctor

David Claxton Leah Young

Remuneration of Responsible Persons

Remuneration paid to Ministers is reported in the Annual Report of the Department of Premier and Cabinet. Other relevant interests are declared in the Register of Members' Interests which each member of the Parliament completes.

	2003 \$'000	2002 \$'000
Remuneration received, or due and receivable from the Authority in connection with the management of the Authority (includes termination payments and bonuses paid at the end of contracts).	109	100

Remuneration received, or due and receivable from the Authority in connection with the management of any related party entity
The number of responsible persons whose remuneration from the Authority was within the specified bands as follows:

Income Band	2003 \$'000	2002 \$'000
10,000 – 19,999	6	6
20,000 – 29,999	-	-
30,000 – 39,999	1	1

Retirement Benefits

	2003 \$'000	2002 \$'000
The retirement benefits paid by the Authority in connection with the retirement of responsible persons of the Authority amounted to:	10	8

Loans

There were no loans in existence by the Authority to responsible persons or related parties at the date of this report.

Other Transactions

There were no other transactions between the Authority and responsible persons and their related parties during the financial year

(b) Executive Officers' Remuneration

The number of executive officers, other than responsible persons whose total remuneration falls within the specified bands above \$100,000 are as follows:

Income Band	2003 \$'000	2002 \$'000
110,000 – 119,999	-	-
120,000 – 129,999	-	2
130,000 – 139,999	-	-
140,000 – 149,999	1	1
150,000 – 159,999	1	-
160,000 – 169,999	-	-
170,000 – 179,999	-	-
180,000 – 189,999	-	1
190,000 – 199,999	-	-
200,000 – 210,000	1	-

Total remuneration for the reporting period of executive officers included above amounted to:

502	629
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Note 17 Financial Instruments

(a) Accounting Policy, Terms and Conditions

Recognised Financial Instruments

Financial Assets

Cash Assets

Cash on hand and at bank and money market call account are valued at face value.

Interest is recognised as it accrues.

Investments and Bills are measured at cost.
Investments are held to maximise interest returns of surplus cash.
Interest revenues are recognised as they accrue.

On call deposits returned a floating interest rate of 4.48% (4.66% in 2002).

Funds returned fixed interest rate of between 4.48% (4.44% in 2002) and 4.70% (4.88% in 2002) net of fees.

Trade Debtors

Refer Note 1

Receivables are carried at nominal amounts due less a provision for doubtful debts. A provision for doubtful debts is recognised when collection in full is no longer probable. Collectibility of overdue accounts is assessed on an ongoing basis.

Receivables are measured at their carrying amount as this approximates net market value.

General debtors are unsecured and arrears attract an interest rate of 7.45% (7.01% in 2002). Credit items are based on 30 days.

Financial Liabilities

Payables

Liabilities are recognised for amounts to be paid in future for goods and services provided to Authorities as at balance date whether or not invoices have been received.

Note 17 Financial Instruments (continued)**(b) Interest Rate Risk**

The exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at balance date are as follows:

Financial Instruments	Floating Interest Rate		Fixed Interest Rate maturing in:						Non-interest bearing		Weighted average effective interest rate		Total	
			1 year or less		Over 1 to 5 years		More than 5 years							
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 %	2002 %	2003 \$'000	2002 \$'000
i) Financial Assets														
Cash Assets	1,150	5,174	12,291	8,232	-	-	-	-	-	-	4.75%	4.66%	13,441	13,406
Receivables - Trade	-	-	-	-	-	-	-	-	4,954	4,923	N/A	N/A	4,954	4,923
Other Financial Assets	-	-	-	-	1,069	69	-	-	44	44	5.30%	5.50%	1,113	113
Other Assets	-	-	-	-	-	-	-	-	689	601	N/A	N/A	689	601
Total Financial Assets	1,150	5,174	12,291	8,232	1,069	69	-	-	5,687	5,568	N/A	N/A	20,197	19,043
ii) Financial Liabilities														
Trade Creditors & Accruals	-	-	-	-	-	-	-	-	3,723	2,773	N/A	N/A	3,723	2,773
Total Financial Liabilities	-	-	-	-	-	-	-	-	3,723	2,773	N/A	N/A	3,723	2,773

Note 17 Financial Instruments (continued)

(c) Net Fair Values

The aggregate fair values of financial assets and financial liabilities, both recognised and unrecognised, at balance date, are as follows:

Financial Instruments	Total carrying amount as per Statement of Financial Position		Aggregate Net Fair Value	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
i) Financial Assets				
Cash Assets	13,441	13,406	13,423	13,371
Receivables – Trade	4,954	4,923	4,954	4,923
Other Financial Assets	1,113	113	1,113	113
Other Assets	689	601	689	601
Total Financial Assets	20,197	19,043	20,178	19,008
ii) Financial Liabilities				
Payables – Trade Creditors and Accruals	3,723	2,773	3,723	2,773
Total Financial Liabilities	3,723	2,773	3,723	2,773

(d) Credit Risk Exposure

The maximum exposure to risk at balance date in relation to each class of recognised financial asset is represented by the carrying amount of those assets as indicated in the Statement of Financial Position.

Concentrations of Credit Risk

The Authority minimises concentrations of credit risk in relation to trade accounts receivable by undertaking transactions with a large number of customers.

Credit risk in trade receivables is managed by payment terms of 30 days.

Credit risk in other receivables is managed by payment terms of 90 days.

Note 18 Segmental Reporting

	Wholesale Operations		Retail Operations	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Statement of Financial Performance				
Revenue from Ordinary Activities				
Bulk Water Sales – Urban Retail	1,804	1,527	-	-
Retail Service Charges	-	-	25,951	24,334
Retail Usage Charges	-	-	12,870	11,806
Other Revenue	-	-	8,623	10,386
Total Revenue from Ordinary Activities	1,804	1,527	47,444	46,526
Expenses from Ordinary Activities				
Operations and Maintenance	1,007	775	26,934	24,834
Administration	257	230	6,692	6,520
Depreciation	540	522	15,223	14,221
Total Expenses from Ordinary Activities	1,804	1,527	48,849	45,575
Net Operating Deficit from Ordinary Activities	-	-	(1,405)	951
Net Deficit	-	-	(1,405)	951
Statement of Financial Position				
Assets				
Cash Assets	1,264	879	12,177	12,527
Other Financial Assets	-	-	1,113	113
Property, Plant and Equipment	27,230	27,798	429,006	429,911
Other Assets	892	943	7,788	7,709
Total Assets	29,386	29,620	450,085	450,260
Liabilities				
Provisions and Payables	216	216	6,080	4,911
Total Liabilities	216	216	6,080	4,911
Statement of Cash Flows				
Capital Flows from Investing Activities	(294)	(62)	(10,521)	(12,070)
Capital Flows from Financing Activities	-	-	(1,000)	-

Intersegment transactions totalling \$1,804,018.75 have been eliminated upon preparing the consolidated annual financial statements of the Authority.

Note 19 Events Occurring after Balance Date

Responsible persons of the Authority are unaware of any events that have occurred after balance date, which will materially affect the financial position disclosed at 30 June 2003.

Community Service Obligations

Gippsland Water paid Community Service Obligations (CSOs) totaling \$1.96 million mostly in the form of concessions to pensioners. These payments are funded through subsidies from the Victorian Government.

Community Service Obligations	2002-03 \$000's	2001-02 \$000's	2000-01 \$000's
Concessions to Pensioners	1,766.03	1,722.03	1,693.88
Rebates paid to Non-Profit Organisations	198.50	181.02	154.72
Utility Relief Grant Scheme	3.78	8.72	16.57
Total	1,968.31	1,911.78	1,865.17

Gippsland Water also provides a number of services to the Central Gippsland community free of charge. These services include:

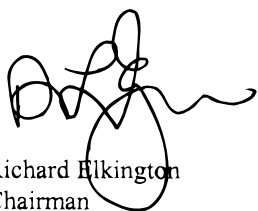
- free water for fire-fighting purposes;
- water used in council street cleaning and stormwater drain cleaning;
- the supply of free educational material and advice for schools, students and the general public;
- comprehensive water conservation information and advice for our customers;
- administration of the 'Water Smart' rebate scheme.

CENTRAL GIPPSLAND REGION WATER AUTHORITY

We certify that the financial statements of the Central Gippsland Region Water Authority for the period ended 30 June 2003 have been prepared in accordance with the provisions of the Financial Management Act 1994.

In our opinion, the Statement of Financial Performance, Statement of Financial Position, Statement of Cashflows and notes to the financial statements present fairly the financial transactions for the period 1 July 2002 to 30 June 2003 and the financial position of the Authority as at 30 June 2003.

We are not aware of any circumstances, which would render any particulars included in the Statements to be misleading or inaccurate.



Richard Elkington
Chairman
Central Gippsland Region Water Authority



John Mitchell
Accountable Officer
Central Gippsland Region Water Authority

Dated the twenty-ninth day of August 2003.



AUDITOR GENERAL
VICTORIA

AUDITOR-GENERAL'S REPORT

To the Members of the Parliament of Victoria, the responsible Ministers and the Members of the Board of Central Gippsland Region Water Authority

Audit Scope

The accompanying financial report of Central Gippsland Region Water Authority for the financial year ended 30 June 2003, comprising a statement of financial performance, statement of financial position, statement of cash flows and notes to the financial statements, has been audited. The Members of the Board are responsible for the preparation and presentation of the financial report and the information it contains. An independent audit of the financial report has been carried out in order to express an opinion on it to the Members of the Parliament of Victoria, responsible Ministers and Members of the Board as required by the *Audit Act 1994*.


The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. The audit procedures included an examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, so as to present a view which is consistent with my understanding of the Authority's financial position, and its financial performance and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, the financial position of Central Gippsland Region Water Authority as at 30 June 2003 and its financial performance and cash flows for the year then ended.

MELBOURNE
10 September 2003



J.W. CAMERON
Auditor-General

Compliance Index to Disclosure Requirements

The Annual Report of the Authority is prepared in accordance with the *Financial Management Act 1994* and the directions of the Minister for Finance. This index has been prepared to aid identification of compliance with statutory requirements and other requirements.

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