GIPPSLAND WATER



Incorporating the 2003-04 Sustainability Report & Financial Statements















3 4

4

4

4

7

8

8 8 8

9

25 25 25

28

30

32

32

33 33 33

Part 1: Introduction and Overview Highlights of the Year Profile of Gippsland Water Our Service Area Gippsland Water at a Glance Joint Message from the Chair and CEO Part 2: Strategy and Governance Our Operating Environment Our Purpose Our Vision What We Value Gippsland Water's Strategic Plan Strategic Planning and Staff Performance 10 10 10 Profile of the Board Board Member Meeting Attendance Board Member Committee Meeting Attendance Organisation Structure 12 13 14 14 Audit Committee Executive Remuneration Committee Technical Review Committee Gippsland Water Factory 15 Corporate Key Performance Indicators 16 Financial Sustainability Business Excellence Framework 18 18 Employee Availability 18 Occupational Health and Safety Index 18 Customer Service Capability 18 18 19 Information Management Water Services Case Study Monash Ethics in Stakeholder Relations Research Unit Study 20 20 Freedom of Information Information Prepared and Available 20 National Competition Policy 20 Building Act 1993 20 20 20 Pecuniary Interest Victorian Industry Participation Policy Consultant Services and Reviews 20 20 Overseas Travel 20 21 21 Whistleblowers Protection Act 2001 Emergency Management Planning Information Technology 21 Water Industry Benchmarking 21 23 Water Services Agreement Risk Management 23 Sustainability Self-Assessment 23

Part 3: Social Performance

Provision Of Water, Wastewater and Waste Management	
Services to Major Clients	34
Bulk Water and Wastewater Case Study	35
Annual Water Consumption and Number of Connections	36
Reliability of Water Supply	36
National Health and Medical Research Council	
Physical Properties	37
Drinking Water Quality (WHO Bacterial)	38
Water Quality Compliance	39
Number of Sewer Spillages (Priority 1 and 2)	
Contained Within Five Hours	39
Waste Deliveries to Dutson Downs	39
Compliance of Wastewater Treatment Plants	40
Treated Wastewater Discharges	40

Part 4: Environmental Performance	
Environmental Management System	42
Working with Major Clients	42
Environmental Incidents	42
Greenhouse Gas and Energy Management	42
Waste Minimisation	42
Environmental Purchasing Policy	42
Performance of Ocean Outfalls	42
Regional Committees	43
Cippeland Istegrated Natural Descurees Forum	43
Environment Improvement Plan	43
Beneficial Beuse of Treated Wastewater	43
Biosolids Management	44
Water Conservation	45
Drought Response Management Plan	45
Research	46
National Pollutant Inventory Reporting	46
Agribusiness Case Study	47
Training and Awareness	48
Community Consultation	48
Environment and Customer Committee	48
Duteon Downo Advisory Committee	48
Environment Protection and Riodiversity Conservation Act 1000	49
Dutson Downs Integrated Land Lise Management Plan	43
Water for the Euture	50
Regional Catchment Strategy	50
Victorian Biodiversity Strategy	50
Victorian River Health Strategy	50
Victorian Greenhouse Strategy	50
Resource Recovery Facility Case Study	51
Glossary	52
Part 5: Economic Performance	
Essential Services Commission	53
Future Tariffs and Charges	55
Capital Investment in System Improvement	55
Future Capital Investment	55
Business Streams	56
Part 6: Financial Performance	
Dividend Payment	58
Summary of Financial Results	58
Financial Statements	60
Certification of Accounts (Chairman and Accountable Officer)	82
Auditor General's Report	82
Part 7: Performance Report	
Performance Report	83
Auditor General Report	95

96

Part 8: Disclosure Index

Disclosure Index



Part 1

Introduction and Overview

Gippsland Water's 2003-04 Annual Report highlights

our performance and achievements over the past year.

The report has been structured on sustainability reporting principles,

and also includes the Authority's audited financial statements.

Highlights of the Year

Our most significant business achievements for the 2003-04 financial year and their link to Gippsland Water's seven areas of strategic focus were:

Area of Strategic Focu	s	Business Achievement	
Corporate Governan	ce	Review of the Strategic Plan for the period 2004-09 Implementation of a comprehensive governance and compliance reporting framework Implementation of a risk management framework	
Customer Service		 Continued very high customer satisfaction survey results, highlighting our focus on customer relationship management Tender let for a new Customer Information and Billing System 	
Resource Manageme	ent	 Preparation and implementation of a new Environment Improvement Plan and Environment Management System audit action plan, addressing system improvements over the next two years Development of Irrigation Management Plans for all irrigated facilities, focusing on the sustainability of reclaimed water management, particularly the impacts on soil profile Commencement of a whole-of-effluent toxicity monitoring program for the two ocean outfalls Management of water resources to enable the maintenance of environmental flows during periods of very low stream flow Drafting of a Water Conservation Policy, focusing on Gippsland Water's role in the integrated management of our region's water resources Development of the Agriculture Business Plan and the commencement of its implementation 	
Organisat Sustainab	ional ility	 A net profit representing a 95% improvement over budgeted bottom line result Completed fifth annual Organisational Self-Assessment which showed a further improvement in performance over the previous year Substantial progress towards successful negotiation of Gippsland Water's third Enterprise Agreement In collaboration with other water business partners, implementation of a Water Sector Training Package that will improve the capability of our field staff to National Competency Standards. Undertaking of significant work required to submit Gippsland Water's first Water Plan under regulation by the Essential Services Commission A business-wide Sustainability Self-Assessment conducted and action plan implementated Achievement of outstanding results in the Office of Public Employment's 'People Matter Survey' 	
Waste Recovery		 Working with industry to improve waste management practices Completion of the Eastern Treatment Plant pre-feasibility study in conjunction with Melbourne Water Continued development of the Dutson Downs Environment Improvement Plan Establishment of biosolids composting trial at Dutson Downs 	
Wastewat Services	er	 Approval to proceed with Stage 1 of the Gippsland Water Factory Approval for the Seaspray Sewerage Scheme to proceed Successful completion of major upgrade works to inlet infrastructure at the Warragul Wastewater Treatment Plant Continued high compliance with Environment Protection Authority licences Improved process efficiency at key wastewater treatment plants 	
Water Services		 Completion of the Erica/Rawson water quality consultation process and approval for construction of a water treatment plant Major water quality trial undertaken in Sale to improve the taste of water supplied to residential customers Continued high water quality performance and statutory compliance Completion of lining and covering of the Warragul South basin, significantly improving the security and quality of treated water supplied to the Warragul township 	



Profile of Gippsland Water

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 Honourable John Thwaites MP, Minister for Water.

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 detailed in 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. The region supports a population base of about 130,000 people.

Gippsland Water at a Glance

Water 58,596 properties serviced 63,923 megalitres of water supplied 1,740 kilometres of water mains 19 water treatment plants Wastewater 50,058 properties serviced 29,281 megalitres of wastewater collected 1,365 kilometres of sewer mains 13 wastewater treatment plants



22,579,320 kilograms of liquid waste treated 9,958,940 kilograms of solid waste treated



Joint Message from the Chair and Chief Executive Officer

During the year, Gippsland Water welcomed the release of the State Government's White Paper *Securing Our Water Future Together.* The White Paper clearly signals substantial challenges for resource managers and authorities like Gippsland Water. The challenges for Gippsland Water include integrated natural resource management, natural resource sustainability, water conservation and water reuse.

Several of these challenges have been recognised by Gippsland Water for a number of years, and are indeed consistent with the objectives of our Strategic Plan. In particular, the Gippsland Water Factory has been identified as a critical project in the future of Victoria's water reuse strategy and we very much look forward to collaboratively planning and realising this exciting project.

Following considerable effort by Gippsland Water staff, together with the guidance and highly valued input of our Technical Review Committee to address the operational inefficiencies associated with the Regional Outfall Sewer, the Board has approved Stage 1 of the Gippsland Water Factory. The coming year will see progress of this project, along with further detailed analysis of Stage 2 and Melbourne Water's Eastern Treatment Plant potential reuse project (Stage 3). The latter project is being conducted in association with Melbourne Water.

Gippsland Water enthusiastically endeavours to meet its responsibilities and obligations as a natural resource manager. The White Paper outlines future challenges and initiatives for water authorities and other natural resource managers to address 'whole-of-catchment' issues in a coordinated and planned manner and thus assist in facilitating 'whole-of-system' solutions. The path towards sustainable management of water and other natural resources will mean change; our task is to accept this challenge and achieve the desired result through innovation, leadership and collaboration.

Introduction & Overview

Our support and involvement in a number of key regional forums has assisted Gippsland Water and the broader community to address critical resource and water-cycle management issues. These forums include the Gippsland Integrated Natural Resources Forum and Gippsland Research Coordination Group.

The 2003-04 financial year produced a net profit of \$5.7 million, which represents a 95% improvement over the budgeted bottom line result. This result has been achieved largely as a result of the continued high level of property development occurring within the region and particularly within the towns of Warragul, Drouin and Traralgon.

The core underlying business result was consistent with our budget objectives, notwithstanding revenues were affected by the continuation of Stage 1 water restrictions throughout the entire financial year. It is worth noting that despite cost increases due to inflation and wage growth, 2003-04 expenditure was commensurate with that of 2002-03.

This result reflects diligence and commitment by the Board and Gippsland Water staff in pursuing revenue growth, and focusing on strategies for cost containment and cost reduction as a foundation for financial sustainability. This achievement has been 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 operate profitably in 2004-05 and subsequent years. Our staff have made an exceptional effort to ensure that Gippsland Water was well prepared for economic regulation under the Essential Services Commission which commenced on 1 July 2004. This work builds on the substantial analysis of

Gippsland Water's future pricing structure undertaken in the 2002-03 year which has resulted in the business adopting a sustainable and robust pricing path that seeks to ensure long-term sustainability, and a continued high level of customer service and satisfaction.

Gippsland Water achieved outstanding results in the Office of Public Employment 'People Matter Survey'. This survey provides employee feedback on Gippsland Water's application of the employment and conduct principles contained in the *Public Sector Management and Employment Act 1998.*

The survey results were also compared with the water sub-sector and the Victorian public sector. This comparison highlighted that the results provided by the staff of Gippsland Water were consistently rated higher in all of the employment and conduct principles. Our organisation is entitled to be very pleased with this excellent result.

Business performance as measured by organisational key performance indicators (KPIs) are reported in Part 2 of this report. KPI performance continues to be very strong across all areas, indicating a sustainable approach to business operations and performance. We warmly congratulate our staff for their continued dedication to delivering excellent customer service and business outcomes.

Gippsland Water is a foundation partner and major contributor to the Australian Sustainable Industry Research Centre (ASIRC). ASIRC began operating in 2003 at Monash University's Gippsland Campus, and is building on its charter to develop sustainable resource management practices for existing and new industries. We are pleased with ASIRC's progress and look forward to the delivery of further projects that will complement Gippsland Water's initiatives to better manage our natural resources and the environment.

Plans to construct and operate Victoria's first contaminated-soil recycling and treatment facility at Gippsland Water's Dutson Downs Resource Recovery Facility have not yet eventuated. We look forward to continuing to work with government and our technology partner Collex on the project as it aims to achieve significantly improved environmental waste management outcomes in accordance with the State Government's Industrial Waste Management Policy.

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

Finally, the Board wishes to warmly congratulate our dedicated staff and alliance partners for their ongoing professionalism and dedication to meeting the needs of Gippsland Water's customers and ensuring that our organisation continues to provide high-quality water, waste and waste recovery services for the benefit of our community.

Hillen

Richard Elkington CHAIR

John Mitchell
CHIEF EXECUTIVE OFFICER



Part 2

Strategy and Governance

Our Operating Environment

Water sustains life and is a prerequisite for a sustainable region. Ultimately, if our rivers, wetlands, estuaries, bays, oceans, lakes and floodplains deteriorate, so will our economy and society.

Accordingly, water is one of the most precious resources in the Central Gippsland region. Gippsland Water, a government-owned statutory authority, provides water services to over 130,000 people living in the Central Gippsland Region. Throughout this large region, 41 towns are provided with water services while 23 of these also receive wastewater services. In addition, an integral part of Gippsland Water's customer base is major local industry, with approximately 70% of the total water supplied sold to these six 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:

- \cdot helping to protect the Moondarra water catchment
- providing raw water to several major industries of state and national significance
- \cdot 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 with minimal environmental impact. For a number of decades now, we have sustainably disposed of significant amounts of treated wastewater. The Authority's two ocean outfall pipelines 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. The State Government's discussion paper *Securing Our Water Future Together* was released in August 2003 for public comment. Subsequent responses were used by the Government to help formulate future policy and governance arrangements. The release of the White Paper in June 2004 provided a better understanding of economic and ecological impacts on natural catchments, and a priority is resource sustainability.

Gippsland Water is a key player in the management of natural resources within the Central Gippsland region. We acknowledge that the challenges for organisations and individuals involved in sustainable natural resource management are substantial and increasingly complex.

Our stakeholders and the wider community expect that we will sustain and improve our natural capital in the interests of future generations, and accordingly are seeking greater transparency and accountability in the stewardship of natural resources.

Key drivers for Gippsland Water, consistent with the themes outlined in the White Paper, are:

- reliable and safe urban water and sewerage services as demanded by customers and stakeholders
- a whole-of-catchment approach to the management of our natural capital
- healthy rivers, floodplains, estuaries and catchments, capable of delivering a wide range of water services in a sustainable way
- the State Government's demonstrated commitment to ecologically sustainable development, public accountability, economic prosperity and social justice
- National Competition Policy reforms and the extension of the regulatory framework to include the Essential Services Commission, the Energy and Water Ombudsman and the Water Quality Regulator
- · pricing for sustainability

7

 innovation and collaboration between resource managers and resource users.

Strategic plan 2004-2009

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:

- \cdot focus on customer satisfaction
- \cdot are environmentally, economically and socially responsible
- regard safety as of equal importance as any other business imperative
- \cdot understand our obligations to the region
- · value the influence of our community in decision making
- are committed to high-quality products and services
- · behave openly, ethically and fairly
- · build and retain employee knowledge and capability
- \cdot work as a team
- \cdot focus on long-term sustainability.

Gippsland Water's Strategic Plan

Seven Areas of Strategic Focus 1 Corporate Governance

The Board and Management Team are committed to continuing 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

Through our Customer Relationship Management (CRM) strategy, Gippsland Water has adopted a planned and phased approach to enhancing service capability and an ever-improving relationship with our customers in the period 2004-09. This reflects our changing environment, including the expectations of our customers and the regulatory environment in which we operate.

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; 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.

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 the development of our Resource Recovery Facilities will progressively meet these challenges.

6 Wastewater Services

All domestic, commercial and industrial customers produce wastewater that must be collected, transferred, treated and used to benefit the environment. The protection of public health and the environment demands that all wastewater infrastructures be skillfully operated and maintained to an acceptable standard.

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

To achieve and maintain 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

Gippsland Water's Strategic Plan is linked to staff performance 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 Vision, Purpose and Values and individual performance plans are detailed in the following diagram.





(Chair)



Jay Bonnington

nington

Pam Keating



Leah Young







Lisa Proctor

Anthony Flynn

Board Member Meeting Attendance

Twelve meetings of the Board were held in the 2003-04 financial year. Board members' attendance at these meetings is detailed in the following table.

Board member	Number of meetings held during the period the period of office	Number of meetings attended
Richard Elkington	12	11
Pam Keating	12	12
Jay Bonnington	12	10
Leah Young	12	10
Lisa Proctor	12	10
Alan Seale	9	9
Tony Flynn	9	8
Lorraine Bartling OAM	3	3
David Claxton	3	2

Board Member Committee Meeting Attendance

Seven meetings of the Board Committee were held in the 2003-04 financial year. Board members' attendance at these meetings is detailed in the following table.

Board member	Number of meetings held during the period the period of office	Number of meetings attended
Diebord Ellvipeton	7	F
Richard Eikington	1	0
Pam Keating	7	7
Jay Bonnington	7	3
Leah Young	7	6
Lisa Proctor	7	7
Alan Seale	4	3
Tony Flynn	4	3
Lorraine Bartling OAM	3	3
David Claxton	3	1

The purpose of Board Committee meetings is to provide the Board with opportunities to visit key operational sites, as well as meet with staff, community and industry representatives.

Profile of the Board

Richard Elkington (Chair)

Richard Elkington has worked for more 30 years in the Latrobe Valley power generation industry. In this time he has held a number of senior operational management positions. His commitment to his community can be seen from his involvement in such organisations as the Mid Gippsland Football League, the Latrobe Theatre Company and Gippsland Community Radio.

He is currently General Manager, Power and Environment with Loy Yang Power and is on the Executive Council of the Victorian Employer's Chamber of Commerce and Industry (VECCI); is on the Board of Powerworks; is a member of the Victorian Government Regional Development Advisory Committee; and represents Gippsland Water, Loy Yang Power and the Latrobe Valley power industry on a host of committees at state and national level.

Jay Bonnington

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

Jay Bonnington is Chair of Dental Health Services Victoria, a Director of Health Super Ltd, Vic Power Trading, Warmambool Dairy Cooperative, and Melbourne Exhibition and Convention Centre. Jay is also the CEO of the Make A Wish Foundation of Australia.

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

Pam Keating

FAICD

Pam has over 20 years' 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.





Lorraine Bartling

David Claxton

Pam is passionately committed 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. 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 a wellrespected waste and environment management consultancy and an innovative education and training company.

Leah Young

BBus, GradDipBus, AIMM, FAICD

Business management and strategic planning are Leah'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. Prior to her position at St Paul's she had over 12 years' experience in local government, holding senior positions in such key areas as 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 Central Gippsland Institute of TAFE Council.

Lisa Proctor

A local government councillor for the past four and a half years, Lisa's past and current community involvement is both wideranging and diverse. She was a former deputy mayor, board member of the Regional Aboriginal Justice Advisory Committee, a Committee member of PRISM, Traralgon Service Centre, as well as the Library Task Force, a Council representative of Basketball Stadiums Victoria (BSV), and also a Council representative for the Eve West Memorial Scholarship.

Lisa has worked as a paralegal/office manager in the areas of accident compensation, superannuation and commercial litigation. A proud mother of two children, Lisa is also currently studying.

Alan Seale

Alan brings to the Board skills in manufacturing, technology and safety, health and environmental management. He has worked in the chemical industry for 38 years, 13 of those in general management. Alan has worked for several years in the USA and Hong Kong, and is now a consultant to the process industry. He has been a consultant for the CSIRO, EPA Victoria, and several universities and chemical companies.

Alan is currently a director of South East Water, the Australian Sustainable Industries Research Centre and of his own consultancy business. He is Adjunct Professor at Monash University, teaching in the Department of Chemical Engineering.

Professor Seale was appointed to the Board of Gippsland Water in November 2003.

Anthony Flynn

Tony Flynn was raised in Gippsland and has for many years been an active member of the local community. Having spent 20 years in the manufacturing industry, Tony brings to the Board extensive experience in the areas of human resource and financial management. The experience in working in this field has also enabled Tony to gain invaluable experience in dealing with organisations confronted with significant change and business pressures. He has also held the position of vicepresident of the Textile, Clothing and Footwear Union.

Tony is the current president of the Moe Development Group and is committed to working with local youth through his longterm involvement with Scouts Victoria. He is also a member of the Mount Baw Baw Alpine Resort Board of Management, the Trafalgar Recreation Reserve Committee and has been involved in the Latrobe First campaign by acting as a local ambassador.

Mr Flynn was appointed to the Board of Gippsland Water in November 2003.

Lorraine Bartling

OAM

Lorraine is well known in Central Gippsland for her wide-ranging community involvement, having held the offices of councillor, mayor and deputy mayor for some years. She brought considerable knowledge about 'people' issues to the Gippsland Water Board.

Lorraine Bartling served on the Board until September 2003.

David Claxton

David's particular contribution to the Board was his extensive managerial experience and skills in engineering, financial and project management.

David Claxton served on the Board until September 2003.



Organisation Structure



Chief Executive Officer John Mitchell



General Manager Environment and Planning David Evans



General Manager Corporate Services Peter Skeels

Corporate Services Management Team

Manager Business Development Roy White

Manager Finance Lynley Keene

Manager Business Services Peter Quigley

Manager Organisational Development Gary Smith

Manager Information Technology Bob Moore

Manager Economic Regulation and Pricing Tony Staley



General Manager Customer Services Barbara Fulton

Customer Services Management Team

Manager Field Operations Rob Suares

Manager Customer Relations Murray Cornwall

Manager Public Relations Grantley Switzer

Manager Water Treatment lan Soutar

Environment and Planning Management Team

Manager Major Systems Brian Wallin

Manager Environmental Governance Steve Shinners

Manager Land and Waste Treatment Jenny Jelbart

Manager Asset Improvement Ross Anderson

Manager Planning and Development lan Heafield

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 responsibilities 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 its 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 external agencies 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.

Audit Committee members for 2003-04 members were:

Victoria Mavros, Independent Chairperson

(appointed for three years in June 2001)

Since 1986 Victoria has worked in the auditing and accounting field and 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 the 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.

Jay Bonnington, Board member (see profile page 10)

Leah Young, Board member (see profile page 11)

Four meetings of the Audit Committee were held in the 2003-04 financial year. Committee members' attendance at these meetings is detailed in the following table.

Committee member	Number of	Number of
and meeting date	meetings held	meetings attended
Victoria Mavros	4	4
Richard McDowell	4	4
Leah Young	4	3
Jay Bonnington	4	4



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, 2 and 3 managers. These managers are subject to Executive Contracts (consistent with State Government policy) with limited tenure and annualised salaries.

Two meetings of the Executive Remuneration Committee were conducted during the reporting period, with attendance detailed in the following table.

Date	Attendees
25 July 2003	Board member Richard Elkington, Chair Board member Lorraine Bartling Board member Jay Bonnington
28 November 2003	Board member Richard Elkington, Chair Board member Jay Bonnington Board member Tony Flynn

Executive Remuneration Committee attendances

Technical Review Committee

A significant meeting of the Technical Review Committee (TRC) took place in October 2003. At this meeting, the TRC received a presentation on the Gippsland Water Factory proposal. Under the committee's guidance, the final shape of the project was formed.

Specific attention was given by the TRC to the technologies to be included in the Water Factory; it was also recognised that stakeholder engagement was as important as these technologies.

These matters were embedded into the rollout strategy for the Gippsland Water Factory project.

The TRC also reviewed the outcomes of the serious fire that occurred at Dutson Downs in September 2003. This fire damaged 1,400 hectares of pine plantation and its effect on local fauna was discussed. A strategy to monitor and record the recovery of the local habitat was discussed, particularly as it will impact on the endangered New Holland Mouse.

Gippsland Water has enlisted Dr Denis Saunders to assist with this recovery strategy and to provide expert advice about natural habitat issues. Dr Saunders is a member of Gippsland Water's TRC and a member of the Wentworth Group of Scientists.

Technical Review Committee members as at 30 June 2004 were: • Professor Barry Hart, Director, Water Studies Centre,

- Monash University
- Dr David Garman, Executive Director, Environmental Biotechnology CRC
- Mr Arnold Dix, Adjunct Professor, Environmental Science, Barrister at Bar
- · Dr Dennis Saunders, Former Chief Research Scientist of CSIRO
- Mr Chris Bell, Director, Water and National Relations, Environment Protection Authority.

Gippsland Water Factory

Development of the Gippsland Water Factory (GWF) marks the beginning of a new philosophy for the management of wastewater in Gippsland. No longer will the ocean be used to discard Central Gippsland's industrial and domestic wastewater. Instead, this precious resource will be treated to a 'fit-for-purpose' standard for reuse by industry and irrigators.

The Gippsland Water Factory will be constructed in a series of scaled stages to 'produce water' to specifications suitable for the purpose intended. Well established technologies will be used, including a combination of traditional activated sludge biological treatment and advanced filtration technologies. Methane gas, a by-product of digested sludge, will be captured and used to drive a co-generation power unit. The electricity generated in this way will be used within the GWF to minimise energy demands.

The Gippsland Water Factory will occupy part of a 20-hectare site near Morwell which is owned by Gippsland Water and already used for treatment of wastewater. The site is close to significant water and wastewater infrastructure and has a plantation buffer and good road and rail access. The focus for Stage 1 of the GWF is the reduction of odour from the open channel of the Regional Outfall Sewer (ROS). The focus for subsequent stages will be the manufacture of new-product water for use by industry within Central Gippsland, resulting in the closure of the Delray Beach Ocean Outfall for sewage discharge.

The GWF will support other water recycling opportunities in the future, enabling 'naturally caught' water to remain within the catchments and rivers in which it falls. These environmental benefits will lead to the restoration of several Gippsland waterways and contribute significantly to the recovery of the Gippsland Lakes. In this way, between 55 GL/a and 190 GL/a of water can be saved through increased environmental flows, equivalent to almost two to eight times the volume of Moondarra Dam.









In 2003-04 we reported performance against 15 indicators (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 this link to the Strategic Plan, all KPIs link to the Australian Business Excellence Framework, which provides further ability to benchmark Gippsland Water against other organisations. Overall results for 2003-04 are summarised in the following table.

Key Link to performance Gippsland Water indicators Strategic Plan		Historical performance (actual/compliance)			Target	Performance	Compliance
	otratogio i lan	00 - 01	01 - 02	02 - 03			
EPA licence compliance	Corporate Governance	94.9% 🗸	97.81% 🗡	96.64% 🗡	98%	99.58%	 ✓
Performance against Business Excellence Framework	Organisational Sustainability	474 🗸	566 🗸	621 🗸	600	671	1
Domestic water main breaks per 100 km	Water Services	13.52 🗸	12.21 🗸	19.22 🗡	<18	17.52	\checkmark
Domestic sewer blocks (stoppages) per 100 km	Wastewater Services	47.87 🗡	47.71 🗡	23.88 🗸	<35	17.25	\checkmark
Unplanned bulk water breaks per annum that cause interruption to customer supply	Water Services	2.0 🗸	2.0 🗸	0.0 🗸	<2	0	1
Unplanned bulk sewer main breaks per annum that cause interruption to customer supply	Wastewater Services	1.0 🗸	2.0 🗸	0.0 🗸	<2	0	<i>√</i>
Information Management Index	Organisational Sustainability	50% 🗸	90% 🗸	21.17 🗸	>20	14.3	×
Occupational Health & Safety Index	Organisational Sustainability	37.2 🗸	35.33 🗸	35.33 🗸	>31	38.58	\checkmark
Employee Availability Index	Organisational Sustainability	New for 02-03	84.41% 🗸	-	<31.91 hrs	41.15 hrs	×
Customer Service Capability Index	Customer Service	33.17 🗸	31.42 🗸	32 🗸	>30	33.58	\checkmark
% compliance with NHMRC guidelines	Water Services	97.11% 🗡	96.83% 🗡	98.26% 🗸	97%	99.38%	1
% compliance with WHO health-related parameters	Water Services	96.78% 🧹	94.67% 🗡	96.30 🗸	95%	97.22%	1
% of unplanned water supply interruptions from any cause which are restored within 5 hours	Water Services	98.37% 🗸	96% 🗸	98.11% 🗸	95%	99.42%	1
% of 'priority 1 spills' and 'priority 2 spills' in reticulation and branch sewers which are fully contained within 5 hours	Wastewater Services	96.96% 🗡	93.34% 🗡	97.17% 🗡	98%	99.58%	1
Financial Sustainability Index Short-term risk Long-term risk	Organisational Sustainability	15 🗸	15 🗸	15 P	>6 >6	6.92 7.42	4 7

Two of the indicators failed to meet the target for 2003-04. The Information Management Index failed due to a change in the project scope for the Customer Information Billing (CIBS) project plan, which was not able to be measured against the index rating. The Employee Availability Index failed to meet the year-to-date target due to a greater level of family leave and sick leave than that anticipated when the target was established. The 2003-04 target was established on 2002-03 actual trends.



Financial Sustainability

The Financial Sustainability Index consists of five individual ratios, which identify Gippsland Water's ability to cover primary cash requirements, including capital and government dividend, the degree to which our investment in total assets is working to provide benefits to the organisation, and the degree to which the Government's investment in the business is generating a return for them.

The five ratios are:

- 1 Cash flow adequacy ability to generate cash to cover primary cash requirements (including capital and dividend);
- 2 Return on assets identifies how hard the investment in total assets is working to provide profits, and also links to the objectives of efficiency and viability;
- 3 Return on equity identifies the return the Government is receiving on its investment in the business;
- 4 Debt to equity identifies the degree to which Gippsland Water relies on external funds, and provides an indication of viability;
- 5 Interest coverage identifies the risk or exposure associated with Gippsland Water's debt.

Business Excellence Framework

The Business Excellence Framework defines seven interrelated performance categories. 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 the annual Organisational Self-Assessment process.

The categories and available points are:

CategoryPoints available1 Leadership and Innovation1802 Strategy and Planning Processes1003 Data, Information and Knowledge1004 People160		
1 Leadership and Innovation1802 Strategy and Planning Processes1003 Data, Information and Knowledge1004 People160	Category	Points available
5 Customer and Market Focus1506 Processes, Products and Services1607 Business Results150	 Leadership and Innovation Strategy and Planning Processes Data, Information and Knowledge People Customer and Market Focus Processes, Products and Services Business Results 	180 100 160 150 160 150

Employee Availability

The Employee Availability Index is a measure of average hours per employee taken as sick leave (planned and unplanned) and includes all sick leave and family leave taken.

Occupational Health and Safety Index

This measure focuses on outputs and results, as well as those factors that influence Gippsland Water's performance in terms of both health and safety. These indicators include:

- 1 Hours lost by workgroup
- 2 % of attendance at OHS-related training
- 3 Number of near hit incidents
- 4 % of meetings carried out by OHS committees against schedule
- 5 Total injury frequency rate.

Customer Service Capability

A number of indicators contribute to the Customer Service Capability Index:

- 1 Customer follow-up
- 2 Telephone response times
- 3 Response times to customer correspondence
- 4 Customer enquiry resolution at first point of contact
- 5 Accurate and timely accounts.

Information Management

The Data, Information and Knowledge KPI is a composite indicator, made up of the following measures:

1. Key Result Area - to improve access to data and information KPI Measure = Perception of access to key Information Management data - maintain or increase. Measured via survey of key data users' perceived availability.

2. Key Result Area - to improve the integration and flow of customer data KPI Measure = % completion of project to progress the CIBS upgrade.



Water Services Case Study:

Sale Water Quality Study

At the end of March 2004, Gippsland Water concluded the first phase of the Sale Water Quality Trial. The trial was completed in December 2003 and since this time Gippsland Water has been analysing the data received from the members of the community who made up the Customer Reference Group.

The trial, known as the Sale Water Quality Study, focused on the treatment processes at the Sale Water Treatment Plant as well as the underground reticulation (water mains) system.

Over three months in late 2003, trials were conducted on a fortnightly basis using varied methods of treatment, including different levels of chlorination and chloramination.

Powder activated carbon treatment showed the most favourable response while chloramination was identified as the least accepted option. The low chlorine doses were also able to be distinguished and were more preferable than the higher chlorine dose. Gippsland Water also accessed raw water from a cross-section of bores and the data gathered were able to identify those bores which extract a more acceptable quality of water in comparison to others.

Gippsland Water will now undertake further works which include investigating the option of long-term operation of the Sale water supply system with low chlorine residuals or powder activated carbon. Gippsland Water will also continue to resource investigations of specific variations detected across the Sale and Wurruk distribution system, with particular emphasis on some locations which appear to have localised issues affecting water quality.





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.

Commencing in the 2002-03 financial 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. The case study report is currently being written and is to be released in the near future.

Freedom of Information

Gippsland Water received no Freedom of Information requests for the reporting period.

Information Prepared and Available

The information listed in FRD22 has been prepared and is available to the relevant Minister, Members of Parliament and the public on request.

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.

Victorian Industry Participation Policy

In October 2003, the Victorian Parliament passed the *Victorian Industry Participation Policy Act 2003* which requires public bodies and departments to report on the implementation of the Victorian Industry Participation Policy. Departments and public bodies are required to apply the policy in all tenders over \$3 million in metropolitan Melbourne and over \$1 million in regional Victoria.

Gippsland Water had no contracts over \$1 million completed during the 2003-04 financial year.

Consultant Services and Reviews

During the 2003-04 financial year, \$289,033.54 was spent on a total of 28 consultancy services, compared with \$387,069.59 in 2002-03. No individual consultant engagement exceeded \$100,000.

Overseas Travel

Gippsland Water officers Belinda Duncan, Karen Morris, Lisa Kitson, Bob Moore and David Rohde visited New Zealand offices of Metro Water and Manukau Water, who use Hansen International's Utility Billing System. The prime purpose of the visit was to evaluate Hansen International's Utility Billing product in use at other water authorities, as part of the tender assessment process for contract GWS297 - Replacement/Upgrade of a Customer Information and Billing System (CIBS).

As well as evaluating the tender, customer service processes were also reviewed, which identified possible areas of improvement to the way Gippsland Water will conduct business upon implementation of CIBS.

Two of the most strategically important infrastructure projects facing Gippsland Water over the next few years are the concept of the Gippsland Water Factory, and the refocusing and development of the Resource Recovery Facility at Dutson Downs.

The scale of these two projects is likely to expose the organisation to major expenditures involving high-risk decisions. To mitigate these risks, it was considered prudent that a range of site visits to similar operational facilities be undertaken. Accordingly, in November and December 2003, Gippsland Water General Manager Environment and Planning David Evans visited various sites across the United States and Asia as part of a study tour to evaluate overseas experience relating to wastewater recycling and reuse, organics recovery and renewable energy.

Whistleblowers Protection Act 2001

Gippsland Water recognises the value of transparency and accountability in its administrative and management practices. *The Whistleblowers Protection Act 2001* protects members of the public or employees who make disclosures of improper or corrupt conduct by public officers and public bodies. The Act also establishes a system for the matters disclosed to be investigated and appropriate action taken. Gippsland Water had no disclosures under the Act in 2003-04.

Emergency Management Planning

The Emergency Planning Committee (EPC) continues to meet regularly on a bi-monthly basis. Part of the committee's role has been to review all incidents to ensure that all action items have been completed. All incidents reviewed have now been closed off. All new incidents will be reviewed by the EPC. The committee has also been reviewing a hierarchical approach to carrying out emergency exercises and this will be developed further in 2004-05. Several staff have taken part in an emergency desktop exercise initiated by the power industry and emergency services.

Gippsland Water is currently working with Gutteridge, Haskins and Davey (GHD) to prepare an overall emergency management plan for our dams that will assess all governance inputs and develop a pathway for our dams over the next two to five years. This pathway will include inputs from the Australian National Committee on Large Dams, the Statement of Obligations, the Department of Sustainability and Environment, the *Community Protection Act* 2003, the Water Act 1989 and the Department of Infrastructure.

Information Technology

During 2003-04 the key areas for information technology again focused on data security and business continuity or disaster recovery processes. Protection products to ensure we are protected from viruses, poor mail content and hackers have been extensively upgraded. All information technology systems have been thoroughly and independently audited. Issues and suggestions for improvement in these areas were addressed.

A disaster recovery site has been established in Doncaster, Melbourne to ensure our business continuity. This process is tested four times each year and independently audited. The year also saw progress of the organisation's customer billing project in that a system has been purchased and implementation is on target to go live in November 2004. The billing product will significantly improve our ability to better support our stakeholders and customers.

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 Victorian Water Review by the Victorian Water Industry Association (VWIA). WSAA Facts compares larger water businesses nationally, and the Victorian 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 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	5555 5555 5555	
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 treatment plants Length 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)	1	
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		4 4
Pricing Residential customer water charges Customer wastewater charges Payment issues, options and assistance	1 1	
Financial data Water supply Wastewater Whole of utility	st. 5 5	

Further information on these reports can be obtained from: • Water Services Association of Australia: http://www.wsaa.asn.au • Victorian Water Industry Association: http://www.vicwater.org.au

Water Services Agreement

The Water Services Agreement between Gippsland Water and the Victorian Government formalises the obligations that Gippsland Water has with our customers. Gippsland Water is significantly advanced in meeting all obligations as required in the Agreement.

Projects required to be considered by Gippsland Water under provisions of the Water Services Agreement are:

- \cdot Seaspray Sewerage Scheme
- · Drouin WWTP upgrade
- · ROS regional wastewater management works.

Risk Management

Gippsland Water's approach to risk management is based on a 'whole-of-business risk assessment'. This approach is characterised by a Risk Policy and Risk Procedures that assist and guide risk managers in mitigating and monitoring identified risks.

Risks within Gippsland Water have been broadly defined into nine risk categories:

- Assets
- Stakeholders and Community
- \cdot Compliance
- · Corporate Governance
- · Human Resources
- Financial
- · Customer Services
- Systems
- · Environment.

The key risks have been identified as:

- · financial sustainability
- · pricing path and future revenues
- \cdot security of supply
- non-compliance with licence and legislative requirements in respect to water and wastewater services
- · infrastructure management
- · disaster recovery and management.

A Risk Management Committee meets at least every three months to review and manage risk exposures facing the organisation, as well as to consider new and emerging risks that have been identified since the previous review.

Mitigating actions to address the risks identified include: • pursuing the proposed 2004-05 price path as indicated in our 2003-04 Five Year Business Plan, to strengthen our revenue base;

- working with the Essential Services Commission and the Department of Sustainability and Environment to achieve the optimal outcome of economic regulation;
- ongoing analysis of our Drought Response Plans and security of supply management processes, both within the organisation and with Southern Rural Water;
- optimal use of our telemetry system to manage storages and supply systems;
- refinement of the operating strategy for the sustainable management of each water supply system;
- working with the Department of Human Services to ensure an optimal outcome to the introduction of the Drinking Water Quality Guidelines;
- establishment of a dedicated Water Quality Team with a strong focus on maintaining water quality and water quality compliance standards;
- engaging in regular dialogue with the EPA to discuss wastewater management issues and implement appropriate mitigating actions;
- review of the Integrated Asset Management Plan and improved linkages between this plan and the regulatory and budgetary processes;
- maintenance of Emergency Response Plans and the Emergency Planning Committee, including establishment and ongoing testing of a dedicated Incident Management Response facility and Business System Continuity procedures.

Sustainability Self-Assessment

During the year, Gippsland Water developed a sustainability selfassessment tool based on the model provided by VicWater.

The sustainability self-assessment enabled Gippsland Water to:

- identify our position on the sustainability journey;
- identify where areas for improvement may exist;

23

- · rate our current commitment to sustainability performance;
- identify where there are opportunities to improve current sustainability reporting in accordance with global reporting initiative standards;
- assess our business policies and practices in respect to economic, social and environmental performance.

A multi-Department Sustainability Task Group applied the selfassessment tool across Gippsland Water's business and developed an action plan. This was adopted by the Gippsland Water Board. Progress reports are provided quarterly to the Board.



Part 3

Social Performance

24

Social Performance

Our Customers

Customer Charter

The Customer Charter defines how Gippsland Water will provide water, wastewater, trade waste and prescribed waste services to our customers. It specifies the minimum level of service delivery that Gippsland Water endeavors to provide to our 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. As we move into our new operating environment through regulation by the Essential Services Commission, we will again review our Customer Charter to ensure that it continues to reflect our customer commitment and regulatory obligations. This review will be scheduled towards the end of 2004 to be effective from July 2005.

Customer Relationship Management

Gippsland Water continues to monitor customers' needs and expectations and to strive for innovative ways to meet them. Many of the initiatives identified within our Customer Relationship Management Strategy are being implemented and the benefits are beginning to be realised. Our commitment to providing the highest standard of products and services possible to our customers remains at the forefront of our strategy.

Our Integrated Service Centre continues to develop as one of the most critical parts of the organisation. Within the Service Centre our prime objective is to offer maximum resolution to the majority of customer enquiries at the first point of contact.

An important part of our strategy includes targeted customer satisfaction surveys, where we contact customers who have had recent dealings with us. This provides us with timely and accurate feedback on our performance from the customer's perspective. The information obtained is used to trend performance over time and to identify areas for improvement. These surveys complement our independent customer satisfaction surveys. Our commitment to multiskilling continues to personalise the relationships agents are able to build with our customers.

Gippsland Water's improved website, along with the introduction of Centrepay, highlights our commitment to continually improving the services we offer our customers. The website enables customers to access account details such as consumption and transaction history, account balances and online payment options.

Through Gippsland Water's newly established relationship with Centrelink, our customers who receive benefits are now able to use the Centrepay option to pay their Gippsland Water accounts. Centrepay provides an easy-to-manage payment arrangement that best suits some of our customers' individual needs.

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's customer needs are widely diverse, reflecting the highly multicultural nature of our region. We seek to understand and address these needs to build stronger relationships with our customers. Gippsland Water 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.

25



Market Research

Gippsland Water continued our comprehensive market research program during 2003-04. The areas of focus for our 2004 customer satisfaction survey included water quality, sewerage system (wastewater services), reactions to interruptions, environmental management, billing and customer service performance, awareness of Gippsland Water's environmental



Note: The average score generated by the total sample for 2004 was 8.1 out of 10. In statistical terms, this result is not significantly different from the 8.0 recorded in 2002.

management and industrial waste treatment, odour of the water, and awareness of Gippsland Water's services. Overall, these results were most pleasing; we achieved high levels of satisfaction in most areas. The table above indicates Gippsland Water's performance in comparison with previous years.

These results provide benchmarks which assist Gippsland Water to identify gaps in performance and drive improvements in our service delivery.

During the year Gippsland Water also conducted qualitative surveys with twelve of our largest clients. Interview objectives were to confirm clients' needs and expectations of Gippsland Water and to measure their overall satisfaction with our products and services. All major clients were highly satisfied with the service they received, with ratings improving or remaining consistent with the previous year for satisfaction with the products and services received from Gippsland Water.

Erica and Rawson Water Quality Reference Group

The Erica and Rawson Water Quality Reference Group (ERWQRG) held its final meeting in March 2004. The group had been meeting regularly with Gippsland Water since March 2002 with the main objective to 'provide feedback to Gippsland Water on options for improving microbiological health-related parameters of water quality in Erica and Rawson'.

Gippsland Water, in conjunction with City Water Technology, evaluated the technical feasibility of three water quality improvement options presented by the ERWQRG. This investigation concluded that a conventional water treatment plant (option 2 presented by the ERWQRG) was the most preferable. This outcome meets the needs of both the community and Gippsland Water. The community will receive water with a significantly reduced turbidity and colour, and the risk of the water not meeting the required standards will be reduced. By beginning the statutory approval process to commence construction, Gippsland Water has begun the process towards providing treated water for the two towns by the end of the 2005-06 financial year.

Social Performance



Wastewater Services Case Study:

Mirboo North Reuse

Gippsland Water and the community of Mirboo North have developed an innovative solution to a potential environmental problem. All 18 fairways, 18 greens and 23 tees on the Mirboo North Golf Course are watered with reclaimed water - treated to the required standard - from the Mirboo North Wastewater Treatment Plant. The course has a fully automated sprinkler system to ensure that water is applied efficiently and in line with EPA guidelines.

Over the past three years, between 17,900 and 21,500 kilolitres of reclaimed water have been used at the Mirboo North Golf Club.

Reusing treated wastewater in this way benefits:

- the environment by eliminating nutrient, saline and blue-green algal discharges to surface waters;
- the Mirboo North Golf Club by supplementing nutrients and water to the golf course;
- the Mirboo North community through an agreement between the golf course and the local recreation reserve to water cricket and recreation ovals with reclaimed water;
- Gippsland Water by providing a beneficial use of treated wastewater that provides satisfactory management of blue-green algae over the warmer months.



Mirboo North golf course reclaimed watering system



Community Service Obligations

Gippsland Water has paid Community Service Obligations, totalling \$2.07 million mostly in the form of concessions to pensioners. These payments are funded through subsidies from the Victorian Government.

	2003-04	2002-03	2001-02	2000-01
	\$000s	\$000s	\$000s	\$000s
Concessions to pensioners	1855.99	1766.03	1722.03	1693.88
Rebates paid to non-profit organisations	207.44	198.50	181.02	154.72
Utility Relief Grant Scheme	7.86	3.78	8.72	16.57
Total	2071.29	1968.31	1911.78	1865.17

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

- · water for fire-fighting purposes
- · water used in council street cleaning and stormwater drain cleaning
- \cdot educational material and advice for schools, students and the general public
- \cdot comprehensive water conservation information and advice for our customers
- · administration of the WaterSmart rebate scheme.

Service Affordability and Customer Complaints

Gippsland Water is required to record and report all customer complaints for the Authority as a whole. Complaints are categorised and measured against performance targets as detailed in the table below.

Customer Complaints Performance Indicator	Target	Achieved ¹	
Water quality complaints	2.94	3.28	
Water supply reliability complaints	1.4	0.79	
Sewerage service quality and reliability complaints	0.5	0.53	
Affordability complaints	0.5	0.07	
Other complaints ²	0.5	0.21	

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.

Social Performance

Community Sponsorship

Gippsland Water continues to provide financial and in-kind sponsorship to a number of local organisations, events and activities. Our ongoing partnership with Gippsland Waterwatch, including \$20,000 sponsorship, assisted Waterwatch to increase community awareness and understanding of water quality and conservation issues.

Another significant sponsorship included \$2,000 to Scope Quality Learning for the Gippsland Community Leadership Program.

Other organisations to benefit during the year were:

- Golden and Paradise Beach Ratepayers and Residents
 Association
- · The Gippsland Field Days Harvest of Gippsland Festival
- Traralgon Secondary College Rock Eisteddfod
- · Gippsland Special Children's Christmas Party.

Gippsland Water's Mobile Water Fountain again provided many local groups with a drinking water facility at their community events. The Mobile Water Fountain was provided free of charge for:

- Traralgon Show
- · Gippsland Farm World
- · Harvest of Gippsland Festival
- · Latrobe and Baw Baw Relays for Life
- Great Victorian Bike Ride
- · Victorian Country Track and Field Championships
- Drouin Ficifolia Festival
- Loy Yang Power International Tennis Federation Junior Championship.

Community Education

Gippsland Water continued its comprehensive community education program during the year. Our approach was recognised with our nomination as a finalist in the 2004 Savewater Awards in the Education and Communication Programs category.

Our community education program involved school and community visits and site visits conducted by Gippsland Water staff. As part of our water conservation and waste minimisation strategy, these visits and tours focused on how to protect the environment by adopting sound water and waste management practices in the community, at home and at school.

Our involvement in activities in the Science in Schools program continued, with a focus on environmental practices at the Morwell River Wetlands. Traralgon South Primary School also worked with Gippsland Water on a World Wetlands Day program. Monash University students toured Moondarra Reservoir and the Traralgon Water Treatment Plant. Other groups involved in community education included several Probus Clubs, Sale Gardening Club, Warragul Gardening Club and the University of the Third Age Baw Baw.

The highlight of National Water Week activities was our sponsorship of drama production company Vox Bandicoot. During the group's tour of the Gippsland region, primary schools in Drouin West, Drouin South, Albert Street Moe, South Street Moe and Sacred Heart Morwell 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 on a continuous improvement culture within Gippsland Water that fosters growth in the skills and confidence of employees.

Significant progress was made during 2003-04 towards this goal, including conducting the fifth 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 twelve 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 Program, and the ongoing improvement of the Performance Management System.

Gippsland Water participated in the 'People Matter Survey', an initiative of the Office of Public Employment. The survey provided valuable information from employees on Gippsland Water's people management practices. Progress has also been made in developing and delivering high-quality occupational health and safety refresher training during the year.



Employee Opinion Survey

The 'People Matter Survey' provides employee feedback on the application by Gippsland Water of the employment and conduct principles contained in the *Public Sector Management and Employment Act 1998.*

These principles relate to:

- merit
- \cdot fair and reasonable treatment
- \cdot equal employment opportunity
- avenues of redress
- impartiality
- integrity
- accountability
 responsive service.

The survey results confirmed that Gippsland Water's employees have a high degree of satisfaction with the way the Authority applies these principles.

The results of the survey were also compared with those from both the water sub-sector and the Victorian public sector. This comparison also showed that the results provided by the employees of Gippsland Water consistently rated higher in all of the employment and conduct principles.

The Gippsland Water Management Team has used the information provided from this survey to identify areas of improvement and identify work plans for the following year.

Enterprise Agreement

Negotiations for the replacement of the second Gippsland Water Enterprise Agreement (EA 2001) commenced in January 2004. EA 2001 expired on the 30 June 2004. This agreement aimed to generate savings and efficiencies of \$2.2 million over the life of the three-year agreement. The actual savings and efficiencies have exceeded \$3.5 million. This Enterprise Agreement is a continuous improvement initiative based on a process improvement and balanced scorecard approach. There was no lost time due to industrial disputes for the reporting period.

30

Social Performance

Employee Turnover

Employee turnover for the twelve-month period to June 2004 was 7.58%.

Year	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	
% turnover	44.76	24.32	11.63	2.86	8.52	7.41	9.14	7.58	

Employment by Category

The percentage of leadership positions (1/2/3 level managers) held by female employees is 15.79%.

Category	30 June 2002	30 June 2003	30 June 2004
Full-time male	126	129	131
Full-time female	46	50	47
Part-time male	1	2	2
Part-time female	10	11	13
Casual male	0	0	0
Casual female	5	5	5
Total employees	188	197	198
Full-time equivalent	178.79	181	181
% FTE female employees	27.62	28.54	27.08

Staff service (all staff in excess of ten years)	Male	Female
>10 <15 years' service >15 <20 years' service	18 14	3 1
>20 <25 years' service	14	0
>25 <30 years' service	7	0
>30 years' service	3	0

Occupational Health and Safety

A strong focus on the strategic management of occupational health and safety (OHS) continued during the year. The organisation-wide Umbrella Health and Safety Committee incorporated both emergency and environmental management within its charter during the year. In recognition of this important initiative, the committee is now titled the Safety, Health and Environment (SHE) Umbrella Committee.

The SHE Umbrella Committee contracted an independent auditor to conduct a detailed audit of Gippsland Water's OHS Management System. The audit was conducted against the Safety MAP Initial Level audit tool and revealed continued improvement of a substantial nature, indicating that accreditation to the initial level of Safety MAP could be obtained. During 2003-04 there was a further refinement of the coordinated approach to developing and delivering workplace OHS refresher training via the Training and Safety Work Group and also via expert external training providers.

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 wellbeing programs.

Unfortunately, two lost-time injuries were registered for the 2003-04 year, resulting in 63 hours of lost time.



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, which Gippsland Water either initiated or has been involved in during the 2003-04 financial year, have been:

 vacation students 	- 8	 internships 	- 2
	4	1	-

• work experience students - 4 • traineeships - 7.

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 2003-04, the Human Resources Policy was reviewed to ensure that our policy reflects 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 2003-04. A further facilitation training course involved employees from both Gippsland Water and another organisation. This has continued the development of the Gippsland Water facilitator network and the in-house training program.

Gippsland Water continued with its Management and Leadership Development Program, which has included four programs run in conjunction with the Mt 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.

Gippsland Water introduced the Water Industry Training Package to 50 of its operational employees. This program is a joint initiative of Gippsland Water and a number of other Gippsland water authorities, and is being delivered by a joint venture of the University of Ballarat and Goulburn-Murray Training Services. We believe that this project is the largest of its kind in the Australian Water Industry.

Field Services

Field Services

With more favourable weather conditions prevailing during the year, the number of water main breaks was down to 333 compared with 463 last year.

Field staff continued to carry out preventative maintenance programs (sewer manhole inspection, valve marking and inspection).

An additional preventative maintenance program (locating and marking of the water reticulation mains in the rural areas) was introduced during the year. This continuing program will ensure that we will be able to locate the mains in extreme emergencies and will also support the other utilities when they are working close to Gippsland Water's assets.

Field Contracts

The sewer cleaning contract being undertaken by contractor GMA Environmental Services is now commencing its third year of a fouryear contract. During the past two years GMA has cleaned over 500 kilometres of sewer mains, which has greatly reduced the number of blockages and overflows.

The purchase of an additional closed circuit television camera enabled Gippsland Water to carry out the required audits on the contractors who perform service contracts for the Authority. We now have two teams carrying out this task. The cameras are also used for locating sewer manholes and connections.

Water Quality

Approximately 2,300 samples were taken across 36 potable water zones for independent laboratory analysis to compile the water quality data in this report. More than 36,000 tests were carried out by an independent laboratory to monitor and improve system performance throughout the 19 separate water supply systems, from the water catchments to our customers' taps.

The major water quality improvement initiatives were to:

- improve the disinfection of water supplied to Erica and Rawson through the use of a temporary chlorine dosing plant until the water treatment plant is fully operational;
- install a second chlorinator to reduce the risk of water quality failures and improve the taste of water in Boisdale;
- undertake a similar project at the Toongabbie water storage to reduce the risk of water quality failures;
- \cdot ensure adequate disinfection by trim chlorinating water leaving the Mirboo North basin;
- improve control of the fluoride dosing system at Drouin. Further improvements will be carried out next financial year.

Preparations for the 1 July 2004 implementation of the Safe Drinking Water Act 2003 continued, with the preparation of risk management plans for each of Gippsland Water's 19 drinking water supply systems. Each plan implements a proactive catchment-to-tap approach together with an integrated risk management framework for drinking water quality management.

32

Social Performance

Asset Management

During 2003-04, our asset management decision making has been strengthened. The decision between asset replacement or asset maintenance has been more rigorously tested and, as a consequence, our forward resource requirements have been optimised. Another year of increased residential property development has occurred in Drouin, Warragul and Traralgon which has affected previous demand estimates. Also, a further year of less than average rainfall has meant that underground pipeline assets have been subject to greater stress as the dry ground contracts.

A substantial asset development program is ahead of Gippsland Water for the next five years and this will place more pressure on staff resources as we adjust to this challenge. Alternative project-delivering mechanisms are to be considered as a result.

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 diverters and required environmental flows.

Town served	Source	Entitlement Total (ML)
Boolarra	Walkley Creek O'Grady's Creek	145
Erica/Rawson	Trigger Creek	340
Not currently utilised	Deep Creek/Loch River	73
Moe/Newborough/Trafalgar/Yarragon/	Narracan Creek	3,884
Yallourn North	Tanjil River	15,000
Mirboo North	Little Morwell River	270
Seaspray	Meerimans 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/Damum	Pederson Weir	BWE not yet converted (2)
Sale/Wurruk	Ground Water Bore	3,850
Briagolong	Ground Water Bore	100
Boisdale	Ground Water 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 (BWE) is yet to be negotiated with the Department of Sustainability for the supply of water for the Warragul and Neerim South systems.

33



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 2003-04 year.

Annual water consumption and wastewater discharges of major industry (ML)				
Major client	Raw water	Treated water	Wastewater	
Australian Paper	22,329	-	4,300	
Australian Char Pty Ltd	41	2	12	
Bonlac Foods Limited - Damum	-	237	-	
Bonlac Foods Limited - Drouin	-	1	-	
Edison Mission	316		19	
ESSO Australia Ltd	-		2,995	
Energy Brix Australia	4,872	3	14	
The GEO Group Australia (Fulham Correctional Centre)	-	123	105	
International Power Hazelwood	12,488	70	46	
HRL Technology	1	4	3	
Jelfor Treated Timbers	-	-	5	
Latrobe Regional Hospital	-	44	33	
Loy Yang Power	1,442	-	41	
Murray Goulburn	-	505	-	
National Foods	-	288	259	
Park Avenue Laundry	-	23	21	
Pure Harvest	-	36	16	
Department of Defence (RAAF)	-	26	53	
Rosedale Leather	-	1	126	
Sale Livestock Exchange	-	22	20	
Skilled Engineering	-	9	9	
Wesfarmers Dalgety (Traralgon Sale Yards)	-	1	5	
Valley Power Gas Station	-	-	1	
Baw Baw Livestock Exchange	-	15	16	
Warragul Linen Service	-	106	101	
Yallourn Energy	-	1,658	66	
Total	41,489	3,174	8,266	

Social Performance

Case Study

Bulk Water and Wastewater Case Study:

Gippsland Water has completed a major project involving the design and construction of a new water main to replace the ageing and deteriorating sections of the M1 and M10 water mains that supplied treated water to Yallourn Energy's W Power Station, the Yallourn Open Cut Mine, the Yallourn Industrial Estate and the township of Yallourn North.

Deterioration of the reinforced pipes over several decades, exacerbated by slightly acidic soil conditions, has led to past failures. Due to the deterioration of the external pipe surface, repairs in the past have proved difficult. This increased the risk to security of supply and it was determined that the water mains had reached the end of their useful lives.

The sections of the water mains that required replacing extended from the water basins at the old Yallourn Water Treatment Plant site, to a location immediately downstream of the old Savages Dump Haul road, a distance of approximately 770 metres.

Of critical importance to the project was the functional design of the interconnections to maintain supply to Yallourn Energy and the township of Yallourn North during construction.

Yallourn No. 1 and No. 10 Water Main Replacement

The interconnections with the existing M18 main were made using a short ring main concept. This provided a greater degree of redundancy to maintain continuity of supply via all mains, should one ring main develop a problem with a valve or section of pipe.

Temporary valves were also installed then removed at the completion of the pipeline in order to maximise security of supply during the construction period. This enabled all work to be completed without any interruption to customers.

A higher quality and more reliable service will be provided to residents of Yallourn North and to Yallourn Energy as a result of these major works.



Interconnection and valve placement on the existing No. 1 main


Annual Water Consumption and Number of Connections

The following table details residential, non-residential and major industry metered consumption for the 2003-04 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	Act	Actual annual consumption (ML) and Number of connections (No.)							
	Resid	Residential		Non-residential		Other	Total	Average annual demand	demand/ Average annual demand
	ML	No.	ML	No.	ML	ML	ML	ML	%
Boisdale Boolarra Briagolong Coongulla/Glenmaggie Erica/Rawson Heyfield Maffra/Stratford Mirboo North Moe/Newborough ¹ Moondarra Reservoir ² Neerim South/Noojee Warragul/Drouin ³ Willow Grove Sale/Wurruk Seaspray Thomdala	7.3 46.8 64.2 46.0 47.0 186.5 606.3 145.3 1955.2 4976.1 150.4 1787.0 36.0 1362.8 29.6 11 2	31 307 339 472 297 828 2681 691 9853 21320 560 8883 142 5948 343 77	1.7 4.0 5.6 4.1 12.8 71.3 103.7 26.4 309.2 1094.8 44.6 504.1 3.4 435.0 5.7 2.1	6 28 21 9 37 110 288 86 802 2109 68 1024 10 748 11	0 0 0 504.8 0 1668.2 41902.8 0 417.6 0 170.7	2.4 29.1 15.1 10.2 58.4 16.4 328.7 44.1 254.3 2974.3 46.3 1050.9 17.3 112.2 7.3 21	11.4 79.9 84.9 60.4 118.2 274.2 1543.5 215.8 4186.9 50948 241.3 3759.7 56.6 2080.8 42.6 17.5	12.8 74.4 89.9 69.0 139.6 320.9 1407.5 217.0 4505.6 52751 223.4 3224.7 51.6 2153.9 47.6 26 4	89.1 107.4 94.4 87.5 84.7 85.4 109.7 99.4 92.9 96.6 108.0 116.6 109.7 96.6 89.5 66 2
Toongabbie/Cowwarr	144.0 11601.8	422 53194	12.5 2642.2	28 5402	0 44664.1	44.6 5014.64	201.1 63922.8	221.5	90.8

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.

Actual performance is measured against targets in the Corporate Plan.

	Number of connections	Number of interruptions	Number of properties that experienced a service interruption	Properties interrupted ratio	Average time to restore service (Hours)
Target	N/A	N/A	N/A	29.30	2.14
Actual	57,436	521	7,085	18.53	2.58

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 is detailed in the following table

	реак population	tests for each parameter	tests meeting guidelines for turbidity	compliance for turbidity	of tests meeting guidelines for colour	% compliance for colour	Total no. of tests meeting guidelines for pH	% compliance for pH
Boisdale Boolarra Briagolong Churchill Cowwarr Drouin Erica Glengarry Glenmaggie/ Coongulla	271 478 271 4,898 562 5,815 194 688 176	12 12 12 12 12 12 12 12 12 12 12	12 12 12 12 12 12 12 12 12 12	100 100 100 100 100 100 100 100	12 12 12 12 12 12 12 12 12 12	100 100 100 100 100 100 100 100	12 12 12 12 12 12 12 11 12 12	100 100 100 100 100 921 100 100
Heyfield Jumbuk Maffra Mirboo North Moe Morwell Neerim South Newborough Noojee Rawson Rokeby/Buln Buln Rosedale Sale/Miumuk	1,436 572 3,916 1,382 15,117 12,278 535 4,666 119 277 831 1,042 12 854	12 12 12 12 12 12 12 12 12 12 12 12 12 1	12 12 12 12 12 12 12 12 12 12 12 12 12 1	100 100 100 100 100 100 100 100 100 100	12 12 12 12 12 12 12 12 12 12 12 12 12 1	100 100 100 100 100 100 100 100 100 100	12 12 11 12 12 12 12 12 12 12 8 12 12 12	100 100 92 ² 100 100 100 100 100 67 ¹ 100 100 100
Sale/Wolfick Seaspray Stratford Thorpdale Toongabbie Trafalgar Trafalgar Traralgon Traralgon South/ Hazelwood North Tyers	2,834 208 1,330 155 463 2,279 19,614 1,053 226	12 12 12 12 12 12 12 12 12 12	12 12 12 12 12 12 12 12 12 12	100 100 100 100 100 100 100 100	12 12 12 12 12 12 12 12 12	100 100 100 100 100 100 100	12 12 12 12 12 12 12 12 12 12	100 100 100 100 100 100 100 100
Warragul Warragul South/ Nilma/Darnum Willow Grove Yallourn North Yarragon Yinnar Whole Authority	13,196 1,157 194 1,185 707 550	12 12 12 12 12 12 12 432	12 12 12 12 12 12 12 432	100 100 100 100 100 100 100	12 12 12 12 12 12 12 432	100 100 100 100 100 100 100	12 12 12 12 10 12 424	100 100 100 83 ³ 100 98

pH levels were slightly below compliance level due to chlorine dioxide disinfection process.
 pH levels were slightly below compliance level due to a process malfunction at Water Treatment Plant.
 pH levels were slightly above compliance level due to pH correction unit mechanical breakdown.



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.

			W	HO 1984 Bacteri	al	
Zone	Estimated peak population	Total no. tests	% E. coli (<1 org/100 ml)	% Total coliform (<1 org/100 ml)	% Overall compliance	WHO compliance ¹
Boisdale Boolarra Briagolong Churchill Coongulla/ Closmagain	271 478 271 4,898 176	25 24 24 74 35	100 100 100 100 100	100 100 100 92 ² 100	100 100 100 92 100	Yes Yes Yes No Yes
Glenmaggie Cowwarr Drouin Erica Glengarry Heyfield Jumbuk Maffra Mirboo North Moe Morwell Neerim South Newborough Noojee Rawson Rokeby/Buln Buln Rosedale Sale/Wurruk Seaspray	562 5,815 194 688 1,436 572 3,916 1,382 15,117 12,278 535 4,666 119 277 831 1,042 12,854 208	48 60 39 24 22 24 61 36 99 84 24 61 24 41 24 33 96 24 48	100 100	98^{6} 98^{3} 74^{4} 100 100 92^{2} 100 100 100 100 100 100 100 61^{4} 100 100 96^{3} 92^{5} 003	98 ⁶ 98 ³ 74 100 92 100 100 100 100 100 100 61 100 61 100 96 92 92	Yes No Yes No Yes Yes Yes Yes Yes Yes No Yes Yes No
Thorpdale Toongabbie Trafalgar Traralgon Traralgon South/	1,330 155 463 2,279 19,614	48 96 47 48 192	100 100 100 100	92- 100 100 100 99 ³	92 100 100 100 99	Yes Yes Yes Yes
Hazelwood North Tyers Warragul Warragul South/ Nilma/Darnum	1,053 226 13,196 1,157	24 36 146 72	100 100 100 100	100 100 100 100	100 100 100 100	Yes Yes Yes Yes
Willow Grove Yalloum North Yarragon Yinnar Whole Authority	194 1,185 707 550	36 24 24 36 1 835	100 100 100 100 99 00	100 100 100 92% ² 97 22	100 100 100 92 97 22	Yes Yes No Yas

WHO bacterial compliance means 95% of samples satisfied guideline values.
 Failures resulting from sampling equipment contamination. This was not necessarily a reflection on water quality sampled.
 Total coliform count detected in the presence of adequate disinfectant level.

4 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

Low level of E. coli detected in Rawson. Source of the contamination unknown. A Boil Water Alert was issued by DHS on 19 December 03 and continued until 6 May 04. Water supply now disinfected with chlorine.

5 E. coli detected in high level supply area of Seaspray resulting in a Boil Water Alert being issued for a two-week period. Contamination source identified and contained.

6 One total coliform due to dirty water event.

Social Performance

Water Quality Compliance

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

	2000-01	2001-02	2002-03	2003-04
Faecal coliforms (% samples with <1 <i>E. coli</i>)	99.9%	99.9%	99.8%	99.0%
Total coliforms (% samples with <1 total coliforms)	95.5%	94.4%	97.2%	97.22%

The following table shows Gippsland Water's compliance with a range of other chemicals, most of which are required to be tested for on a quarterly basis. Compliance is a measure against the standards specified in the Water Services Agreement 2001.

Parameter			Compliance across all monitoring zones
Health-related inorganics	Arsenic Cadmium Chromium Cyanide Fluoride	Lead Mercury Nitrate Selenium	100%
Health-related organics	Benzene Benzo[a]pyrene Carbon Tetrachloride 1,2-dichloroethane 1,1-dichloroethene	Pentachlorophenol Tetrachloroethene Trichloroethene 2,4,6-trichlorophenol	100%
Disinfection by-products	Trihalomethanes		100%
Pesticides	DDT (total isomers) Aldrin & Dieldrin Chlordane (total isomers) Hexachlorobenzene Heptachlor & Heptachlor Epo	Gamma-HCH (lindane) Methoxychlor 2,4-D oxide	100%

Number of Sewer Spillages (Priority 1 and 2) Contained within Five Hours

For Priority 1 and 2 sewer spillages to be contained within five hours the target was 97.9%; we achieved 97.4%.

39

Waste Deliveries to Dutson Downs

Origin of waste received a Resource Recovery Facility, Dutson Downs for 2003 - 04 Financial year



Number of loads received at the Resource Recovery Facility for the 2003 -04 financial year - 3,118 loads.

Waste types received at Resource Recovery Facility, Dutson Downs for 2003 - 04 Financial year



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 licence requirements.

Treatment system	Overall compliance ³ (%)
Drouin	100
Drouin (irrigation only)	100
Heyfield (irrigation only)	100
Maffra (domestic)	100
Mirboo North	100
Moe	100
Morwell	100
Neerim South	100
Rawson	100
ROS ¹	100
SWOP ²	100
Stratford (irrigation only)	100
Warragul ⁴	92
Willow Grove	100
Moe Morwell Neerim South Rawson ROS ¹ SWOP ² Stratford (irrigation only) Warragul ⁴ Willow Grove	100 100 100 100 100 100 100 92 100

ROS - Regional Outfall Sewer to Delray Beach.
 SWOP - Saline Waste Outfall Pipeline to McGauran's Beach.

Business plan target 100% compliance for all systems.
 Difficulties with UV disinfection of waste resulted in less than 100% compliance.

Treated Wastewater Discharges

The following table details the relative amount of effluent (in megalitres) directly discharged to the environment in the Gippsland Water region.

Customer source	Treatment system	Final disposal location	Volume (ML)
Electricity industry All sources ¹ Domestic/Commercial Domestic/Commercial	Saline Water Outfall Pipeline Regional Outfall Pipeline Local treatment plants Drouin Treatment Plant	Ocean, Bass Strait Ocean, Bass Strait Lake Wellington (catchment) Western Port (catchment)	7,541 10,760 3,789 248
		Total discharge	22,338

40

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





Environmental Performance



Environmental Management System

Following the audit of the Environmental Management System in 2003, an action plan was developed to address the recommendations for improvement. The action plan was developed in consultation with Gippsland Water staff, Board members and representatives of our consultative committees.

The action plan has identified 48 distinct activities to be undertaken over the next two years. Activity progress will be regularly reported to the Board Safety, Health and Environment Sub-Committee, and the Customer and Environment Consultative Committee.

Working with Major Clients

Gippsland Water is somewhat unusual among Victorian water authorities in that providing services to several industries of state and national significance accounts for as much as one-third of Gippsland Water's turnover and over 70% of all water and wastewater services.

Servicing major clients such as Australian Paper, the five Latrobe Valley power generators, Esso Australia and three large dairy product manufacturers provides special challenges. Often these customers have specific requirements such as very high security of supply and the treatment and disposal of large volumes of trade waste. In a number of situations Gippsland Water has dedicated supply systems solely for servicing these clients. Other significant clients include hospitals, large commercial laundries and a prison complex, which are provided with services from within normal town reticulation systems.

Environmental Incidents

During 2003-04, no significant environmental incidents were recorded.

Greenhouse Gas and Energy Management

The water industry (including wastewater treatment) accounts for 0.5% of greenhouse gas emissions in Australia, primarily due to

methane and nitrous oxide emissions during waste treatment processes, and energy consumption in the pumping of large volumes of water.

Using Australian Greenhouse Office and Environment Protection Authority (EPA) guidelines, Gippsland Water reviewed sources of greenhouse gas emissions and energy consumption in its operations in 2003-04. The relative greenhouse gas impacts, standardised as equivalent tonnes of carbon dioxide gas emitted, are summarised in the table below.

Activity	CO ₂ -equivalent	(tonnes/year)
Waste treatment Electricity Fuel use Cattle farming	2002-03 13,300 21,600 1,200 3,100	2003-04 15,000 27,500 1,200 2,400
Total	39,200	46,100

The increase in net greenhouse gas emissions observed compared with the previous period are in part due to improvements in emission estimation techniques, such as better accounting for nitrous oxide losses following irrigation to pasture. Gippsland Water will continue to improve estimation techniques, to allow greater scrutiny of the sources of greenhouse gas impact due to our operations.

Waste Minimisation

Gippsland Water's operational activities were audited to identify sources and methods of disposal of solid wastes. The purpose was to investigate opportunities to reduce the amount of solid waste generated, and to ensure that these wastes are reused or recycled where practical. The audit identified the need to better understand the volumes of solid wastes generated, and to develop better communication regarding recycling opportunities, particularly for more remote facilities.

A small project team has been formed to focus on identifying improvements in the management of solid wastes. Early projects include communication of means of reducing office paper consumption, and efficiencies in separating concrete from soil for recycling following pipeline repair work.

Environmental 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.

42

Environmental Performance

Performance of Ocean Outfalls

The operational performance of the Saline Water Outfall Pipeline and the Delray Beach Ocean Outfall continued to meet EPA licence compliance requirements, with no reportable incidents of below-compliance water quality occurring in the reporting period.

A comprehensive toxicity testing program was undertaken this year, to characterise the effects that the treated water has on a series of marine test organisms. Three rounds of tests have been completed to date; each round consisted of eight tests performed on six test species. The results indicate that the treated waters discharged from both outfalls would not have a toxic effect on the receiving environment of Bass Strait.

Regional Committees

Gippsland Water continued our involvement in a range of regional activities. These included: the Gippsland Integrated Natural Resources Forum; Gippsland Regional Water Monitoring Partnership Committee, providing support for the 2003 Gippsland Regional Women's Conference; the West Gippsland Catchment Management Authority's Regional Catchment Strategy 2004-2007; and participation in the Gippsland Regional Waste Management Group. Gippsland Water also contributed to the Regional Women's Advisory Council's 'Women on the Move' event in Sale, at which Board member Pam Keating was a speaker.

Australian Sustainable Industry Research Centre

The Australian Sustainable Industry Research Centre (ASIRC) was founded by Monash University, the Cooperative Research Centre for Waste Management and Pollution Control (NSW) and Gippsland Water. It was officially opened in April 2004 by the Honourable John Brumby, Minister for State and Regional Development and Minister for Innovation.

ASIRC provides Australian industry and the community with sustainable solutions for the management of resources, waste and the environment. It is now engaging industry partners who have waste or material efficiency challenges to assist in achieving cost-effective solutions and ensure the long-term sustainability of these industries.

ASIRC continues to boost sustainable directions and activities in the region with regard to water, wastewater and industrial waste management. Gippsland Water is committed to assist the establishment of sustainable industry in the region and the ASIRC is a key factor in ensuring our success.

Gippsland Integrated Natural Resources Forum

Gippsland Water continued to work with other resource management agencies as a member of the Gippsland Integrated Natural Resources Forum in 2003-04. Forum activities included making submissions to Victorian Government papers on water resource management, completion of the 2004 Natural Resources Report Card, and hosting a regional conference in early 2004.

Environment Improvement Plan

An Environment Improvement Plan (EIP) has been developed to identify opportunities to improve environmental management at Gippsland Water over the period of 2004 to 2006. The EIP was developed in consultation with Gippsland Water staff, Board members and representatives of our consultative committees.

The EIP has identified 39 distinct activities to be undertaken over the next two years. Activity progress will be regularly reported to the Board Safety, Health and Environment Sub-Committee, and the Environment and Customer Consultative Committee.

Beneficial Reuse of Treated Wastewater

The State Environment Protection Policy (SEPP) - Waters of Victoria, states: '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 ground waters. 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, whereby treated water from the Morwell Wastewater Treatment Plant is used to sustain a permanent wetland system.

Irrigation of pasture continues to be the major potential water reuse option for Gippsland Water. The climate in Gippsland Water's region ranges from high rainfall in the west to the Macalister Irrigation District 'rain shadow' in the east. The annual average irrigation demand varies (ie in addition to natural rainfall) from 200 mm to 400 mm across the region. This irrigation demand is low when compared with typical values of 500 mm to 1,000 mm north of the Great Dividing Range.

43



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

Treated wastewater is stored over the winter months and used for irrigation of pasture over drier periods at Maffra, Heyfield, Stratford and Mirboo North. Irrigation is also undertaken at Drouin, although excess volumes of treated wastewater may be discharged to Shillinglaw Creek during wetter months to maintain adequate storage capacity.

Wastewater is also supplied for reuse at the Maffra Recreational Reserve, 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 provide additional opportunities for the beneficial reuse of water.

The following table shows the proportion of treated wastewater beneficially reused in 2003-04, compared with 2002-03.

Biosolids Management

At the majority of wastewater treatment plants managed by Gippsland Water, sewage sludge is stabilised in dedicated treatment lagoons, prior to removal and further stabilisation as biosolids once the maximum lagoon capacity is reached.

During the reporting period, sludge removal was only required from Pond A of No. 2 Storage, Dutson Downs. Approximately 175,000m3 of sludge (approximately 10,000 tonnes) was dredged from the pond, and held in a purpose-built bunded area to allow supernatant water to decant back to the storage. Chemical characterisation of the sludge is required before the final fate of the material is determined.

Biosolids from Neerim South wastewater treatment plant are transported and combined with Warragul Wastewater Treatment Plant biosolids, prior to transportation to Dutson Downs for further stabilisation and beneficial reuse. During the reporting period, approximately 300 dry tonnes of biosolids from the two plants was transported to Dutson Downs. Please refer to the Case Study on page 51 for details of investigations being undertaken on the use of biosolids in composting activities.

Treatment	Volume of water		Volume	of water	Actual % water		
facility	reclaimed		discharg	ged (ML)	reclaimed ¹		
	2002 - 03	2003 - 04	2002 - 03	2003 - 04	2002 - 03	2003 - 04	
Drouin Heyfield Maffra Mirboo North Moe Morwell Neerim South Rawson ROS ² Stratford SWOP ² Warraoul	235 96 238 39 0 530 0 0 0 113 0 0	185 78 184 67 0 750 0 0 0 0 94 0 0	345 0 0 1,972 0 53 37 12,370 0 7,529 1,421	248 0 0 2,070 0 55 52 10,760 0 7,541 1.612	40 100 100 0 100 0 0 0 100 0 0 0 0 0 0 0	43 100 100 0 100 0 0 0 0 100 0 100 0 0	
Willow Grove	12	9	0	0	100	100	
Totals	1,263	1,367	23,727	22,338	33% ³	34%³	

1 Percentage of total volume treated.

2 Salinity levels prohibit reuse by irrigation.

3 Percentage reclaimed is calculated excluding ROS and SWOP volumes.

Volumes of reclaimed water beneficially reused in 2003-04 were similar to the previous reporting period. The extended dry weather has allowed reuse by irrigation to be maximised, particularly at Drouin.

Environmental Performance

Gippsland Water is actively participating in the VicWater/CSIRO National Biosolids Research Program, through the provision and maintenance of a series of experimental plots at Dutson Downs. The program is being undertaken to study the longer term benefits and impacts of the use of biosolids to improve soil quality and crop activity. Information obtained from the research program will be used to establish guidelines for the sustainable reuse of biosolids nationally.

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 2004, Stage 1 restrictions remained in force.

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

- placement of permanent signs at the main entrances of all townships, reminding customers that Stage 1 water restrictions were still in place;
- water supply updates for local television news weather reports, to inform our customers of water storage levels, including 'watersaving tip of the week';
- creation of a Water Patrol team who were highly visible in the community, monitoring restriction compliance and providing 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;
- water-saving tips and restrictions advice in Gippsland Water's customer newsletter Water Words;
- talks and tours for community and school groups, as part of our community education program;
- information about water conservation, water supply updates and rainfall levels on Gippsland Water's website.

Gippsland Water undertook operational changes to minimise unnecessary water loss, including ceasing air scouring of mains over the summer period. Instead, we used this time to upgrade reticulation assets to reduce system losses.

Drought Response Management Plan Supply

The 2003-04 summer started off with good rains over most of Gippsland Water's region, which produced close to average rainfall figures. However, after the January rains there were ten weeks of virtually no rainfall. This caused Gippsland streams and river flows to reduce dramatically, requiring Drought Response Plans to be invoked for the systems outlined below.

The supplies for Warragul, Drouin, Boolarra, Thorpdale and Seaspray were of concern, with the supply for Warragul and Drouin having to be supplemented with water from the Tarago Reservoir.

Moondarra Reservoir dropped quickly over this period to the lowest level since the 1982-83 drought. Also, the Boisdale aquifer which supplies the Sale system was drawn down to a level beyond that previously recorded. Maintenance of the Sale township supply required close monitoring.

The real effect of the Drought Response Plans was to impose sensible water practices to which customers responded positively.

Demand

Level 1 water restrictions for all systems have been in place for over 17 months and have been maintained due to the dry conditions over the 2003 winter and the 2003 and 2004 summers. These restrictions, together with the additional media coverage of the need to have restrictions in Melbourne, have had the effect of reinforcing sensible water use in Gippsland.

An internal Gippsland Water initiative to reduce demand has been the monitoring of leakage from within all systems. Improvements have been put into place to allow better detection and quicker response times when water mains fail. Infrastructure has been installed to marginally reduce excessive system pressures and has had the effect of lowering leakage from both reticulation and service pipes.



Research

Odour Reduction

The issue of odour control on the Regional Outfall Sewer (ROS) 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.

Gippsland Water, in conjunction with a number of chemical suppliers, undertook a series of trials to monitor the impact of increasing the pH of the waste stream with magnesium and sodium hydroxide solutions. Increased pH reduces the formation of hydrogen sulphide gas, the primary contributor to odours along the channel. Results obtained to date indicate that the required elevated pH is difficult to maintain throughout the ROS, and impacts on hydrogen sulphide formation were not as successful as anticipated. Investigations will continue, to determine opportunities to reduce odours in sections of the ROS known to be problematic for odour generation prior to the completion of Stage 1 of the Gippsland Water Factory.

Lake Coleman

Gippsland Water ceased discharging treated wastewater to Lake Coleman in 1992. Since that time, natural processes and rainfall runoff from the catchment have eliminated the colour in the lake. This raises the question of whether nutrients are present in the sediments of the lake and, if so, whether they are likely to be released to the water and cause algal outbreaks.

Gippsland Water and the Gippsland Coastal Board have commissioned the Monash University Water Studies Centre to

undertake a study over two years to determine the circumstances under which a nutrient release could occur, and the likely impact of such a release on the ecosystem health of the lake. While preliminary investigations have commenced, the project has been delayed due to the lake becoming dry in the extended dry period of early 2004. Since becoming refreshed with water in April and May 2004, studies on the lake have recommenced.

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. As this data is reported to the EPA in September of each year, it is not available to publish for the current reporting period; the data reported in Gippsland Water's annual report reflects the previous year's result.

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 13 wastewater treatment and disposal facilities in 2002-03. The following emissions above threshold values were reported to Environment Australia. Data for 2001-02 are included for comparison.

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

46

Environmental Performance



Agribusiness Case Study:

Performance of Farming Activities in Drought Conditions

The 21 months between July 2002 and March 2004 was the driest such period at Dutson Downs since the rainfall record began in 1873.

The 607 mm that fell ranked lower than the 622 mm to March 1915. This severe drought created new challenges for Gippsland Water's agribusiness, which is based at Dutson Downs.

Recognising the deteriorating seasonal conditions in the spring of 2002, a drought management strategy was formulated to reduce cattle numbers, conserve fodder and review herd genetics.

Through the culling of all breeding units failing to return in calf and selectively marketing older cows in calf with inferior genetic potential, the breeding herd was reduced by some 35% in 2003. In the same year, some 1,000 tonnes of fodder was conserved on the farm and used strategically to achieve condition score targets. A review of market opportunities identified genetic improvement potential and the agribusiness committed to a significant investment in new bulls. Large numbers of replacement heifers were joined to these bulls with modern genetics to allow a quick rebound upon an end to the dry conditions.

The drought management strategy has been successful with the livestock investment valuation growing from \$1,469,000 in June 2002 to \$1,479,000 in June 2004 despite continuing strong cash sales. Not only did the drought take its toll on Dutson Downs this year, a serious fire occurred in September 2003. Late in the afternoon of Thursday 4 September, smoke was noticed on a property adjoining the western boundary of Dutson Downs. Gippsland Water staff alerted the Country Fire Authority who attended the property and eventually controlled the fire. Over the course of the next three days, the fire spread to Dutson Downs and consumed some estimated 1,400 hectares of Gippsland Water land, destroying some 8.5 kilometres of fencing and about 80 hectares of pasture.



Fire at Dutson Downs - September 2003



Training and Awareness

To maintain a high level of environmental awareness throughout the organisation, the induction program for new employees and contractors includes information regarding our Environment Management System. The information provided creates an awareness of Gippsland Water's role in protecting the environment, and the roles and responsibilities of the individual within the Environment Management System. The degree of training detail varies depending upon the role of the new employee.

Employees responsible for sample collection receive additional training in water and wastewater sampling procedures, in accordance with the EPA's *Guide to the Sampling and Analysis of Waters, Wastewaters, Soils and Wastes.*

This year, management and operational planning staff received a detailed presentation from the EPA on organisational and individual responsibilities under the *Environment Protection Act* 1970.

Community Consultation

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. These are in addition to a range of other community consultation initiatives such as customer surveys, focus groups and specific market research.

The three committees share very similar charters: to provide the Gippsland Water Board with a range of customer viewpoints; to facilitate communication between the Authority and the community; and to give advice on policies and strategies from a community viewpoint.

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

Environment and Customer Committee

The Environment and Customer Committee continued its consideration of policies and strategies relating to the impact of Gippsland Water operations on the environment, our customers and the community.

The committee met four times during the year, focusing on issues such as the Dutson Downs Resource Recovery Facility, their response to the Green Paper, the role and effectiveness of the committee, the Gippsland Water Factory and the Safe Drinking Water Act. The committee also toured the Traralgon Water Treatment Plant.

As at 30 June 2004 the Environment and Customer Committee comprised:

- · Des Sinnott (Chairperson) Boisdale
- \cdot Maree McPherson Traralgon
- · Francois Vallette Maffra
- · Don Blackley Drouin
- · Peter Smolenaars Sale
- · Jane Gurling Nambrok
- · Tammy Dawson Traralgon
- · Jodie Halliwell Darnum
- · Simon Vanderzalm Churchill
- · Peter Brown Traralgon
- · Drouin representative Alan Wilson resigned in February 2004.

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 2003-04. The committee reviewed the environmental compliance and operational performance of both the McGauran's Beach and Delray Beach Ocean Outfalls.

Additional issues considered during the reporting period included odour trials on the ROS, the proposed Gippsland Water Factory, and preliminary results of toxicity testing of the treated wastewaters discharged via the outfalls.

As at 30 June 2004, the committee comprised:

- · 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
- · Cr Charles McCubbin Sale.

Environmental Performance

Dutson Downs Advisory Committee

The Dutson Downs Advisory Committee (DDAC) was formed in August 2001. The DDAC examines issues relating to past, current and future practices at the Dutson Downs Resource Recovery Facility. The committee is made up of a crosssection of representatives from community groups, tourism bodies, local government and local industries. The DDAC met six times during the year.

The major areas of focus for the committee over the year were:

- Gippsland Water's Expression of Interest to establish a contaminated soils recycling and treatment facility
- · composting and de-sludging trials at Dutson Downs
- Dutson Downs Public Access Policy
- · Lake Coleman Research Project
- · Dutson Downs Environment Improvement Plan.

As at 30 June 2004, the committee comprised:

- Gippsland Regional Waste Management Group/Wellington Shire Council - Cr Peter Garlick (Chairperson)
- · Wellington Shire Council Mr Steven Dickson
- \cdot Wellington Shire Council Cr Charles McCubbin
- · Gippsland Water Mr John Mitchell
- Golden and Paradise Beach Ratepayer's and Resident's Association Inc - Mr Michael Wallwork/Mr Bill Scott
- · Watermark Inc Mr Wally Evans
- · Sale Field and Game Association Mr John Hirt
- · Community Representative Mr John Steel
- · Australian Paper Mr Alan Eagle
- · ESSO Mr Mark Duthie
- · Rosedale Leather Mr Darren Baumgarten
- · EPA Gippsland Region Ms Rebecca McGuigan
- · Victorian Farmers' Federation Mr Richard Crooke
- Department of Sustainability and Environment Ms Tanya Brooker

- Dr Jo McCubbin/Mr Grant Soosalu (Wellington Residents Against Toxic Hazards Inc) tendered their resignation from the committee in July 2003.
- Mr Alan Cooper (Ninety Mile Beach Tourism Committee Inc) tendered his resignation from the committee in August 2003.
- Ms Toni Meek (EPA/Committee Chairperson) tendered her resignation from the committee in March 2004.

Environment Protection and Biodiversity Conservation Act 1999

Gippsland Water did not undertake any projects in 2003-04 that required referral or approval under the Commonwealth *Environment Protection and Biodiversity Conservation Act* 1999.

Dutson Downs Integrated Land Use Management Plan

The Dutson Downs Integrated Land Use Management Plan details Gippsland Water's vision to implement best practice waste treatment and resource recovery technologies within a diverse landscape, which is managed according to the principles of habitat protection and restoration, land rehabilitation and sustainable agriculture.

This year the emphasis has been on the protection of our natural landscape and weed eradication in pastures. In particular, we cleared over 90 hectares of Spiny Rush and completed 15 kilometres of fencing along the fringe of our bush areas. The property is home to the New Holland Mouse, a threatened species under the *Flora and Fauna Guarantee Act 1988*. During September 2003, an area of the mouse's prime habitat was significantly burned by a bushfire; however, a subsequent population survey has confirmed that the mouse still inhabits the area.



Water for the Future

The Water for the Future initiatives of the State Government were adopted in the water industry Green Paper *Securing Our Water Future*, released for public discussion in August 2003. The Green Paper provided a framework for Gippsland Water to consider many of the water resource management issues that were subsequently included in the White Paper *Securing Our Water Future Together*, released in late June 2004.

Regional Catchment Strategy

Gippsland Water was involved in the development of the West Gippsland Regional Catchment Strategy (WGRCS), through active participation in stakeholder workshops, community forums and the provision of peer review of the draft document. We currently await the official launch of the WGRCS, to commence addressing action items specific to our activities, in cooperation with the West Gippsland Catchment Management Authority.

Victorian Biodiversity Strategy

Gippsland Water recently received data from Department of Sustainability and Environment relating to regional rare, endangered and threatened flora and fauna. The data will provide the basis of a GIS-based biodiversity register for identifying the potential for Gippsland Water's operations to impact upon areas of high conservation status.

Victorian River Health Strategy

Gippsland Water was involved in the development of the West Gippsland River Health Strategy Public Exposure Draft, through active participation in stakeholder workshops, community forums and the provision of technical detail. Only one priority activity specific to Gippsland Water was identified: the implementation of a sewerage scheme for Seaspray. Action on this item has already commenced.

Gippsland Water is active in the Gippsland Regional Water Monitoring Program, a cooperative project to ensure that regional water monitoring data are efficiently collected and shared with all stakeholders via the Victorian Water Resources Data Warehouse (http://www.vicwaterdata.net). Four water quality and flow monitoring stations in the Moondarra Reservoir catchment were rehabilitated to become operational in 2004-05 in the regional program.

Victorian Greenhouse Strategy

Greenhouse effect impacts from the water industry are primarily due to energy consumption in water and wastewater reticulation and treatment, and greenhouse gas emissions from wastewater treatment activities. Gippsland Water has undertaken to better understand the sources of these impacts, and introduce abatement measures without impacting upon service level commitments and responsibilities.

Electricity consumption data trends are available online to staff for all key items of plants, such as pumps. This data is analysed to identify better opportunities to manage the energy efficiency of plant operations without affecting service, and to better inform asset managers, particularly when considering upgrade and replacement needs for plants.

While Gippsland Water reports annual net greenhouse gas emissions due to its operational activities, further analysis of the data is required to better understand key operational impacts, in order to identify abatement strategies. Where possible, greenhouse gas emission data will be matched to operational activity to ensure that opportunities for improvement are considered in any improvement works.

Environmental Performance

Case Study

Resource Recovery Facility Case Study:

Case Study

Composting Trials

More sophisticated sewage treatment plants produce sludge waste that is separated from the clear treated liquid. These sludges are rich in organic material, nutrients and, unfortunately, bacteria. There are several options available to further treat sludges but Gippsland Water has committed to composting to produce a safe product with high end-use value.

Composting trials using a blend of sludge and green waste were completed during the year and we are now consistently producing Australian Standard quality compost.

The process begins with mixing chopped, clean green waste with sludge in the right ratio. From there nature takes

its course and decomposer bacteria start breaking down the organic material, liberating enough heat to pasteurise the sludge. The compost needs to be turned and watered to keep the temperature, oxygen and moisture content in the ideal range.

After a few weeks the compost is stable. It has a musty earth-like smell that is in no way unpleasant and is ready to use at Dutson Downs as a soil reconditioner to improve our farm productivity.



Testing the compost temperature and oxygen content during the composting process



Turning the windrow during composting to aerate and cool the pile



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, that 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 and humans, and the interrelation of these elements.

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.

52

SEPP

State Environment Protection Policy

Significant environmental aspect (SEA)

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



Part 5

Economic Performance

Essential Services Commission

Independent economic regulation is guided by a legislative framework. The broad framework is set out in the *Essential Services Commission Act* 2001, the Water Industry Act 1994 as amended by the Water Legislation (Essential Services Commission and Other Amendments) Act 2003 and other water industry specific legislation (including the Water Act 1989, the Metropolitan Board of Works Act 1958, the Melbourne Water Corporation Act 1992 and the Environment Protection Act 1970).

The more detailed regulatory framework is set out within a Water Industry Regulatory Order (WIRO) made by the Governor-in-Council.

The implementation of economic regulation is a key strategic and commercial issue facing Gippsland Water. On 1 January 2004, the Essential Services Commission (ESC) became responsible for the economic regulation of the Victorian water sector. This responsibility involves regulating prices, service standards and conditions of each water business regulated by the *Water Industry Act 1994*. This new regulatory regime is being introduced against a backdrop of prolonged drought and a renewed government policy focus on ensuring the long-term sustainability of Victoria's water resources and the environment.



The introduction of independent economic regulation poses a number of challenges for Gippsland Water, in ensuring that the approach delivers the desired outcomes. These challenges include:

- recognising that the legislative and policy arrangements affecting businesses within the water sector are different and complex, and that the move to independent economic regulation is occurring concurrently with significant policy development and change within the water industry;
- ensuring that the regulatory approach strikes an appropriate balance between customers' needs, financial viability of the business and long-term sustainability of the environment;
- ensuring that the regulatory approach recognises and reflects the diverse nature of the operating environments and services provided by Gippsland Water;
- the need to consult and make decisions on key issues within relatively tight timeframes, including the need to establish new price arrangements to apply from 1 July 2005.

The Essential Services Commission Act outlines the objectives to which the ESC must have regard in undertaking its function across the industry. The primary objective is to protect the long-term interests of Victorian consumers with regard to price, quality and reliability of essential services.

Other objectives include:

- facilitating efficiency, incentives for long-term investment and the long-term financial viability of regulated industries;
- $\cdot\,$ preventing the misuse of market power;
- facilitating effective competition and promoting competitive market conduct;
- ensuring that regulatory decision making has regard to the relevant health, safety, environmental and social legislation applying to the regulated industry;
- ensuring that users and consumers (including low-income and vulnerable customers) benefit from the gains of competition and efficiency;
- promoting consistency in regulation across states on a national basis.

The WIRO sets out the nature of the water services that the ESC regulates in terms of price and service standards. The services include *retail water, retail wastewater, recycled water services, connection services* and services to which *developer charges apply.*

The WIRO also specifies the ESC's functions in terms of these services, which include:

 specifying and approving the price arrangements to apply for each water business for the three-year period commencing 1 July 2005;

- · specifying standards and conditions of service;
- monitoring and publicly reporting on the performance of water businesses;
- auditing compliance with service standards and conditions of service, regulatory information and asset management obligations;
- facilitating the resolution of disputes between water businesses in relation to the supply of storage operator and bulk water, bulk sewerage and bulk recycled water services.

In relation to pricing, a key aspect of the regulatory framework is the requirement for businesses to establish a 'Water Plan' setting out, among other matters, the services that the business will deliver and the proposed prices required to deliver those services over the regulatory period (initially established as a three-year period from 1 July 2005). The WIRO sets out the process and regulatory principles that will guide the ESC in deciding whether to approve the prices proposed within the Water Plan.

Water Plans are aimed at improving transparency by providing customers, regulators and the Minister for Water with a detailed understanding of the price and service impacts of delivering water services over the regulatory period.

The requirement to establish a Water Plan will be set out in a Statement of Obligations that the Minister for Water will issue to each water business. The Statement of Obligations will specify the obligations of the business in performing its functions and exercising its powers. It is expected to outline what the Water Plan must cover, along with the process requirements for consultation and development of the plan.

The Water Plan will then be used by the businesses as a basis for consulting with:

- · customers and other stakeholders in the community
- · relevant regulators
- the Minister for Water for approval of certain outcomes proposed in the plan.

The Water Plan therefore ultimately forms the basis for seeking the ESC's approval of the business's proposed prices in accordance with the requirements of the WIRO. Water Plans for the period 1 July 2005 to 30 June 2008 are required to be submitted to the ESC by 1 September 2004. Following this submission, the ESC will invite the public to consult with them regarding the Water Plan prior to the ESC releasing their draft determination on pricing. Members of the public are then invited to make further comment on the draft decision prior to the ESC releasing the final determination in May 2005.

54

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 the Government;
- from 1 January 2004, the ESC commenced responsibility for ensuring that 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 ESC 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;
- 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.

Capital Investment in System Improvement

Significant investment in major infrastructure projects during 2003-04 included:

- \$1,280,000 for water supply main to International Power Hazelwood
- \$1,000,000 for Warragul WWTP new inlet main and pump station upgrade
- \$610,000 for Customer Information and Billing System
- \$964,000 for Dutson Biosolids (Dredging) and development of Contaminated Soil Treatment and Recycle Plant
- \$540,000 for upgrade of water reticulation network for Water Quality and Customer Charter.

Future Capital Investment

Gippsland Water's expenditure program for the next five years is projected to total \$281 million. The figure below summarises the five-year capital program. The capital program has focused on:

- major water recycling and reuse initiative (Gippsland Water Factory)
- \cdot new water and wastewater treatment plants
- continual upgrades to our water and wastewater treatment facilities
- undertaking capital works at a time they are assessed to be required, to maximise the effectiveness of the investment.

Our five-year capital program includes allowances for the Gippsland Water Factory Stages 1 (\$90m) and 2 (\$100m partial), Seaspray Wastewater (\$6m), Loch Sport Water and Wastewater (\$0.35m partial), Erica-Rawson Water (\$2.1m), RRF Organics Initiative (\$4m) and revised estimates for the International Power Hazelwood dedicated main upgrade (\$2.7m). The most significant difference between the 2003-04 plan and the 2004-05 plan is the inclusion of Stage 2 of the Gippsland Water Factory.





As is the case for many local government and water authorities, most of Gippsland Water's assets were constructed post World War 2 and are now reaching the end of their design lives. This represents a significant funding issue in the future if not dealt with early enough. The figure below provides a summary of our forward capital investment plan which highlights the significant capital investments that will need to be made in the foreseeable future.



56

Business Streams

The operations of Gippsland Water are separated into five discrete 'business streams', each of which is accounted for as a separate operating entity.

These five business streams are:

- · Bulk Water and Bulk Wastewater
- \cdot Water Services
- · Wastewater Services
- Resource Recovery Facility (unregulated)
- · Agribusiness (unregulated).

Water Services

Gippsland Water provides potable water to approximately 58,000 customers across 19 water supply systems. This equates to more than 18 GL/a of potable water suitable for consumption to be supplied to customers. Sixteen of the water supply systems have

dedicated water treatment plants for the removal of unwanted material from the water supply, while three systems provide only disinfected raw water to customers. Each system requires its own specialist technology and skill from various workgroups due to the quality of the initial supply and treatment plant configuration to achieve an acceptable outcome for customers. These water supply systems consist of 1,913 kilometres of water mains, 65 treated water storages and 48 water pump stations.

In total, there are 17 sources of supply for Gippsland Water: Blue Rock Lake, Moondarra Reservoir, Lake Glenmaggie, Tarago Reservoir, Cowwarr Weir, three aquifers and nine direct stream offtakes. Some of these supplies can degenerate quite rapidly to virtually no capacity in extremely dry conditions, yet a unique characteristic of all of the region's supplies is the speed at which they can regenerate back to 100% capacity.

Economic Performance

Wastewater Services

The wastewater services provided to 50,000 customers by Gippsland Water include 1,343 kilometres of sewer main and 172 pump stations in 23 townships. Five of the twelve EPA licensed wastewater treatment systems treat to tertiary level. Five plants discharge to inland waterways (one only in restricted periods of the year); one plant provides beneficial reuse of water for supplementing a reclaimed wetland; one plant discharges to the ocean via an extended outfall; and six of the plants provide reclaimed water for irrigation of farmland and sporting grounds.

In line with our strategic objectives, we are trying to achieve the highest possible environmental standards throughout the waste collection, treatment and disposal parts of the system. Many issues are being addressed simultaneously, including spill minimisation, reduction in nutrient loads, system performance and water reuse.

Bulk Water and Bulk Wastewater

This business stream directly supplies raw water sourced from the Moondarra Reservoir to heavy industry within the Latrobe Valley, including Loy Yang Power, Edison Mission, International Power Hazelwood and Energy Brix power stations, and the Australian Paper mill at Maryvale. Approximately 20% of raw water from this system is drawn off by various other Gippsland Water treatment plants within the region to supply some urban townships (Morwell-Churchill, Traralgon, Tyers, Glengarry and Rosedale) and approximately 130 individual customers for stock and domestic purposes.

The significance of this segment is that over 70% of the total water supplied throughout the region is consumed by five major industrial customers. Such is the demand that, if supply cannot be maintained continuously, then operations on these sites must be significantly curtailed, or cease within 24 hours of supply continuity problems being detected.

This business stream also includes the collection of significant industrial wastewater streams, with the principal flows sourced from heavy industries located within the Latrobe Valley. The significance of this segment is that over 75% of the total saline wastewater collected within the region is sourced from six major industrial customers. Such is the quantity discharged (18 GL pa), if a continuous disposal route cannot be maintained, then operations on these sites must be significantly curtailed, or cease within 72 hours of discharge continuity problems being detected. These industries are serviced by two EPA licensed ocean outfalls, the ROS and the Saline Waste Outfall Pipeline (SWOP).

Agribusiness

The Gippsland Water Agribusiness operates across six broadacre land assets owned or vested in the Authority that support a large mixed farming enterprise. These holdings can be described in terms of Dutson Downs, Eastern Region Irrigation (Maffra, Stratford and Heyfield) and Western Region Irrigation (Drouin and Mirboo North).

Livestock, plantation, grain and fodder production are major activities of the land management business; each provides a complementary function within Gippsland Water's provision of sustainable water and wastewater services at these facilities.

A major strategic review was completed in 2003 to identify future business directions for the agribusiness in the short term. Longerterm plans include the development of significant irrigation practices at Dutson Downs using reuse water sourced from the Gippsland Water Factory. This will create the potential to invest in intensive cropping and feedlot activities, maximising the increased productivity that suitable quality irrigation water can bring. Desalination trials to be undertaken on the current ROS wastewater will allow us to determine the appropriate technical specifications for the Gippsland Water Factory. In addition, it will provide a scientific basis for the most appropriate and economically beneficial use of this water for irrigation purposes.

Resource Recovery Facility

Gippsland Water, at its Dutson Downs site, operates a facility for the treatment of a range of solid and liquid industrial waste streams requiring offsite treatment and disposal. The site is a 350 hectare zone, within the 8000 hectare Dutson Downs property.

Historically, the site was established to dispose of wastes through landfill. In response to increasing community awareness and technical knowledge, we have commenced a redevelopment program for this site that will transform it into a Resource Recovery Facility.

FINANCIAL PERFORMANCE & BUSINESS INDICATORS AS AT 30 JUNE 2004

Part 6 Financial Performance

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 2002-03 financial year, a dividend was not payable during the 2003-04 financial year.

Summary of Financial Results

	2003-04 \$'000	2002-03 \$'000	2001-02 \$'000	2000-01 \$'000	1999-00 \$'000	1998-99 \$'000	1997-98 \$'000	
Core Business Revenue Interest Revenue Government Contributions	45,841 1,000 0	41,449 858	38,459 768 -	37,011 1,317 28	36,505 1,539	35,444 2,129 18	38,670 1,848	
Non Government Contributions Other Revenue (Farm & Gross Proceeds)	6,459 1,478	3,753 1,384	5,261 2,038	1,383 1,937	2,048 2,024	1,605 1,819	2,733 1,389	
	54,778	47,444	46,526	41,676	42,116	41,015	44,640	
Operations & Maintenance Expense Depreciation Expenses Administration Expenses Finance Expenses	25,309 16,201 7,526 49,036	26,136 15,763 6,949 48,848	24,082 14,743 6,750 45,575	22,491 14,969 8,100 45,560	21,188 14,672 8,643 1 44,504	17,546 15,285 9,313 485 42,629	14,303 14,536 9,006 1,529 39,374	
Net Operating Result	5,743	(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;

• Resource Recovery Facility (RRF);

• Agribusiness.



Water Income from Tariffs & Charges



Wastewater Income from Tariffs & Charges



Total Income from all Sources















Financial Performance

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 \$'000	2003 \$'000
Revenues from Ordinary Activities Revenue from Operating Activities	1(b)		
Service Charges - Domestic Service Charges - Commercial Volumetric Charges - Domestic Volumetric Charges - Commercial Income for Capital Purposes Total Operating Revenue	1(b), 3(a) 1(b), 3(a) 3(a) 3(a) 1(b), 3(a)	14,726 12,408 7,590 6,605 6,459 47,788	12,593 11,989 6,653 6,217 <u>3,753</u> 41,205
Revenue from Non-Operating Activities			
Proceeds from Sale of Assets Investment Income Other Revenue	1(b) 1(b) 1(b)	847 1,000 5,142	802 858 4,579
		6,990	0,239
Total Revenues from Ordinary Activities		54,778	47,444
Expenses from Ordinary Activities			
Employee Benefits Sunnliers		12,816 19.066	12,977 18 831
Depreciation	1(d), 3(b)	16,201	15,764
WDV of Assets Sold Total Expenses from Ordinary Activities	1(b)	<u>953</u> 49,035	<u> </u>
Surplus/(Deficit) from Ordinary Activities before Tax		5,743	(1,404)
Income Tax Expense		-	-
Net Result for Operating Period		5,743	(1,404)
Movements in Equity Net (Decrease) in Asset Revaluation Reserve	13	(2,372)	(2,309)
Total movements directly recognised as Equity		(2,372)	(2,309)
Total changes in equity other than those resulting from			
transactions with the Victorian State Government as own	ner	3,371	(3,713)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

	Nete	0004	0000
	Note	\$'000	\$'000
Assets			
Current Assets			
Cash Assets Receivables	1(f), 4 1(q), 5	17,931 5,841	13,441 4,954
Inventories	1(h),6	2,363	2,269
Total Current Assets	0	27,439	21,521
Non Current Assets			
Other Financial Assets	1(i), 7	1,046	1,113
Property, Plant and Equipment	1(d), 9	446,913	450,056
Other	8	843	600
Total Non Current Assets		459,287	457,949
Total Assets		486,726	479,470
Current Liabilities			
Payables Employee Repofits	1(j), 10	6,288	2,786
Total Current Liabilities	ι(N), ΙΙ	7,725	3,973
Non Current Liabilities			
Payables	10	937	937
Total Non Current Liabilities	I(K), II	2,457	2,323
Total Liabilities		10,182	6,296
Net Assets		476 544	473 174
NEL 499619		470,044	473,174
Equity Contributed Capital	1(h) 12	191.385	191.385
Asset Revaluation Reserve	13	277,359	279,731
Accumulated Surplus/(Deficit)	13	7,801	2,058
Iotal Equity		4/6,544	4/3,1/4

Financial Performance

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 \$'000	2003 \$'000
Cash Flows from Operating Activities Cash Receipts in the Course of Operations			
Receipts from Customers Cash Payments in the Course of Operations Wages and Salaries Suppliers and Others		49,472 (12,380) (19,928)	45,896 (12,303) (22,587)
Interest Received Net Cash Provided By Operating Activities	14(b)	986 18,151	844 11,850
Cash Flows from Investing Activities Payments for Property, Plant and Equipment Income for Capital Purposes Proceeds from Sale of Property, Plant and Equipment		(17,517) 2,942 847	(13,612) 1,995 802
Net Cash Used In Investing Activities		(13,728)	(10,815)
Increase / (Decrease) in Investments Net Cash Provided By Financing Activities		67 67	(1,000) (1,000)
Net Movement in Cash		4,490	35
Cash Held Beginning of Year		13,441	13,406
Cash Held End of Year	14(a)	17,931	13,441

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

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 2004.

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 noncurrent, 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 meters are read. Meter reading is undertaken progressively throughout the year. Major Customer's meters are read during the last week of the calendar month.

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.

Financial Performance

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

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 undertakes formal revaluations by experienced independent experts of its non-current assets on a progressive basis, over a five-year period. An asset revaluation was conducted during the 2003/04 financial year.

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 which 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:

<i>Class of Fixed Asset</i> Buildings	<i>Periods</i> 60 years		
<i>Infrastructure</i> Water			
- Storages	150 years		
- Distribution Networks	40 →100 years		
- Treatment Plants	25 → 50 years		
Wastewater			
- Storages	65 → 80 years		
- Distribution Networks	60 → 100 years		
- Treatment Plants	$15 \rightarrow 50$ 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 selfgenerating and regenerating assets.

Sam Paton & Associates Pty, Ltd, Certified Practicing Valuers completed an independent valuation of plantations as at 30 June 2004.

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

Plantation	2003/04	2002/03	
Softwood Pinus Radiata Ha	596.2	778.4	
Softwood Pinus Radiata Valuation	\$797.000	\$530.000	

The major change to the plantation area from 30 June 2003, is the change arising from the September 2003 wildfire in the Dutson area which severely damaged the Eagle plantation. The damaged trees are no longer a biologically growing resource with incrementing annual values, and as a consequence, the Eagle plantation fails to meet the definition of a SGARA asset as defined in the accounting standards.

The substantial uplifts in valuation and annual increment reflect sensitivity to underlying changes to reversionary land values and log stumpage value projects as well as the approaching maturity of the tree crops towards harvest revenues from thinnings.

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 cashflow 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 cashflows. 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 2004.

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

Livestock	2003/04	2002/03
Livestock Numbers	2,506	2,666
Livestock Valuation	\$1,479,200	\$1,415,000

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 was taken into consideration in calculating their net market value.

The improvements in stock quality that have occurred through sire genetics selection and cow herd culling over the past 3-4 years are now creating more opportunities in marketing returns. This has been reflected in the returns of the yearling steers and heifers to the supermarket and feedlot customers. During the 2003/04 year, the livestock market has shown an increase in prices for cattle and this is reflected in the current stock valuation.

(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 Vision Super Pty Ltd Fund (the Fund) established in respect of Local Authorities, as defined in Victoria. Central Gippsland Region Water 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.

Vision Super Pty Ltd - Accumulation Benefit Scheme

The Fund 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.

Other Superannuation Funds

Gippsland Water also contributes to the following superannuation schemes for various members of the organisation:

- Equip Super Fund Permanent Investment Management Ltd
- D & P Keating; and
- DJ & LJ Young Super Fund

Wages, Salaries, and Sick Leave Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave expected to be settled within 12 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.

Financial Performance

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

Annual Leave

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

Long Service Leave

Long service leave expected to be paid within 12 months of the reporting date is recognised in the provision for employee benefits and is recorded as a current liability in the Statement of Financial Position at its nominal value. Long service leave expected to be paid later than one year is recognised in the provision for employee benefits and is measured at the present value of the estimated future cash outflows to be made for these entitlements and recorded as a non-current liability. Consideration is given to expected future employee remuneration rates, employment related on-costs and other factors including experience of employee departures and periods of service. Commonwealth Bond rates are used for discounting future cash flows.

(I) 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) Taxation

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 incurred a \$1,795,727 tax expense during the financial year (2002/03 \$500,411.00 tax loss). There has been no impact in the year ended 30 June 2004 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 realized 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 AAS 3.

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 2004 in respect of tax losses not brought to account is \$21,007,290.

(o) 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 2003/04 financial year based on operating income from 2002/03 year. It is not anticipated that Gippsland Water will be required to pay a dividend on the 2003/04 operating profit as it has not meet the Dividend Policy determination (Note 3d).

(p) 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 cashflows arising from investing and financing activities which is recoverable or payable to the taxation authority is classified as operating cash flows.

NOTE 2 IMPACTS OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

For financial reporting periods beginning on or after 1 January 2005, all Australian reporting entities are required to adopt the financial reporting requirements of the Australian equivalents to International Financial Reporting Standards (IFRSs). Central Gippsland Region Water Authority has taken the following steps in managing the transition to Australian equivalents to IFRSs:

- Commenced activities to identify key issues and the likely impacts resulting from the adoption of Australian equivalents to IFRSs;
- An education process for all stakeholders to raise awareness of the changes in reporting requirements; and
- Reconfiguration and testing of user systems and processes to meet new requirements.

Central Gippsland Region Water Authority has identified a number of changes to the existing accounting policies that would have no material impact on the Authority's financial position and future financial performance on the adoption of the requirements of the Australian equivalents to IFRSs. These include:

- Financial Instruments Recognition and Measurement AASB139 all financial instruments to be marked to market and recorded at fair value in the balance sheet.
- Employee Benefits AASB119 Defined Benefits Superannuation Schemes movements in the net asset position of the scheme will be taken directly to the income statement.
- Income Taxes AASB112 Balance sheet approach introduced whereby deferred tax balances determined by comparing the accounting balance sheet with the tax balance sheet and the concept of permanent differences removed.
- Property, Plant and Equipment AASB116 Revaluation increments and decrements cannot be offset within a class of assets. All decrements should be recognised as an expense where the fair value is lower than the depreciated cost of the asset.

Financial Performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
NOTE 3 STATEMENT OF FINANCIAL PERFORMANCE - DISCLOSURES		
(a) Revenue		
Service Charges Sewerage Charges Trade Waste Charges Water Service Charges	19,843 1,636 21,487 42,966	17,661 1,369 19,790 38,821
Developer Contributions Fees Paid by Developers Assets Received from Developers	2,942 3,517	1,996 1,757
(b) Net Gains and Expenses The surplus (deficit) from ordinary activities includes the following specific net gains and expenses	6,459	3,753
Net Gain (Loss) on Disposal Investments Property, Plant & Equipment	26 (105)	(12) (474)
Expenses Depreciation Buildings Water Infrastructure Wastewater Infrastructure Plant & Equipment Motor Vehicles	163 8,572 5,648 1,338 480	132 8,252 5,420 1,471 489
Total Depreciation	16,201	15,764
Bad & Doubtful Debts	10	103
Superannuation Contributions	1,128	856
Gross Profit from Livestock	568	826
Auditors Remuneration Auditor General for Audit of Financial Statements	38	37
(c) Individually Significant Items (Note 1(k)) Unfunded Superannuation Liability	0	1,171
(d) Dividend Policy (% of Operating Surplus)		
Revenue from Operating Activities Revenue from Non-Operating Activities Less Income for Capital Purposes	47,788 6,990 6,459	41,205 6,239 3,753
Total Revenue from Ordinary Activities (Excl Income for Capital Purposes)	48,319	43,691
Less Expenses from Ordinary Activities Operating Surplus / (Deficit)	49,035 (716)	48,848 (5,157)
Expected Dividend Payable @ 65% Operating Surplus	0	0

	2004 \$'000	2003 \$'000
(e) Income Tax Income Tax Expense for Financial Year differs from amount calculated on the Profit. The differences are reconciled as follows:		
Profit from Ordinary Activities before Income Tax Income Tax calculated at 30%	5,743 1,723	(1,404) (421)
Tax Effect of Permanent Differences: Accounting Depreciation on Non Tax depreciable items Capital Expenditure - non deductible Non Deductible Sundry Expenses Income Tax Adjusted for permanent differences	49 24 0 1,796	40 4 (123) (500)
Benefit of Tax Losses from Prior years Recouped	1,796	(500)
Aggregate Income Tax Expense	0	(O)

NOTE 4 CASH ASSETS

Current Cash on Hand Cash at Bank Deposits at Call Investments

16,347 17,931	12,292 13,441	
48	-	
1,534	1,148	
2	2	

A valuation of investments at 30 June 2004 indicated that the market value of short term deposits and bank bills was \$36,663 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.

NOTE 5 RECEIVABLES

Accrued Interest	56	42
Trade Debtors less Provision for Doubtful Debts	5,740 (60)	4,551 (97)
Total Trade Debtors	5,680	4,454
Accrued Income	106	458
	5,841	4,954

Financial Performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
NOTE 6 INVENTORIES		
Stores at Cost Livestock at Valuation (refer note 1(e)) Total Inventories	884 1,479 2,363	854 1,415 2,269
NOTE 7 OTHER FINANCIAL ASSETS		
Non Current Government Securities - Inscribed Stock Loans to other Authorities Shares at Cost Long Term Investments	6 40 - 1,000 1,046	29 40 44 1,000 1,113
Shares at cost represent four thousand, eight hundred and forty five \$9.00 fully paid ordinary shares in Incitec Pivot Limited disposed of during 2003/04. Long term investment held is an EPA Security Deposit in accordance with EPA Licence ES344.		
NOTE 8 OTHER ASSETS		
Current Private Schemes Unmatured Capital Prepayments Goods & Services Taxation refund due Other	30 594 668 12 1,304	35 238 573 11 857
Non Current Private Schemes Unmatured Capital Plantations (refer note 1(e))	46 797 843	70 530 600

	2,004 \$'000	2003 \$'000
NOTE 9 PROPERTY, PLANT & EQUIPMENT a) Classes of property, plant and equipment		
<i>Land</i>	0	79
At Cost	<u>12,838</u>	13,160
At Independent Valuation	12,838	13,239
Buildings	0	2,805
At Cost	0	(70)
Less: accumulated depreciation	7,508	4,454
At Valuation	0	(211)
Less: accumulated depreciation	7,508	6,978
<i>Water Infrastructure</i>	6,021	43,751
At Cost	(46)	(2,703)
Less: accumulated depreciation	198,110	206,300
At Valuation	(3)	(28,148)
Less: accumulated depreciation	204,082	219,200
Wastewater Infrastructure	4,320	21,523
At Cost	(41)	(1,155)
Less: accumulated depreciation	210,420	201,942
At Valuation	(13)	(19,175)
Less: accumulated depreciation	214,686	203,135
<i>Equipment</i>	9,481	9,150
At Cost	(4,731)	(4,593)
Less: accumulated depreciation	4,751	4,557
<i>Motor Vehicles</i>	3,990	3,754
At Cost	(942)	(807)
Less: accumulated depreciation	3,048	2,947
Under Construction (Work In Progress)	10,485 10,485	6,180 6,180
TOTAL	457,398	456,236

The intent of Depreciated Optimised Replacement Cost Valuation is to assign a current written down value to optimum set of assets required by the business to deliver its prescribed services.

Fair Value being the amounts which assets could be exchanged between willing parties in an arms length transaction based on current prices in an active market for similar properties in the same location and condition.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

NOTE 9

PROPERTY, PLANT & EQUIPMENT (CONTINUED)

b) Movements during the reporting period

	Opening WDV	Additions	Disposals	Revaluation	Adj for Retained Earnings	Depreciation	Closing WDV
Land							
At Cost	79	-	(10)	(69)		-	-
At Independent Valuation	13,160	-	(111)	(211)		-	12,838
	10,209		(121)	(219)	_		12,000
Buildings							
At Cost	2,734	391	-	(3,050)		(74)	-
At Independent Valuation	4,242	-	-	3,355		(89)	7,508
	0,976	391	-	305	-	(103)	7,508
Water Infrastructure							
At Cost	41,048	7,070	(4)	(40,643)		(1,495)	5,976
At Deprival Value	178,152	-	-	27,031		(7,077)	198,106
	219,200	7,070	(4)	(13,612)	-	(8,572)	204,082
	219,200						
Wastewater Infrastructure							
At Cost	20,367	6,024	-	(21,252)		(859)	4,280
At Deprival Value	182,769	-		32,427		(4,789)	210,407
	203,136	6,024	-	11,175	-	(5,648)	214,686
Plant & Eauipment	200,100						
At Cost	4,558	1,387	(7)	151		(1,338)	4,751
	4,558	1,387	(7)	151	-	(1,338)	4,751
N							
Motor Vehicles	2 0/7	1 510	(031)			(480)	3.048
Al OUSI	2,947	1,512	(931)		-	(480)	3.048
		, -				x /	.,
Under Construction	6,180	17,199	(12,895)	-	-		10,485
	6,180	-		-	-	-	10,485
Total property, plant							
and equipment	456,236	16,383	(1,064)	(2,261)	-	(16,201)	457,398

	2004 \$'000	2003 \$'000
NOTE 10 PAYABLES		
Current Accruals Other Creditors Unfunded Superannuation Liability	1,189 4,982 117 6,288	1,850 819 117 2,786
Non Current Unfunded Superannuation Liability	937 937	937 937
NOTE 11 EMPLOYEE BENEFITS		
Current - Annual Leave - Long Service Leave	1,268 169 1 437	1,118 69 1 187
Non Current - Employee benefits - Long Service Leave	1,520 1,520	1,386 1,386
Number of employees at reporting date	198	197
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 Weighted average discount rates Weighted average terms to settlement of the liability (years) 	6.50% 5.26 - 5.91% 13	6.50% 4.58 - 5.10% 12
NOTE 12 CONTRIBUTED CAPITAL		
Opening Balance Government Cash Contributions	191,385	191,385
	191,385	191,385

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
NOTE 13 RESERVES AND ACCUMULATED SURPLUS		
(a) Asset Revaluation Reserves		
Opening Balance Revaluation decrement	279,731 (2,372)	282,039
Transfer to Accumulated Surplus for component of assets sold during the year Transfer to Accumulated Surplus Closing Balance	277,359	(242) (2,067) 279,731
(b) Accumulated Sumlus		
(b) Accumulated Surplus		
Opening Balance	2,058	1,215
Plus Transfer of Asset Revaluation component of assets sold during the year Add transfer from Revaluation Reserve Less Changes in Accounting Policy Adoption	-	242 2,067 (62)
	2,058	3,462
Less Surplus/(Deficit) from Ordinary Activities	5,743	(1,404)
Ciosing Data ice	7,001	2,000
Reconciled to the related items as follows: Cash on Hand Cash at Bank Deposits at Call Short Tarm Investments	2 1,534 48 16 347	2 1,148 -
	17,931	13,441
(b) Reconciliation of net cash provided by operating activities to operating surplus / (deficit)		
Operating Surplus / (Deficit) for Year	5,743	(1,404)
	105	475
LOSS ON SAIE OF FIXED ASSETS		15 760
Loss on Sale of Fixed Assets Depreciation	16,201	10,700
Loss on Sale of Fixed Assets Depreciation Income for Capital Purposes Plantations revenue non-cash	16,201 (6,459) (267)	(3,753)
Loss on Sale of Fixed Assets Depreciation Income for Capital Purposes Plantations revenue non-cash Net Cash provided by Operating Activities before change in Assets and Liabilities	16,201 (6,459) (267) 17,079	(3,753) (57) 11,024
Loss on Sale of Fixed Assets Depreciation Income for Capital Purposes Plantations revenue non-cash Net Cash provided by Operating Activities before change in Assets and Liabilities Changes in Operating Assets and Liabilities	16,201 (6,459) (267) 17,079	(3,753) (57) 11,024
Loss on Sale of Fixed Assets Depreciation Income for Capital Purposes Plantations revenue non-cash Net Cash provided by Operating Activities before change in Assets and Liabilities Changes in Operating Assets and Liabilities (Increase)/Decrease in Debtors	16,201 (6,459) (267) 17,079 (983)	(3,753) (57) 11,024 (30)
Loss on Sale of Fixed Assets Depreciation Income for Capital Purposes Plantations revenue non-cash Net Cash provided by Operating Activities before change in Assets and Liabilities Changes in Operating Assets and Liabilities (Increase)/Decrease in Debtors (Increase)/Decrease in Other Assets (Increase)/Decrease in Inventory and Livestock	16,201 (6,459) (267) 17,079 (983) (328) (94)	(3,753) (57) 11,024 (30) (53)
Loss on Sale of Fixed Assets Depreciation Income for Capital Purposes Plantations revenue non-cash Net Cash provided by Operating Activities before change in Assets and Liabilities Changes in Operating Assets and Liabilities (Increase)/Decrease in Debtors (Increase)/Decrease in Other Assets (Increase)/Decrease in Inventory and Livestock (Decrease)/Increase in Creditors and Provisions	16,201 (6,459) (267) 17,079 (983) (328) (94) <u>4,232</u>	(3,753) (57) 11,024 (30) (53) - 909

NOTE 15 FINANCIAL INSTRUMENTS

(a) Accounting Policy, Terms & Conditions

Recognised Financial Instruments	Accounting Policy	Terms & Conditions
Financial Assets		
Cash assets	Cash on hand and at bank and money market call account are valued at face value	On call deposits returned a floating interest rate of 4.48% (4.48% in 2003)
	Interest is recognised as it accrues	Funds returned fixed interest rate of between 4.48% (4.48% in 2003) and 5.53% (4.70% in 2003) net of fees
	Investments and Bills are measured at cost Investments are held to maximise interest returns of surplus cash Interest revenues are recognised as they accrue	
Trade debtors	Refer Note 1	Receivables are measured at their carrying amount as this approximates net market value.
	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.	General debtors are unsecured and arrears attract an interest rate of 6.70% (7.45% in 2003). 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.	General creditors are unsecured, not subject to interest charges are normally settled within 30 days of invoice receipt.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

Note 15 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:

		Fixed Interest I	Rate maturing in:	Non-interest	Weighted	Total	
Financial Instruments	Floating Interest Rate	1 year or less	Over 1 to 5 years	bearing	average effective interest rate		
	2004 2003 \$'000 \$'000	2004 2003 \$'000 \$'000	2004 2003 \$'000 \$'000	2004 2003 \$'000 \$'000	2004 2003 % %	2004 2003 \$'000 \$'000	

i) Financial Assets

Cash Assets	1,584	1,150	16,347	12,291	-	-	-	-	4.75%	4.75%	17,931	13,441
Receivables - Trade	-	-	-	-	-	-	5,841	4,954	N/A	N/A	5,841	4,954
Other Financial Assets	-	-	-	-	1,046	1,069	0	44	5.48%	5.30%	1,046	1,113
Other Assets	-	-	-	-	-	-	756	689	N/A	N/A	756	689
Total Financial Assets	1,584	1,150	16,347	12,291	1,046	1,069	6,597	5,687	N/A	N/A	25,574	20,197

ii) Financial Liabilities

Trade Creditors & Accruals	-	-	-	-	-	-	7,225	3,723	N/A	N/A	7,225	3,723
Total Financial Liabilities	-	-	-	-	-	-	7,225	3,723	N/A	N/A	7,225	3,723

Note 15 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:

	Total ca as per Finan	rrying amount Statement of cial Position	Aggregate Net Fair Value		
Financial Instruments	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	
i) Financial Assets					
Cash Assets	17,931	13,441	17,894	13,423	
Receivables - Trade	5,841	4,954	5,841	4,954	
Other Financial Assets	1,046	1,113	1,046	1,113	
Other Assets	756	689	756	689	
Total Financial Assets	25,574	20,197	25,538	20,179	
ii) Financial Liabilities					
Payables - Trade Creditors and Accruals	7,225	3,723	7,225	3,723	
Total Financial Liabilities	7,225	3,723	7,225	3,723	

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
NOTE 16 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 - later than five years	68 366 324	73 395 350
	758	818
Capital Commitments		
As at the 30 June the Authority had the following capital commitments:	1,611	2,668
	1,611	2,668

NOTE 17 CONTINGENT LIABILITIES & CONTINGENT ASSETS

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

NOTE 18 SUPERANNUATION

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

- Vision Super
- Vision Super Defined Benefit Plan
- Equip Super Fund
- Permanent Investment Management Ltd
- D & P Keating
- DJ & LJ Young Super Fund

Contribution details are shown in the following table:

	Type of Scheme	Contribution Rate	2004 \$'000	2003 \$'000	
Vision Super - Defined Benefits (Employer)	Defined	9.25 - 15.25%	311	325	
Vision Super - Defined Benefits (Employer Salary Sacrifice)	Defined	9.25 - 15.25%	67	3	
Vision Super - Supersaver (Employer)	Accumulation	9%	591	528	
Vision Super - Supersaver (Employer Salary Sacrifice)	Accumulation	9%	151	128	
Equip Super Fund	Accumulation	9%	5	3	
Permanent Investment Management Ltd.	Accumulation	9%	1		
D & P Keating	Accumulation	9%	1	1	
DJ & LJ Young Super Fund	Accumulation	9%	1	1	
			1 1 28	856	

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

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

The Authority is not liable for any unfunded liability in respect of the above employer sponsored defined benefits superannuation schemes.

NOTE 19 RESPONSIBLE PERSON'S RELATED DISCLOSURES

a) Responsible Persons

The names of persons who were responsible persons at anytime during the financial year were: - The Hon John Thwaites MP - Minister for Water (1 July 2003 - 30 June 2004) - John Mitchell - Chief Executive Officer

Board Members

Richard Elkington (Chairman) Lorraine Bartling (1 July 2003 - 30 September 2003) Jay Bonnington David Claxton (1 July 2003 - 30 September 2003)

Pamela Keating Lisa Proctor Leah Young Alan Seale (1 October 2003 - 30 June 2004) Anthony Flynn (1 October 2003 - 30 June 2004)

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

Remuneration received, or due and receivable from the Authority
in connection with the management of the Authority (includes
terminationpayments and bonuses paid at the end of contracts).

2004	2003
\$'000	\$'000
103	109

The number of responsible persons whose remunderation from the authority was within the specified bands are as follows:

Income Band (\$'s)	Total Rem 2004 - No	uneration 2003 - No	Base Rei 2004 - No	nuneration 2003 - No
0 - 9,999	4	-	4	-
10,000 - 19,999	4	6	4	6
20,000 - 29,999	1	1	1	1
180.000 - 189.999	I	I	1	1
190,000 - 199,999				
200,000 - 210,000	1	1		
Total Numbers	10	8	10	8
Retirement benefits of responsible persons	<u>6</u>		2004	2003
The retirement benefits paid by the Author	itv in connectio	on with the	\$.000	\$.000
retirement of responsible persons of the A	uthority amoun	ited to:	8	9

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 offers, other than responsible persons, whose total remuneration falls within the specified bands above \$100,000 are as follows:

Income Band (\$'s)	Total Ren 2004 - No	nuneration 2003 - No	Base Rei 2004 - No	muneration 2003 - No	
100,000 - 109,999 110,000 - 119,999 120,000 - 129,999 130,000 - 139,999 140,000 - 149,999 150,000 - 159,999 160,000 - 169,999 170,000 - 179,999	1 1 1	1 1	2 1	1 1	
Total Numbers	3	2	3	2	
Total remuneration for the reporting period of executive officers included above amounted to (\$000's):	449	313	402	278	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

NOTE 20 EVENTS OCCURRING AFTER BALANCE DATE

Responsible persons of the Authority are unaware of any events that have occurred after balance date, will materially affect the financial position disclosed as at 30 June 2004.

NOTE 21

SEGMENT INFORMATION - WHOLESALE / RETAIL

	Wholesale	e Operations	Retail	Operations
Statement Of Financial Performance	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from Ordinary Activities Bulk Water Sales -Urban Retail	1.868	1.804	• • • •	-
Retail Service Charges Betail Usage Charges	- -		27,085 12,406	24,557 11 101
Other Revenue	1 969	- 1 904	13,419	9,982
	1,000	1,004	52,910	45,040
Expenses from Ordinary Activities				
Operations and Maintenance Administration	994 287	1,007 257	24,315 7,239	25,130 6,692
Depreciation	588	540	15,614	15,223
Iotal Expenses from Ordinary Activities	1,808	1,804	47,107	47,045
Net Operating Deficit from Ordinary Activities	-	-	5,743	(1,405)
Net Profit / (Deficit)	-	-	5,743	(1,405)
Statement Of Financial Position Assets				
Cash Assets Other Financial Assets	2,015	1,264	15,916	12,177
Property, Plant and Equipment	26,718	27,230	430,680	429,006
Other Assets Total Assets	928 29.661	892 29.386	9,423 457.066	7,788 450.085
			,	
Liabilities				
Provisions & Payables Total Liabilities	406 406	301 301	9,777 9.777	5,996 5,996
			-,	-,
Statement Of Cashflows				
Capital Flows from Investing Activities Capital Flows from Financing Activities	(46)	(294)	(13,682) 67	(10,521) (1,000)
				(.,)

Intersegment transactions totalling \$1,868,429.72 have been eliminated upon preparing the consolidated annual financial statements of the Authority.

NOTE 22 OPERATING RESULTS OF RETAIL SERVICES

The revenue from and results of services within Retail Operations were:

	Uı Water	rban [.] Supply	Rı Water	ıral Supply	Waste	ewater	Oth	er	Total R Operat	letail tions
	2003/04 \$000's	2002/03 \$000's	2003/04 \$000's	2002/03 \$000's	2003/04 \$000's	2002/03 \$000's	2003/04 \$000's	2002/03 \$000's	2003/04 \$000's	2002/03 \$000's
Revenue Sales - External Inter Service Sales Unallocated Revenue	25,802	21,909			21,928	19,213	5,180	4,518	52,910 0 0	45,640 0 0
Total Revenue	25,802	21,909	0	0	21,928	19,213	5,180	4,518	52,910	45,640
Service Result	9,791	4,805			8,334	7,339	(12,383)	(13,548)	5,743	(1,404)
Add: Unallocated Revenue Less: Unallocated Expense	es								0 0	0 0
Operating Surplus / (De	ficiency) f	rom Retai	l Operatio	ons					5,743	(1,404)

CENTRAL GIPPSLAND REGION WATER AUTHORITY

We certify that the financial statements of the Central Gippsland Region Water Authority for the period ended 30 June 2004 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 2003 to 30 June 2004 and the financial position of the Authority as at 30 June 2004.

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

Alaber

Unter.

Richard Elkington Chaim Central Gippsland Region Water Authority

John Mitchell Accountable Officer Central Gippsland Region Water Authority

Dated the twenty-seventh day of August 2004



AUDITOR-GENERAL'S REPORT

To the Members of the Parliament of Victoria, responsible Ministers and Members of the Board of the Central Glappaland Region Water Authority Audii Scope

Audit Scope The recompanying financial report of the Central Gippiland Region Water Authority for the financial year ended 30 June 2004, comprising statement of financial performance, statement of financial position, statement of eash flows and nutes in the financial statements, has been audited. The Members of the Board are responsible for the preparation and presentation of the financial international information (constants, Au independent audit of the financial report has been eatred out in order to expects an opnion on at to the Members of the Parlianceti of Vectoria, cosponsible Ministers and Members of the Board as required by the Audit Act 1994

the *shall has been* conducted in accordance with Australian Auditing Standards in provide reasonable saturative as to whether the financial report is free of material inistatement. The audit procedures included in examination on a test trans, of evidence supporting the amounts and other discloares in the financial report, and the evaluation of accounting policers and superface at accounting estimates. These procedures have been undertaken to form an optimers and superface at accounting standards and other mandstery professional report is presented fairly in accountance with Accounting Standards and other mandstery professional reporting requirements in Australia, and the financial reporting requirements of the *Financial reporting* requirements in Australia, and the financial reporting requirements of the *Financial* Automative to the superson as view which is consistent with my understanding of the Authority's financial position, and its financial performance and cate thems.

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

Audit Opinion

A your separate In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Austabias and the financial reporting requirements of the Financial Munagement dct 1994, the financial position of the Central Gippeland Region Water Authority as a 10 June 2004 and its financial performance and cash flows for the rest then redde.

Wate, Wate, All J. CAMEF -Gr W. CAMERON

MELBOURNE 15 September 2004

Victoria Anditor-General's Office Level 34, 140 William Scott, Melloum: Victoria 3000 Teleptine (33) 8011 7030 Leos title (53) 860, 2010 Estad, commentaja azda vicanovan. Webnie www.melt ou gov.au

Andrew in the Public Interest

82

Performance Indicator	2003/04 Target	2003/04 Result	% Variance	Notes
PART 1 - FINANCIAL PERFORMANCE INDICATORS				
Long Term Profitability (Return on Assets)				
Earnings before interest <u>and tax and after abnormals x 100</u> Average total assets	0.01	-0.15	16%	(1)
Owner's Investment (Return on Equity)				
<u>Operating profit after tax x 100</u> Average total equity	0.01	-0.15	16%	(2)
Long Term Financial Viability (Debt to Equity)				
<u>Debt x 100</u> Total equity	0	0	0%	
Liquidity and Debt Servicing (Interest Cover)				
Earnings before interest <u>and tax and after abnormals x 100</u> Gross interest expense	0	0	0%	
OPERATING EFFICIENCY INDICATORS (\$/ML)				
Water supply/wastewater collection				
Operations, maintenance and administration expenses per ML transported or treated to be provided for each of: Water Supply Bulk Water Supply Reticulation Water Supply Treatment Sewerage Reticulation Sewerage Treatment	33.34 572.26 250.85 434.83 981.0	29.86 447.70 321.31 465.66 1,010.3	-10% -22% 28% 7% 3%	(3) (4) (5) (6) (7)

(1) Operating revenues down to lost revenue because of continual water restrictions. (2) Operating revenues down to lost revenue because of continual water restrictions.
 (3) Reduced costs but transported more water due to drought conditions.

(4) Reduced costs in this area to partially offset revenue losses.

(5) Increase in chemical and maintenance costs in treatment due to the drought.

(6) When reviewing the data for the targets it was found that the ML transported along the Regional Outfall Sewer (ROS) were included twice, that is the flows from the Rosedale Meter, Fulham Prison and Sale were added to the final figure that

was received at Dutson Downs. The target therefore should have been 18966 rather than 30816 as reported in the Corporate Plan Database with the variance being 7%.

(7) When reviewing the data for the targets it was found that the ML treated along the Regional Outfall Sewer (ROS) were included twice, that is the flows from the Rosedale Meter, Fulham Prison and Sale were added to the final figure that was received at Dutson Downs. The target therefore should have been 6116 ML rather than 11150 ML as reported in the Corporate Plan Database with the variance being 3%.

Performance Indicator	2003/04 Target	2003/04 Result	% Variance	Notes
PART 2 - SERVICE DELIVERY PERFORMANCE INDICATOR	RS - GENERAL			
RELIABILITY OF SUPPLY - URBAN SUPPLIES				
1. Properties Interrupted Ratio				
Number of properties that <u>experienced a service interruption x 100</u> Total properties receiving water	29.3%	19.0%	-35%	(8)
2. Interruption Time (Hours)				
Average time taken in hours to restore an interrupted service	2.1	2.6	24%	(9)
Total number of confirmed sewer overflows Kilometres of sewerage mains/100 SYSTEM Churchill/Boolarra/Yinnar Drouin Glengarry /Toongabbie Heyfield Maffra Mirboo North Moe/Newborough/ Trafalgar/ Yarragon Morwell Neerim South Rawson Rosedale Sale Stratford Traralgon Warragul	2.3 2.9 0.0 4.4 12.1 23.4 9.1 5.3 10.0 16.9 0.0 3.8 0.0 5.0 11.6 55.6	5.7 16.2 3.3 22.3 15.5 0.0 12.1 12.4 0.0 0.0 0.0 5.5 0.0 9.7 25.4 13.2	148% 459% 0% 407% 28% -100% 33% 134% -100% -100% 0% 45% 0% 94% 119% 76%	(10) (11) (12) (13) (14) (15) (16) (17) (18) (19) (20) (21) (22) (23)
Yallourn North	15.7	23.6	50%	(24)

- (8) GW has had slightly more water main breaks due to climatic conditions the drought causing ground to dry out and the AC pipes started cracking. Some works that would have been undertaken during planned shutdowns were undertaken when main break repairs were being undertaken.
- (9) During 2003/04 there were a number of main breaks under major intersections (Warragul and Stratford) which necessitated the works being undertaken during low traffic periods resulting in longer than expected interruption times.
- (10) With the extended period of drought across the organisation there has been an increase of tree root invasion into most of the sewer networks as trees "look" for water, resulting in an increase in sewer overflows. Churchill is the only town that has experienced sewer overflows, 50% of these due to tree root invasion and the other due to unknown sources/reasons.
- (11) 70% of Drouin's overflows were due to tree root invasion into the sewer system.
- (12) There was only one sewer overflow in Toongabbie during the year as a result of tree root invasion into the sewer.
- (13) The majority of the sewer overflows occurred prior to the commencement of the sewer cleaning program since the cleaning was completed in February 2004 there have been no further overflows.
- (14) Sewer Cleaning program commenced in Maffra in January, since commencement of this there have been no overflows recorded.
- (15) The target data for this site was based on the previous 12 months where there were four (4) sewer overflows equating to 23.4 s the target. During the 2003/04 year no overflows occurred in the Mirboo North System.
- (16) Over 50% of overflows within the system were attributed to tree root invasion. Sewer Cleaning has occurred in this system and it is believed that due to the drought conditions that have been experienced over the past 12 months that trees have been invading the sewer system to find water.(17) Sewer overflows in Morwell were due in the main to high water ingress during wet weather conditions (9 overflows) and foreign material getting into the
- (1) Sewer overhows in houwer were due in the main to high water ingress during were weather conditions (9 overhows) and lotergin material getting into the sewer system (10 overhows). Sewer cleaning resulted in tree root invasions reducing to only 1 for the year.
- (18) Neerim South had a target of one (1) overflow for the year throughout their reticulation system of 10kms which equates to 10 overflows per 100km (10%). No overflows occurred.
- (19) Rawson had a target of one (1) overflow for the year which was consistent with the previous year. There are only 6 kms of reticulation mains which equates to 16.9 overflows per 100km. During 2003/04 no overflows occurred within the system.
- (20) Tree root invasion (45% of overflows) of the sewers in Sale has been an ongoing problem which has led to an increase in overflows. Sale has also experienced an increase in fat build-up (45% of overflows) within the sewers leading to overflows. The GMA Sewer Cleaning program is due to commence in Sale late 2004/05.
- (21) Over 60% of Traralgon's overflows were due to tree root invasion into the sewer system occurring in the first half of the financial year. By March 2004 sewer cleaning had been completed with a dramatic reduction in overflows occurring (3 in the last six months compared with 15 in the first 6 months).
- (22) Over 50% of Warragul's overflows were due to tree root invasions during the year. The cleaning of Warragul's sewers is due to commence in July 2004.
- (23) Willow Grove had only 1 sewer overflow for the year due to some form of foreign matter getting into the sewer system. The target was for 2 overflows.
- (24) All overflows were due to tree root invasion into the sewer system and occurred prior to the sewer cleaning in February 2004.

Performance Indicator	2003/04 Target	2003/04 Result	% Variance	Notes
PART 3.1- SERVICE DELIVERY PERFORMANCE INDICATORS	- WATER			
Bacteriological Quality of Potable Water Supplied to Customers (by town or supply zone)				
Number of samples having zero E.coli and zero coliforms x 100 Total number of samples				
Boisdale Boolarra Briagolong Churchill Coongulla / Glenmaggie Cowwarr Drouin Erica Glengarry Heyfield Jumbuk Maffra Mirboo North More Morwell Neerim South Newborough Neore Rawson Rokeby / Buln Buln Rosedale Sale / Wuruk Seaspray Stratford Thorpdale Toongabbie Trafalgar Trafalgar Trafalgon Traralgon South / Hazelwood North Tyers Warragul Yallourn North Yarragon	100 100 100 100 100 100 94 100 100 100 100 100 100 100 100 100 10	100 100 92 100 98 98 74 100	0% 0% -8% -2% -2% -2% -21% 0% 0% 0% -8% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0%	(25) (26) (27) (28) (29) (30) (31) (32)
Yinnar	100	92	-8%	(33)

(25) December 2003 - contaminated sampling tap. Sampling tap cleaned thoroughly and all subsequent re-samples were clear.

(26) December 2003 - Coliforms detected at one site. High turbidity water was a result from storm events in the catchment contributed to biofilm and dirty water in the reticulation in this untreated water supply system.

(27) August 2003 - Total coliforms detected in the presence of adequate chlorine residuals. Flushing carried out. Re-samples clear.

(28) From September 2003 - January 2004 and in March 2004 - Total coliforms detected in monthly routine samples were high. A Boiled Water Alert was implemented for Erica in December 2003. A chlorinator was installed in May 2004 to enable the Boiled Water Alert to be lifted by DHS and total coliforms reduced to meet our compliance requirements.

(29) December 2003 - contaminated sampling tap. The sampling tap was cleaned thoroughly and all subsequent resamples were clear.

(30) From October 2003 - March 2004 - Total coliforms detected in monthly routine samples were high. During December 2003 - Ecoli was also detected. A Boiled Water Alert was issued in December 2003 and lifted on the 6 May 2004. The water supply is now disinfected with chlorine rather than chlorine dioxide and is meeting GW's compliance requirements.

(31) February 04, March 04 - Ecoli detected in High Level System due to recontamination of high level tank by wildlife activity. Boil Water Alert issued 18/2/04. Source and entry point of contamination identified and repaired. Boil Water Alert lifted 27/2/04.

(32) During December 2003 - Total coliform counts detected in the presence of adequate chlorine residuals. New samples were undertaken and they resulted in the system meeting compliance requirements.

86

(33) December 2003 - Contaminated sampling tap. Sampling tap cleaned thoroughly and all subsequent re-samples were clear.

Performance Indicator	2003/04	2003/04	% Variance	Notes
	larget	Result		
PART 3.2 - SERVICE DELIVERY PERFORMANCE IND	CATORS - WATER			
Physico-Chemical Quality of Water Supplied to Custo for Turbidity, Colour and pH Level (by town or supply zone)	omers			
1. Turbidity				
Number of samples meeting guidelines for turbidity x 100 Number of samples tested				
Boisdale	100	100	0%	
Boolarra	100	100	0%	
Briagolong	100	100	0%	
Churchill	100	100	0%	
Coongulla / Glenmaggie	100	100	0%	
Cowwarr	100	100	0%	
Drouin	100	100	0%	
Erica	100	100	0%	
Giengarry	100	100	0%	
Heylield	100	100	0%	
JUMDUK	100	100	0%	
Malifa Midaas Nada	100	100	0%	
Mag	100	100	0%	
Monual	100	100	0%	
Noorim South	100	100	0%	
Newborough	100	100	0%	
Nooiee	100	100	0%	
Rawson	100	100	0%	
Rokeby / Buln Buln	100	100	0%	
Rosedale	100	100	0%	
Sale / Wurruk	100	100	0%	
Seasprav	100	100	0%	
Stratford	100	100	0%	
Thorpdale	100	100	0%	
Toongabbie	100	100	0%	
Trafalgar	100	100	0%	
Traralgon	100	100	0%	
Traralgon South / Hazelwood North	100	100	0%	
Tyers	100	100	0%	
Warragul	100	100	0%	
Yallourn North	100	100	0%	
Yarragon	100	100	0%	
		100		

Performance Indicator	2003/04 Target	2003/04 Result	% Variance	Notes
PART 3.3 - SERVICE DELIVERY PERFORMANCE INDICAT	ORS - WATER			
2. Colour				
Number of samples meeting guidelines for colour x 100 Number of samples tested				
Boisdale Boolarra Briagolong Churchill Coongulla / Glenmaggie Cowwarr Drouin Erica Glengarry Heyfield Jumbuk Maffra Mirboo North Moe Morwell Neerim South Newborough Noojee Rawson Rokeby / Buln Buln Rosedale Sale / Wuruk Seaspray Stratford Thorpdale Toongabbie Trafalgan Traralgon South / Hazelwood North Tyers Warragul Yallourn North Yarragon	100 100 100 100 100 100 100 100 100 100	100 100 100 100 100 100 100 100 100 100	0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0	
Yinnar	100	100	0%	

Performance Indicator	2003/04	2003/04	% Variance	Notes
	Target	nesuit		
PART 3.4 - SERVICE DELIVERY PERFORMANCE INDICAT	ORS - WATER			
3. pH level				
Number of samples meeting guidelines for pH x 100				
Number of samples tested				
Boisdale	100	100	0%	
Boolarra	100	100	0%	
Briagolong	100	100	0%	
Churchill	100	100	0%	
Coongulla / Glenmaggie	100	100	0%	
Cowwarr	83	100	20%	(34)
Drouin	100	100	0%	
Erica	100	92	-8%	(35)
Glengarry	100	100	0%	
Heyfield	100	100	0%	
Jumbuk	100	100	0%	
Maffra	100	92	-8%	(36)
Mirboo North	100	100	0%	
Moe	100	100	0%	
Morwell	100	100	0%	
Neerim South	100	100	0%	
Newborough	100	100	0%	
Noojee	100	100	0%	
Rawson	100	67	-33%	(37)
Rokeby / Buln Buln	100	100	0%	
Rosedale	100	100	0%	
Sale / Wurruk	100	100	0%	
Seaspray	100	100	0%	
Stratford	100	100	0%	
Thorpdale	100	100	0%	
Toongabbie	100	100	0%	
Trafalgar	100	100	0%	
Traralgon	100	100	0%	
Traralgon South / Hazelwood North	100	100	0%	
Tyers	100	100	0%	
Warragul	100	100	0%	
Yallourn North	100	100	0%	
Yarragon	100	100	0%	
Yinnar	100	100	0%	

(34) Targeted for 10 out of 12 samples to meet compliance requirements. This was based on the tablet dispensing system that had been in place during the 2002/03 year. A new chlorinator was installed during the year which has resolved the pH issue in this system.
(35) During January 2004 GW was required to increase disinfection dosing due to the Boil Water Alert. This resulted in pH levels being just below compliance limit. With the lifting of the Boil Water Alert and the installation of the new chlorinator GW is now meeting its compliance requirements.
(36) During May 2004 - there was a pH correction failure at Maffra WTP. Cause of failure has since been identified and repaired with the system now monther opposition.

meeting compliance.
(37) From January 2004 - March 2004 - pH level just below limit due to raised disinfection addition resulting from Boiled Water Alert. During August 2003 - pH levels slightly below compliance due to pH correction malfunctioning at dosing site.

ENVIRONME 40% 0% 58% 33%	ENTAL 43% 0% 100% 100%	8% 0% 72% 203%	(40) (41)
40% 0% 58% 33%	43% 0% 100% 100%	8% 0% 72% 203%	(40) (41)
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208% 0% 0%	0% 0% 0%	-100% 0% 0%	(47)
0% 0%	0% 0%	0% 0%	(49)
279% 100% 0%	0% 100% 0%	- 100% 0%	(48)
0% 0% 100%	0% 0% 97%	0% 0% -3%	
	8% 0% 0% 0% 0% 61% 208% 0% 0% 0% 0% 0% 0% 279% 100% 0% 0% 0%	8% 100% 0% 0%	8% 100% 1150% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 90% 100% 11% 0% 0% 0% 90% 100% 11% 0% 0% 0% 61% 100% 64% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0%

(40) GW can only have 0 or 100% reuse at any facility under its current licence conditions with EPA - with the exception being Drouin where plant requires winter discharge to waterways because of local climatic conditions (high rain fall). In establishing the target the "Volume of Effluent Produced" was incorrectly interpreted as Volume received at the plant prior to treatment.

(41) Target should have been 100% - full reuse achieved.

(42) Target should have been 100% - full reuse achieved.

(43) Target should have been 100% - full reuse achieved.

(44) Target should have been 100% - full reuse achieved. Beneficial reuse to Morwell River Wetlands.

(45) Target should have been 100% - full reuse achieved.

(46) Target should have been 100% - full reuse achieved.

(47) Currently being dewatered whilst further investigation is being carried out with the EPA on contaminants within the sludge and appropriate reuse applications determined.

(48) During 2003/04 it was planned that the sludge would be dredged however after draining the lagoon it was discovered that dredging was not required until at least the 2005/06 year.

Performance Indicator	2003/04 Target	2003/04 Result	% Variance	Notes
PART 6 - WATER SERVICES AGREEMENT STANDARDS				
1. Restoration of water supply				
Number of unplanned interruptions <u>restored within 5 hours x 100</u> Total unplanned interruptions	98.6	99.4	1%	
2. Containment of Sewer Spillages				
Number of sewer spillages (priority 1 and 2) <u>contained within 5 hours x 100</u> Total sewer spillages	97.9	97.4	0%	

Performance Indicator	2003/04 Target	2003/04 Result	% Variance	Notes		
PART 7 - PERFORMANCE INDICATORS - CUSTOMER COMPLAINTS						
1. Water Quality Complaints						
<u>Number of water quality complaints</u> Number of water customers/1000	2.94%	3.28%	12%	(49)		
2. Water Supply Reliability Complaints	2.0 1/0	0.2070	1270	(10)		
Number of water supply reliability complaints Number of water customers/1000	1.38%	0.75%	-46%	(50)		
3. Sewerage Service Quality & Reliability Complaints						
Number of sewerage service quality & reliability complaints Number of sewerage customers/1000	0.50%	0.53%	5%			
4. Affordability Complaints	010070	0.0070	0,0			
<u>Number of affordability complaints</u> Number of water customers/1000	0.50%	0.07%	-86%	(51)		
5. Other Complaints	0.0070	0.0170	0070	(01)		
<u>Number of all other complaints</u> Number of water customers/1000	0.50%	0.20%	-59%	(52)		

(49) From September - December 2003 water quality trials were conducted in Sale to find a solution to the taste and odour issues (28 complaints in November from Sale). This led to an increase in the number of complaints during this period. Once the trial was completed, the number of complaints dropped off in Sale.

(50) A lot of work has been undertaken in the Field Operations area in relation to Customer Notifications prior to a shutdown of the water system occurring. These new procedures have significantly reduced the number of water supply reliability complaints.

(51) Due to the proposed significant tariff increase (17%) for the 2003/04 financial year, GW was required to conduct detailed customer consultation prior to the new tariffs being implemented. This resulted in our customers being fully aware of the impact prior to receiving their first account for the financial year ultimately resulting in fewer affordability complaints.

(52) GW has invested a lot of time training customer service staff in dealing with customer enquiries. GW has a number of outsourced contracts that require contractors to meet stringent KPI's relating to work on our infrastructure which impacts on our customers. These initiatives have both led to a reduction in customer complaints.



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PERFORMANCE STATEMENT FOR 300344

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Dated the texts day of September 2004

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AUDITOR GENERAL VICTORIA

AUDITOR-GENERAL'S REPORT To the Menthets of the Parliament of Victoria, responsible Ministers and Members of the Board of the Central Gippshald Region Water Authority

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MILLBOURNE 4 October 2004

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Part 8

Disclosure Index

The Annual Report of the Authority is prepared in accordance with all relevant Victorian legislations. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

Legislation	Requirement	Page reference	
MINISTERIAL DIRECTIONS Report of Operations Charter and Purpose FRD 22	Manner of establishment and the relevant Ministers	4	
FRD 22 FRD 22	Objectives, functions, powers and duties Nature and range of services provided	4 7	
Management and Structure FRD 22	Organisational structure	12	
Financial and Other Information			
FRD 22	Statement of workforce data and merit and equity	13	
FRD 22	Summary of the financial results for the year	58	
FRD 22	Significant changes in financial position during the year	80	
FRD 22	Operational and budgetary objectives and performance against objectives	83-95	
FRD 22	Major changes or factors affecting performance	83-95	
FRD 22	Subsequent events	n/a	
FRD 22	Application and operation of Freedom of Information Act 1982	20	
FRD 22	Compliance with building and maintenance provisions of Building Act 1993	20	
FRD 22	Statement on National Competition Policy	20	
FRD 22	Application and operation of the Whistleblowers Protection Act 2001	21	
FRD 22	Details of consultancies over \$100,000	20	
FRD 22	Details of consultancies under \$100.000	20	
FBD 12	Disclosure of major contracts	20	
FBD 22	Statement of availability of other information	20	
FRD 22	Occurational health and safety	31	
FRD 10	Diedoeuro indov	06	
FRD 25	Victorian Industry Participation Policy disclosures	20	
Financial Statements			
Financial statements required und	ler Part 7 of the FMA		
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	63	
SD 4.2(c)	Compliance with Ministerial Directions	63	
SD 4.2(d)	Rounding of amounts	63	
SD 4.2(c)	Accountable officer's declaration	82	
SD 4.2(f)	Model Financial Report	60	
SD 4.2(b)	Statement of financial performance	60	
SD 4.2(b)	Statement of financial position	61	
SD 4.2(b)	Statement of cash flows during the year	62	
Other disclosures in notes to the	financial statements		
FRD 11	Disclosure of ex-gratia payments	n/a	
FRD 21	Responsible person and executive officer disclosures	79	
FRD 23	Superannuation liabilities and disclosure	78	
Legislation			
	Freedom of Information Act 1982	20	
	Building Act 1983	20	
	Whistleblowers Protection Act 2001	21	
	Victorian Industry Participation Policy Act 2003	20	

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