

GIPPSLAND WATER

Annual Report

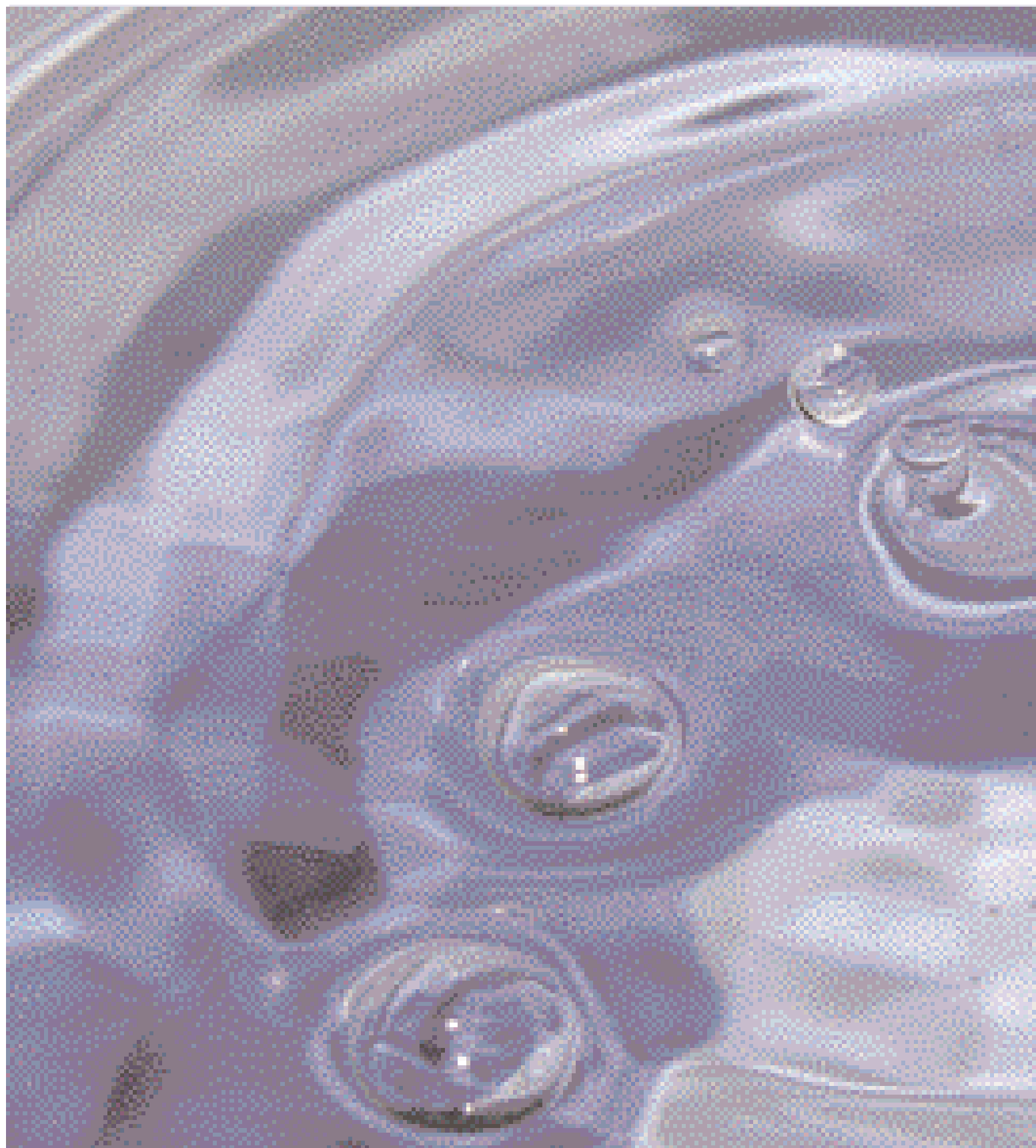


Incorporating the 2004-05 Sustainability Report
and Financial Statements

04-05



Contents



Contents

Part 1: Introduction and Overview

Highlights of the Year	2
Profile of Gippsland Water	3
Gippsland Water at a Glance	3
Joint Message from the Chair and CEO	4

Part 2: Strategy and Governance

Our Purpose	6
Our Vision	6
What We Value	6
Gippsland Water's Strategic Plan	7
Strategic Planning and Staff Performance	9
Profile of the Board	10
Director Attendances at Board and Committee Meetings	11
Audit Committee	12
Safety, Health and Environment Committee	12
Executive Remuneration Committee	12
Case Study - Gippsland Water Factory	13
Organisational Structure	14
Gippsland Water Factory	15
Technical Review Committee	15
Corporate Key Performance Indicators	16
Privacy	18
Freedom of Information	18
Information Prepared and Available	18
National Competition Policy	18
Building Act 1993	18
Pecuniary Interest	18
Victorian Industry Participation Policy	18
Consultant Services and Reviews	19
Overseas Travel	19
Whistleblowers Protection Act 2001	19
Water Industry Benchmarking	19
Risk Management	19

Part 3: Social Performance

Our Customers	20
Customer Charter	20
Customer Relationship Management	20
Cultural Diversity	20
Community Service Obligations	21
Community Sponsorship	21
Community Education	22
Management of Social and Economic Impacts	22
Our People	23
Workplace Excellence Award	23
Organisational Self Assessment	23
Employee Opinion Survey	23
Enterprise Agreement	24
Employee Turnover	24
Employment by Category	24
Case Study - Occupational Health and Safety	25
Occupational Health and Safety	26
Employment and Development Opportunities for Young People	26
Equal Employment Opportunity	26
Training and Development	26
Annual Water Consumption and Number of Assessments	27

Drinking Water Quality Compliance	27
Waste Deliveries to Dutson Downs	28
Case Study - International Power Hazelwood Supply Pipeline	29

Part 4: Environmental Performance

Environmental Management System	30
Working with Major Clients	30
Environmental Incidents	30
Greenhouse Gas and Energy Management	30
Waste Minimisation	31
Performance of Ocean Outfalls	31
Environment Improvement Plan	32
Beneficial Reuse of Treated Wastewater	32
Biosolids Management	34
Water Conservation	34
Case Study - savewater!™ efficiency service	35
Research	36
Drought Response Management Plan	36
National Pollutant Inventory Reporting	37
Environment and Customer Committee	38
Coastal Advisory Committee	38
Dutson Downs Advisory Committee	38
Environment Protection and Biodiversity Conservation Act 1999	38
Dutson Downs Integrated Land Use Management Plan	38
Water for the Future	39
Regional Catchment Management Strategy	39
Victorian Biodiversity Strategy	39
Victorian River Health Strategy	39
Victorian Greenhouse Strategy	40
Glossary	40
Case Study - Dutson Downs Soil and Organic Recycling facility and Resource Recovery Facility	41

Part 5: Economic Performance

Essential Services Commission	42
Future Tariffs and Charges	43
Capital Investment in System Improvement	44
Future Capital Investment	44
Business Streams	46

Part 6: Financial Performance

Summary of Financial Results	48
Financial Statements	50
Auditor General's Report	75
Certification of Accounts (Chairman and Accountable Officer)	75

Part 7: Performance Report

Performance Report	76
Auditor General's Report	83
Certification of Accounts (Chairman and Accountable Officer)	83

Part 8: Disclosure Index

84



PART 1

Introduction & overview

Part 1

Highlights of the Year

- Successfully implemented the new Customer Information and Billing System (CIBS);
- Awarded a Workplace Excellence Award for 2004 from Industrial Relations Victoria;
- Awarded the Sir Rupert Hamer Records Management Award;
- Recorded no Lost-Time Injuries during 2004–05;
- Successfully negotiated an Enterprise Agreement;
- Submitted first Water Plan in September 2004, and completed first price review in June 2005, with new prices effective from 1 July 2005. Gippsland Water has been able to maintain proposed expenditure programs contained within the Water Plan;
- Introduced the savewater!™ efficiency service. First audit conducted at Monash University Gippsland Campus identified potential water savings of 16.7%;
- Conducted a successful Summer WaterWise Campaign to raise awareness of water restrictions;
- Implemented the Australian equivalents to the International Financial Reporting Standards;
- Completed a review of the Customer Charter;
- Prepared and implemented the first draft of Water Quality Risk Management Plans in line with the *Safe Drinking Water Act 2003*;
- Successfully implemented the Water Industry Training Package for all field and operational staff;
- Established the Gippsland Water Factory project team, who have completed all documentation necessary to appoint consultants and contractors;
- Completed the planning, process design, documentation and submission of a works approval application for the establishment of the State's first soil and organic recycling facility;
- The farm at Dutson Downs recorded a record grain harvest and adopted a precision chop silage program;
- Developed Water and Wastewater Master Township Plans for Traralgon, Warragul and Drouin. These master plans use a holistic approach to guide future infrastructure requirements in line with the town planning strategies of the respective councils.

In addition, Gippsland Water recorded the following significant achievements during 2004–05:

- Finalist in the WorkSafe Victoria awards;
- Consolidated risk frameworks across the organisation;
- Implemented new telephone system;
- Annual independent SafetyMAP (Safety Management Achievement Program) audit attained compliance to Australian Standards requirements;
- Met the requirements of DTF's Financial Management Compliance framework;
- Completed the sewer manhole inspection program and sewer cleaning program;
- Continued significant program of community consultation on tariffs, customer service standards and our Customer Charter;
- Replaced Regional Outfall Sewer (ROS) No. 2 creek crossing in Traralgon;
- Completed the replacement of the International Power Hazelwood supply pipeline;
- Conditional approval of the Gippsland Water Factory project from the Department of Sustainability and Environment's project review committee and Department of Treasury and Finance's Gateway Review Process (Gateway 1, 2 and 3);
- 12 months ahead of schedule in rehabilitation works at the Dutson Downs site.

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 provides high quality water and wastewater services to all customers, including local industries of state and national significance, to ensure social, environmental and economic benefits for Central Gippsland.

Gippsland Water is the largest non-metropolitan water authority in Victoria in terms of total water supplied and volume of wastewater collected. It manages 19 water treatment plants, 12 wastewater treatment plants and two ocean outfall pipelines, both of which discharge to Bass Strait. Gippsland Water also provides significant solid and liquid waste recovery services at its resource facility at Dutson Downs.

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 approximately 130,000 people.

Gippsland Water's statutory functions of water and sewerage are detailed under Parts 8 and 9 of the *Water Act 1989*. Additional functions relating to acceptance, treatment and disposal of major industrial waste are detailed in Schedule 8 of the Act.

Gippsland Water at a Glance

Water

59,704 properties serviced
62,701 megalitres of water supplied
1,933 kilometres of water mains
19 water treatment plants

Wastewater

51,203 properties serviced
26,708 megalitres of wastewater collected
1,364 kilometres of sewer mains
12 wastewater treatment plants

Waste Materials

10,821 tonnes of solid waste treated
25,562 tonnes of liquid waste treated





Introduction & overview

Joint Message from the Chair & Chief Executive Officer

The 2004–05 financial year was an extremely productive one for Gippsland Water, with a number of key initiatives being implemented.

Gippsland Water submitted its first Water Plan to the Essential Services Commission (ESC) for a pricing increase based upon capital and operating expenditure profile for the next three years. The ESC approved a pricing increase of 4.7% weighted average per household per year for the next three years.

The new prices reflect the need for continual improvement in water and wastewater services, and the sustainability of water supplies. Major projects identified in the Water Plan include the following:

- renewing and replacing various water and wastewater main and reticulation pipes across the networks;
- augmenting various water and wastewater systems throughout Gippsland Water's networks;
- upgrading the Warragul and Drouin wastewater treatment plants;
- constructing a water treatment plant for Erica–Rawson;
- upgrading the Tyers Water Treatment Plant to ensure reliable security of supply and provide potable water to Toongabbie and Cowwarr via construction of a pipeline;
- providing reticulated wastewater services to the coastal township of Seaspray;
- constructing the Gippsland Water Factory to treat central Latrobe Valley wastewater for discharge to the Regional Outfall Sewer and adding a desalination plant to promote reuse of treated wastewater.

The Gippsland Water Factory project is an innovative solution to managing wastewater generated in the Latrobe Valley. Wastewater will be treated at a facility to be constructed near Morwell and the treated wastewater will then be discharged to the ROS. This process will eliminate the odours currently emanating from the ROS.

In developing a business case for the Gippsland Water Factory, Gippsland Water undertook extensive consultation with the Department of Sustainability and Environment and Department of Treasury and Finance. The business case was independently reviewed through the Victorian Government's Gateway Review Process. Extensive negotiations were also undertaken with Australian Paper, who recognised the benefits of having access to a secure supply of reuse water treated to a fit-for-purpose quality. This project provides Australian Paper an opportunity to demonstrate state leadership in the sustainable management of water resources, through the use of treated wastewater for its processes. Stage 1 of this project has the potential to generate 13 megalitres per day of treated wastewater for reuse by industry and other beneficial uses.

Gippsland Water continues to offer support to the Eastern Water Recycling Proposal. This proposal involves investigating the feasibility of transferring recycled water from the Melbourne Eastern Treatment Plant to the Latrobe Valley. We have representatives on the steering committee and working party for this proposal, which if successful would provide opportunities for providing fit-for-purpose water for beneficial reuse.

Gippsland Water's Technical Review Committee was integral in overseeing the development of the Gippsland Water Factory proposal. We are indebted to Professor Barry Hart and the members of the Technical Review Committee for their commitment and expert guidance in planning for the Gippsland Water Factory. The Technical Review Committee also provided expert guidance and ongoing monitoring of Dutson Downs and the Dutson Downs Integrated Land Use Management Plan.

Gippsland Water continued its review of opportunities to recycle contaminated soils at its Resource Recovery Facility located at Dutson Downs. This included a review of the potential for a holistic treatment system to manage contaminated soils together with the organic wastes currently received at Dutson Downs. Collex was selected as a technology partner, using technologies developed overseas and in Dandenong to compost organic wastes.

In conjunction with Collex, we are proposing to develop an in-vessel composting system to compost liquid organic sludges with contaminated soils. This system will be the first of its kind in Victoria, providing a solution to Victorian Government policy for a soil recycling facility and addressing community needs through removing contaminated soils from within our communities. We are currently preparing an application to be submitted to the Environment Protection Authority in 2005–06 for approval to construct this composting facility.

We continue to actively participate in the Gippsland Integrated Natural Resources Forum (GINRF). This year the forum launched the 2005 Natural Resources Report Card. This report card presented 16 natural assets that symbolise the richness and diversity of Gippsland. We are pleased to note that the GINRF is becoming more widely accepted so that community members, managers and natural resource users are able to better appreciate the linkages and impacts between our respective roles. This involvement is important in achieving a whole-of-catchment, collaborative approach to natural resource management.

The Australian Sustainability Industry Research Centre (ASIRC), of which Gippsland Water was a foundation member, continues to support the development of sustainable waste management practices for existing and new industries in the region. We

are pleased to note the sound progress both in activity and financial performance during the past 12 months.

Gippsland Water views the GINRF and ASIRC initiatives as instruments to achieving Victoria's Environmental Sustainability Framework: Our Environment, Our Future, released in April 2005. We recognise the need to be more efficient with the use of our natural resources as outlined in 'Strategic Direction 2' of the framework. We have embraced this philosophy as reflected in the Gippsland Water Factory and soil and organic recycling proposals. In conjunction with these major capital projects our employees are also working towards minimising wastes generated in our offices and maximising our recycling opportunities. These initiatives are paramount to achieving the objectives outlined in the Environmental Sustainability Framework and demonstrate how we aim to contribute towards improving the overall sustainability of our resources in the region.

Gippsland Water relies on its strategic planning processes and reviews to ensure that it can meet expectations of its community, stakeholders and government. This year saw Gippsland Water taking its strategic planning to a new level, by involving external stakeholders and the Board in its strategic review. Stakeholders such as Professor Tom McMahon from the University of Melbourne and Ian McPhaill brought to this review knowledge of climate change and its potential impacts on our operating environment. The Technical Review Committee members, Mick Bourke (Chairman of the Victorian Environment Protection Authority) and other eminent stakeholders, contributed to our understanding of the strategic issues facing the business in the future.

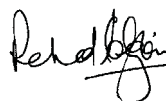
The major learning from this process was that Gippsland Water, as with other natural resource managers, had to place greater

emphasis on having a better understanding of ecosystems it influences. This includes issues such as drought, climate change and indicators of natural resource health and impacts. The Board has embraced these learnings and this year has become more involved with other agencies, and climate change and water experts.

A review of Gippsland Water's organisational structure was also conducted. A major outcome of this review was the need to improve our focus on public affairs management, in order to participate in strategic and emerging issues. To this end we appointed a Manager of Public Affairs.

Gippsland Water values the commitment, creativity and contribution of all its stakeholders and employees. This year we were awarded a Victorian Workplace Excellence Award, given to workplaces that are pursuing cooperative approaches to industrial relations as part of their goal of better organisational performance.

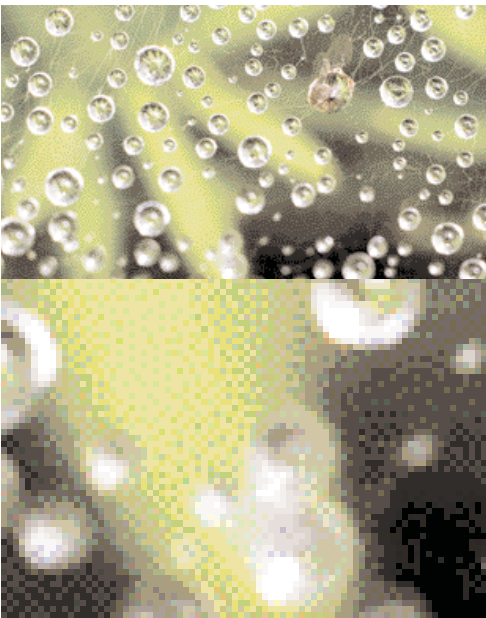
The Board and Executive wish to congratulate staff and alliance partners for their dedication and professionalism. Employees have demonstrated a commitment to ensuring that Gippsland Water continues to provide a high level service to all its customers. Gippsland Water will continue to provide a high quality water, wastewater and waste recovery service for the benefit of all its customers and to ensure the sustainability of its natural resources for the benefit of future generations.



Richard Elkington
CHAIR



John Mitchell
CHIEF EXECUTIVE OFFICER



PART 2

Strategy & governance

Part 2

Our Purpose

To provide high quality water, sewerage 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 value to our customers, our stakeholders, our region and the environment, while ensuring Gippsland Water's sustainability.

What We Value

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

We:

- focus on customer satisfaction;
- are environmentally, economically and socially responsible;
- regard safety as equally important as any other business imperative;
- 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;
- work as a team;
- focus on long-term sustainability.

Gippsland Water's Strategic Plan

Our Strategic Plan focuses on four organisational objectives that are designed to meet the expectations of our stakeholders, our customers and the wider community. These are:

- Resource Sustainability
- Customers
- Governance
- Organisational Sustainability

The plan also details strategies to maximise the performance of Gippsland Water's five vertically integrated business streams. These are:

- 1 Bulk Water and Bulk Wastewater
- 2 Water Services
- 3 Wastewater Services
- 4 Resource Recovery Facility
- 5 Agribusiness

Organisational Approach

Gippsland Water understands our obligation to meet the expectations of our stakeholders and customers and the wider community. Gippsland Water's approach has four key objective areas that are designed to respond to these stakeholder expectations and our key business drivers. These objective areas are:

Resource Sustainability

Water is a key element of our natural environment and it sustains all forms of life. Our slogan 'Our Water, Our Future' signals our intention to protect and preserve our most precious resource...our water.

Customers and Stakeholders

Gippsland Water's "whole-of-business" approach to customer relationship management continues to reflect the changing needs and expectations of our customers and stakeholders. Our commitment to providing the highest standard of products and services possible to our customers also remains a key element of our strategy.

Governance

The Board and our staff are committed to continuing to develop the existing robust Corporate Governance regime that will ensure Gippsland Water satisfies all of the requirements covered under the *Water Act 1989* and all other relevant legislation. We will model our behaviour on Governance obligations in accordance with Corporations law.

Organisational Sustainability

Gippsland Water is committed to ensuring the ongoing organisational sustainability of our organisation. This will be achieved by ensuring we have a thorough understanding our risk profile, developing and supporting our staff in the establishment of an outcome-focused organisation, and ensuring that the commercial structure of our business recognises stakeholder needs.

Gippsland Water Business Streams

The operations of Gippsland Water can be separated into five discrete 'Business Streams' 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 segments for optimal performance.

These segments are:

- 1 Bulk Water and Bulk Wastewater**
- 2 Water Services**
- 3 Wastewater Services**
- 4 Resource Recovery Facility**
- 5 Agribusiness**



Strategy & governance

1

Bulk Water and Bulk Wastewater

Gippsland Water is responsible for the provision of water and wastewater services to several major industries of state and national significance. Over 70% of the total water supplied within the region is consumed by major industrial clients. Gippsland Water's business is distinguished by the high proportion of industrial waste received into its Regional Outfall Sewer and the Saline Waste Outfall Pipeline discharging via ocean outfalls at Delray Beach and McGaurans Beach respectively. In addition to our current major industrial clients, over the next five to ten years significant new industrial growth is expected within the region.

Objective:

To manage the collection and transfer of raw water and industrial wastewater in a way that benefits the environment, meets customer needs and supports economic growth within the State and the Region.

2

Water Services

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

Objective:

To provide responsible asset management, incident management and operational audit of the reticulated urban water supply system to ensure that customer service levels are achieved according to the Customer Charter targets.

3

Wastewater Services

All domestic, commercial and industrial customers produce sewage and/or waste that must be collected, transferred, treated and used to the benefit of the environment and our customers. The protection of public health and the environment demands that all Gippsland Water wastewater infrastructure be operated and maintained skilfully to limit and avoid unacceptable performance from a social and environmental perspective.

Objective:

To manage the collection, transfer, treatment and use of domestic, commercial and embedded industrial sewage and/or waste from urban areas within the region in a way that benefits the community and the environment.

4

Resource Recovery Facility

The Dutson Downs site has been receiving and storing liquid and solid industrial (prescribed) waste since 1987 in accordance with an Environment Protection Authority licence. Communities now expect higher standards of environmental management and stewardship of waste-related activities and the development of our RRF will progressively meet these challenges. Gippsland Water is committed to establishing world's best practice management facilities and exploring resource recovery options in preference to current landfill disposal.

Objective:

To develop a facility that is economically, environmentally and socially beneficial for the Gippsland region and consistent with best practice technology.

5

Agribusiness

Broad-acre land holdings at Dutson Downs supported by other significant parcels of land at Moondarra, Maffra, Heyfield, Stratford, Mirboo North and Drouin comprise a large mixed farming enterprise. Livestock, plantation, grain and fodder production are major activities of the land management business. These activities complement critical functions within Gippsland Water's provision of sustainable water and wastewater services.

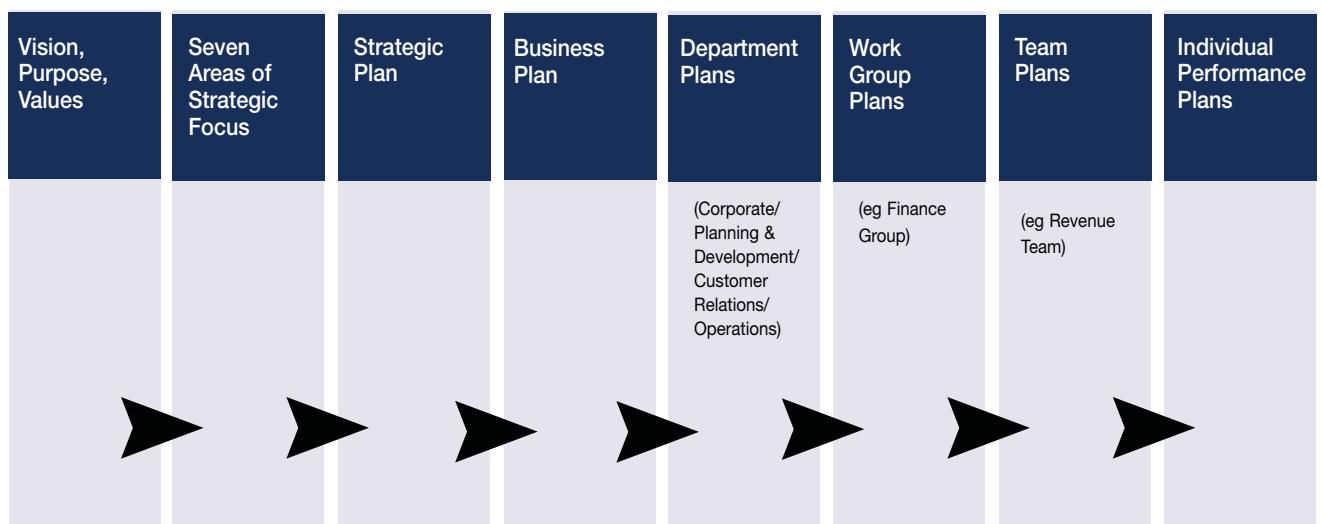
Objective:

To develop the agribusiness component of our business to ensure appropriate support is provided to other business streams and to provide a commercial return for Gippsland Water.

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.



Strategy & governance

Richard Elkington
(Chair)



Pam Keating
(Deputy Chair)



Leah Young



Jay Bonnington



Alan Seale



Tony Flynn



Keith Hamilton



Lisa Proctor



Profile of the Board

Richard Elkington (Chair)

Richard Elkington has worked for more than 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 organisations such as the Mid Gippsland Football League, the Latrobe Theatre Company and Gippsland Community Radio.

Richard is currently General Manager, Power and Environment with Loy Yang Power and is on the Executive Council of the Victorian Employers' 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.

Pam Keating (Deputy Chair)

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 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 on the Environment Victoria Board; is an executive member of the Waste Management Association of Australia (Victorian branch); and is the Australian representative for the International Solid Waste Association Healthcare Waste Working Group. Pam is also joint Managing Director of Waste Audit, a well-respected waste and environment management consultancy and Sustainable Learning, an innovative education and training company.

Leah Young

BBus, GradDipBus, FAICD, AIMM

Business management and strategic planning are Leah Young's key areas of contribution to the Board. Leah has held a 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 has had over 12 years' experience in local government, holding senior positions in key areas such as financial and corporate planning, capital works development, administration and human resource management.

A keen traveller and mother of two young children, Leah is also currently appointed as Director of the Westport Water Authority.

Jay Bonnington

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

Jay Bonnington is Chair of Dental Health Services Victoria, a director of Vic Power Trading, Warrambool Co-Op Society, and a trustee of the Melbourne Exhibition and Convention Centre.

Jay was the CEO of the Make a Wish Foundation of Australia for the past two and a half years, and previously National Director of CPA Australia, Head of Financial Services with NEMMCO and Finance Director/Chief Financial Officer of Yallourn Energy Ltd.

Alan Seale

BEng (Chem), FIEA, MAICD

Alan Seale brings to the Board skills in manufacturing, technology and environment, and health and safety management. He worked in the chemical industry for 38 years, 13 of those in general management. Alan worked for several years in the USA and Hong Kong. Since leaving the chemical industry, Alan has been a consultant to the CSIRO, Environment Protection Authority Victoria and several universities and chemical companies. He is an Honorary Professor at Monash University, teaching in the Department of Chemical Engineering at Clayton.

Alan is currently a director of South East Water Limited, the Australian Sustainable Industries Research Centre Pty Ltd and of his own consultancy business. Alan was appointed to the Board of Gippsland Water in November 2003.

Tony 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 knowledge in the areas of human resource and financial management. The experience in working in this field has also enabled Tony to gain invaluable expertise in dealing with organisations confronted with significant change and business pressures.

Tony is currently working as an employment consultant for people with injuries and disabilities. He is Vice-President of the Moe Development Group and is committed to working with local youth through his long-term involvement with Scouts Victoria. He is also a member of the Mount Baw Baw Alpine Resort Board of Management, the Trafalgar Reserve Committee and has been involved in the Latrobe First campaign by acting as a local ambassador. Tony has also held the position of vice-president of the Textile, Clothing and Footwear Union.

Keith Hamilton

MSc, DipEd

Keith Hamilton served as the State Member for Morwell for 14 years from 1988 until 2002, with the last three years of his term as Minister for Agriculture and as Minister for Aboriginal Affairs.

Keith spent 20 years as a senior lecturer in physics at the Gippsland Institute of Advanced Education, which later became Monash University Gippsland. Keith is also a member of the Latrobe Regional Hospital Board and the hospital's Quality Committee. He is Chair of the Commonwealth Government's Chilean Needlegrass Taskforce and was recently appointed Chair of the Victorian Government's Walhalla Tourist Railway Committee of Management.

Lisa Proctor

A local government councillor for the past four and a half years, Lisa Proctor's past and current community involvement is both wide-ranging 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, 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.

Lisa Proctor served on the Board until September 2004.

Director Attendances at Board and Committee Meetings

Board member	Board		Remuneration and Classification		Safety, Health and Environment		Audit and Risk	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Richard Elkington	11	11	1	1	-	-	-	-
Pam Keating	11	11	-	-	5	5	-	-
Leah Young	11	9	-	-	-	-	4	3
Jay Bonnington	11	7	1	1	-	-	4	4
Alan Seale	11	11	-	-	5	5	-	-
Tony Flynn	11	10	1	1	-	-	-	-
Keith Hamilton	8	7	-	-	2	2	-	-
Lisa Proctor	3	2	-	-	2	1	-	-



Strategy & governance

Audit Committee

Gippsland Water's Audit Committee plays a key role in assisting the Board fulfil its 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 procedures 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 2004–05 were:

Victoria Mavros, Independent Chairperson

(appointed for a final three-year term in August 2004)

Since 1968, 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 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. Victoria 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.

Richard McDowell, Independent Member

(appointed for a second three-year term in August 2004)

Richard 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

Leah Young, Board member

Safety, Health and Environment Committee

The Safety, Health and Environment Committee responsibility and scope of activities include:

- to review and approve the Gippsland Water occupational health and safety policy and the environmental policy, which is used to guide Gippsland Water's activities;
- to provide advice and direction on the environmental governance aspects of Gippsland Water's business operations and 'triple bottom line' reporting;
- to receive, review and accept reports on environmental incidents resulting in reportable matters to the Environment Protection Authority, as well as safety incidents resulting in reportable matters to WorkCover;
- to review the Environment Improvement Plan (EIP) to ensure that appropriate progress is being achieved, as well as the OHS Management Plan and the OHS Performance Index.

Safety, Health and Environment Committee members for 2004–05 were:

Keith Hamilton, Board member

Pam Keating, Board member

Lisa Proctor, Board member (retired)

Alan Seale, Board member

Five meetings of the Safety, Health and Environment Committee were held in the 2004–05 financial year.

Executive Remuneration Committee

The Executive Remuneration Committee is responsible for implementing the Gippsland Water Executive Remuneration Policy, and for ensuring full compliance with Victorian Government policy and the Government Sector Executive Remuneration Panel Guidelines that relate to executive employment conditions for statutory authorities and government business enterprises.

Executive Remuneration Committee members for 2004–05 were:

Richard Elkington, Chairman

Jay Bonnington, Board member

Tony Flynn, Board member

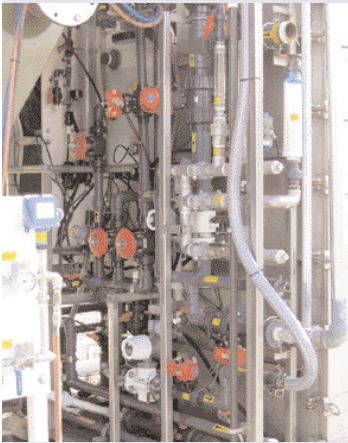
One meeting of the Executive Remuneration Committee was conducted during the reporting period.



Case study

Gippsland Water Factory:

Pilot Treatment Plant and Proposed Water Factory Site



*Part of the pilot plant operating at
Maryvale Storage*



Pilot plant at Maryvale Storage

The objective of the Gippsland Water Factory project is to treat wastewater to a high standard fit for reuse by industry, irrigation and other beneficial uses. This treated water will substitute freshwater sources currently being used by industry. This project will ultimately result in more sustainable management of water resources.

One part of the proposed treatment process will use a membrane bio reactor. The reactor consists of hollow fibres joined at the top and bottom with the average pore size per fibre at 0.04 microns. These fibres serve as filters for the treated effluent from the activated sludge.

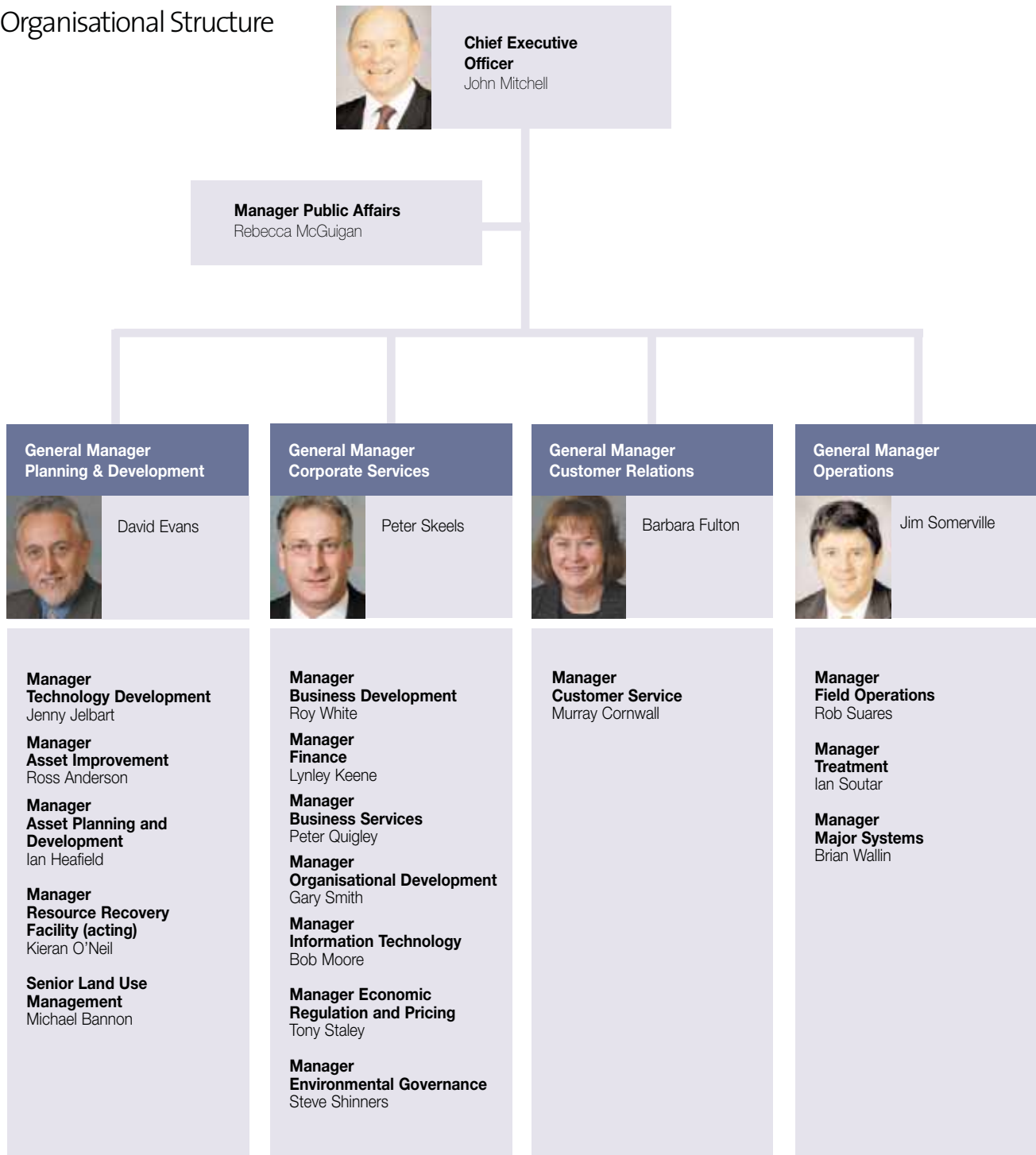
A pilot plant has been constructed at the Maryvale Storage near Morwell. The objective of this plant is to better understand the effect variable influent wastewater characteristics will have on the optimum design of the Gippsland Water Factory. This enables the specific technical challenges of the treatment process to be better understood.

Small portions of the various waste streams that currently enter the Regional Outfall Sewer are being treated by the pilot plant and the performance reviewed. Technical modifications are also able to be piloted at this site. The treatment performance of the various waste streams are being laboratory tested and results are recorded for use in the full-scale design. Provision has been made so that other membranes, and other aspects of the overall treatment process, can also be trialed at this same site.

The full-scale Gippsland Water Factory is to be constructed at the site currently known as the Morwell Grit Chamber. This site is on the north side of Morwell near Maryvale Road. The greenfield site currently has various infrastructure that allows the sewer flows from Morwell and Yallourn North to enter the Regional Outfall Sewer. The Gippsland Water Factory will be foundation infrastructure providing an advanced level of water recycling for future generations. The project will improve environmental sustainability by providing fit-for-purpose recycled water to industry.

Strategy & governance

Organisational Structure



Gippsland Water Factory

During the year several key approval milestones relating to the Gippsland Water Factory were met. In March 2005, the Victorian Government considered the final business case and granted conditional approval for the project to proceed. Gippsland Water is working closely with others to satisfy the necessary government conditions, and expects that the project will receive formal approval to proceed in early 2005–06.

The project will be delivered using a Project Alliance procurement methodology, which Gippsland Water believes will deliver exceptional value for money (for a project of this scale) to the Central Gippsland community. A key public feature of this alliance is the unique Gippsland Water Factory logo, which represents the alliance of Gippsland Water and private industry working together to deliver this key asset within our regional infrastructure.

A project office has been established and many of the initial planning and assessment tasks are well advanced with the works planned to be completed by the end of 2008. Designed primarily to eliminate odours in the Regional Outfall Sewer, the Gippsland Water Factory will feature a modern wastewater treatment plant using membrane technology and reverse osmosis that will ultimately produce a recycled water product for use in Latrobe Valley industries.

Technical Review Committee

The eleventh meeting of the Technical Review Committee (TRC) took place on 19 August 2004. At that meeting the TRC received a progress report on the Gippsland Water Factory, together with a briefing from the Project Director on the Eastern Water Recycling Proposal.

The TRC discussed various treatment technology options being proposed for the Gippsland Water Factory and went on to debate the water quality imperatives associated with using recycled water. Of particular interest was the issue of creating renewable energy offsets through clever design of the Water Factory. Membrane treatment processes can be energy intensive and if these impacts can be offset by the generation of energy then a viable project can emerge.

The TRC agreed to reconvene within 12 months to reconsider the original terms of reference for the committee and to develop a specific and targeted work plan for the next review period.



Strategy & governance

Corporate Key Performance Indicators

Gippsland Water continues to report against a set of established Key Performance Indicators (KPIs). These KPIs are reviewed on an annual basis to ensure that they are relevant and that they continue to improve performance. In 2004–05 Gippsland Water reported against 26 indicators. These indicators span all areas of the business, and link directly to both Gippsland Water's Strategic Plan and the Australian Business Excellence Framework. This provides an additional means by which Gippsland Water can benchmark performance against other organisations. The overall results for 2004–05 are summarised in the following table.

Key Performance Indicators	Link to Gippsland Water Strategic Plan	Link to Australian Business Excellence Framework	Historical performance (actual/compliance)				2004–05 Target	Performance
			2000–01	2001–02	2002–03	2003–04		
EPA Licence Compliance	Resource Sustainability	Leadership and Innovation	94.9% ✓	97.81% ✗	96.64% ✗	99.58% ✓	100%	99.03% ✗
Percentage of EMS and EIP rated as high completed within required timeframes	Resource Sustainability	Leadership and Innovation	New for 2004–05 reporting period				95%	96% ✓
Customer Service Capability Index	Customers	Customer and Market Focus	33.17 ✓	31.42 ✓	32 ✓	33.58 ✓	≥31	Not reportable
Customer complaints per 000s properties	Customers	Customer and Market Focus	5	8	4	4.6	5	1.08 ✓
% of Operational Plan items actioned and/or completed within required timelines	Governance	Business Results	New for 2004–05 reporting period				95%	80% ✗
% of Risk Register items actioned and/or completed within required timelines	Governance	Business Results	New for 2004–05 reporting period				95%	72% ✗
% of Governance and Compliance Register items that comply with regulations and standards	Governance	Business Results	New for 2004–05 reporting period				95%	99% ✓
% of Sustainability Self Assessment items actioned and/or completed within required timelines	Governance	Business Results	New for 2004–05 reporting period				90%	92% ✓
Performance against Business Excellence Framework	Organisational Sustainability	Leadership and Innovation	474 ✓	566 ✓	621 ✓	671 ✓	>500	671 ✓
Occupational Health and Safety Index	Organisational Sustainability	People	37.2 ✓	35.33 ✓	35.33 ✓	38.58 ✓	≥35	42.42 ✓
Employee Availability	Organisational Sustainability	People	New from 2002–03		84.41 ✓	41.15 hrs ✗	≤17.5 hrs (≤30 hrs annually)	45.1 ✗
Financial Sustainability Index – Short-Term Risk	Organisational Sustainability	Business Results	NA	NA	NA	6.92 ✓	≥6	6.25 ✓
Financial Sustainability Index – Long-Term Risk	Organisational Sustainability	Business Results	NA	NA	NA	7.42 ✓	≥6	12.67 ✓
Unplanned bulk water breaks per annum that cause interruption to customer supply	Bulk Water and Wastewater	Strategy and Planning Process	2.0 ✓	2.0 ✓	0.0 ✓	0.0 ✓	≤1	0.0 ✓
Unplanned bulk sewer main breaks per annum that cause interruption to customer supply	Bulk Water and Wastewater	Strategy and Planning Process	1.0 ✓	2.0 ✓	0.0 ✓	0.0 ✓	≤1	0.0 ✓
Domestic water main breaks per 100 km	Water Services	Strategy and Planning Process	13.52 ✓	12.21 ✓	19.22 ✓	17.52 ✓	≤18	16.07 ✓
% of unplanned water supply interruptions from any cause which are restored within five hours	Water Services	Processes Product and Services	98.37% ✓	96% ✓	98.11% ✓	99.42% ✓	95%	98.11% ✓

Key Performance Indicators	Link to Gippsland Water Strategic Plan	Link to Australian Business Excellence Framework	Historical Performance (Actual/Compliance)				2004-05 Target	Performance
			2000-01	2001-02	2002-03	2003-04		
Average unplanned water supply interruption duration (hr)	Water Services	Processes, Product and Services	2.1	2.1	2.2	2.12	2.1	1.86 ✓
% compliance with <i>Safe Drinking Water Act</i> 2003 standards	Water Services	Processes, Product and Services	New from 2004-05				100%	No ✗
Domestic sewer blocks (stoppages) per 100 km	Wastewater Services	Strategy and Planning Process	47.87	47.71	23.88 ✓	17.25 ✓	≤30	25.59 ✓
% of 'priority 1 spills' and 'priority 2 spills' in reticulation and branch sewers which are fully contained within five hours	Wastewater Services	Processes, Product and Services	96.96% ✗	93.34% ✗	97.17% ✗	99.58% ✓	98%	100% ✓
% compliance with the RRF EIP action items rated as high completed within required timelines	Resource Recovery Facility	Processes Product and Services	New for 2004-05 reporting period				95%	100% ✓
Opportunity cost of investment in RRF business	Resource Recovery Facility	Business Results	New for 2004-05 reporting period				2.6% return	6.25% ✓
Gross margin	Resource Recovery Facility	Business Results	New for 2004-05 reporting period				>100%	185.25% ✓
Opportunity cost of investment in agribusiness	Agribusiness	Business Results	New for 2004-05 reporting period				2.6% return	-9.25% ✗
Gross margin	Agribusiness	Business Results	New for 2004-05 reporting period				>100% -	403.25% ✗

For the year ending 2004-05, seven indicators failed to meet the target and one was not able to be reported. Those KPIs not meeting the planned target were:

EPA compliance

Overall compliance of 99.03% was obtained due to a number of non-compliant incidents of total phosphorus concentration at the Warragul Wastewater Treatment Plant over the financial year.

Percentage of Operational Plan items actioned and/or completed within required timelines

Of the 64 items due for completion by 30 June 2005, 51 were completed. The 13 remaining items relating to implementation of the Customer Relationship Management Strategy and Communications Strategy, security of supply systems and the Soil and Organic Recycling Facility (SORF) are approaching completion.

Percentage of Risk Register items actioned and/or completed within required timelines

Of the 39 items due for completion by 30 June 2005, 28 were completed. The 11 remaining items are waiting on external influences to progress, for example, the Gippsland Water Factory and SORF.

Employee Availability Index

The level of short-term sick leave was greater than the target for the year, due to unfortunate long-term medical conditions affecting two Gippsland Water employees.

Safe Drinking Water Act 2003 compliance

Results of 99.99% for *E. coli*, 99.75% for dichloroacetic acid and 99.75% for trichloroacetic acid meant the overall 100% compliance target was not achieved.

Opportunity cost of investment in agribusiness and gross margin

Although the target was not achieved, this was an excellent result given the climatic conditions experienced throughout the financial year.



Strategy & governance

Privacy

The *Information Privacy Act 2000* applies to all Victorian statutory authorities, ensuring access to information is balanced with respect for personal information, and that this information is handled in a responsible and transparent manner.

Gippsland Water has a Privacy Policy and Procedure which is available upon request. Our policy and trained staff ensure that Gippsland Water collects only appropriate personal information and protects this from misuse.

No privacy related complaints were received for the year.

Freedom of Information

The *Freedom of Information Act 1982* allows public access to documents held by government entities. Requests for information for Gippsland Water documents under the *Freedom of Information Act* may be made in writing to:

The Freedom of Information Officer
Gippsland Water,
PO Box 348,
TRARALGON VIC 3844

Each application for information attracts a fee of \$22.50. Applications must identify clearly the documents required.

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 upon request subject to the requirements of the *Freedom of Information Act 1982* and *Information Privacy Act 2000*.

National Competition Policy

Competitive Neutrality is a guiding principle of the National Competition Policy. It requires that government - owned businesses should compete with private sector businesses on the same footing. Gippsland Water adopts these principles.

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 reported on three tenders during the 2004–05 financial year:

- GW255 – Glengarry to Toongabbie Pipeline
- GW257 – 12 ML Clear Water Storage at Clarkes Road, Traralgon
- GW253 – Water Main Upgrade Program 2004–05

Consultant Services and Reviews

During the 2004–05 financial year, \$22,752.27 was spent on a total of six consultancy services, compared with \$298,033.54 in 2003–04.

Overseas Travel

No Directors or staff undertook overseas travel during the reporting period.

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.

Disclosures of improper conduct or detrimental action by Gippsland Water or its employees, may be made to the following:

Protected Disclosure Coordinator
Gippsland Water, PO Box 348
TRARALGON VIC 3844
Phone: 5177 4600

No disclosures were reported during the year in accordance with the Act.

Water Industry Benchmarking

Gippsland Water again participated in a number of industry benchmarking programs. Key programs included WSAA Facts, a Water Services Association of Australia initiative, and the Victorian Water Review by the Victorian Water Industry Association. These initiatives provide Gippsland Water with the ability to benchmark performance at both a state and national level. As well as comparing our performance across a range of business operations, it also supports opportunities to improve our performance.

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>

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 managers in mitigating and monitoring identified risks. The risk management policy and procedures have been adapted from the Australian/New Zealand Standard for Risk Management (AS/NZS 4360:2004). Risks within Gippsland Water have been broadly defined into nine risk categories:

- Assets
- Stakeholders and Community
- Compliance
- Corporate Governance
- People
- Financial
- Customer Services
- Systems
- Environment

A Risk Management Committee meets 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. The Risk Management Committee reports to the Board via the Audit Committee.



PART 3

Social

performance

Part 3

Our customers

Customer Charter

Gippsland Water's Customer Charter was first introduced in October 1998 and subsequently reviewed and updated in March 2001 and 2003. Following the implementation of the economic regulatory regime, Gippsland Water was requested to again review and update the charter effective from July 2005.

The review of the Customer Charter involved extensive community consultation via customer focus groups, shopping centre information stands, newspaper advertisements and input from Gippsland Water's Environment and Customer Committee.

Gippsland Water's Customer Charter reflects specific commitments made to its customers and associated service standards that will be maintained. The Customer Charter and service standard commitments are available to the public upon request and on the www.gippswater.com.au.

Customer Relationship Management

Gippsland Water continues to listen to its customers in order to strive for first class customer service that not just meets but exceeds customers' expectations. Gippsland Water obtains feedback through the results of externally conducted residential and Major Client customer satisfaction surveys, which are complemented by internally conducted targeted surveys. These surveys provide trend data and allow opportunities to identify and review processes to continually improve.

Gippsland Water's staff multiskilling program is showing a range of benefits as the organisation's frontline customer employees develop a broad range of skills that enable them to resolve more enquiries at the first point of contact.

The Integrated Service Centre continues to provide that important interface between office-based and field based activities. This link continues to improve response to faults and emergencies as well as keeping the organisation up to date on operational issues in real time.

Gippsland Water's relationship with its Major Client base continues to be one which is healthy and important as major industry continues to support the sustainability of the region. Having a nominated group within Gippsland Water to build and maintain these relationships continues to be successful.

As technology helps us move forward and the needs and expectations of customers change, Gippsland Water continues to improve its website with up-to-date information such as educational material, as well as improved options for bill paying and account history.

Cultural Diversity

Gippsland Water's customer needs are diverse, reflecting the multicultural nature of the region. It seeks to understand and respond to these needs and to build stronger relationships with its customers. Gippsland Water funds a translator service for our non-English-speaking and hearing-impaired customers. It also encourages employees to visit customers, where required, in order to ensure that the needs of customers are satisfactorily met.

Community Service Obligations

	2004-05 \$000s	2003-04 \$000s	2002-03 \$000s	2001-02 \$000s	2000-01 \$000s
Concessions to pensioners	2,148.15	1,855.99	1,766.03	1,722.03	1,693.88
Rebates paid to non-profit organisations	209.53	207.44	198.50	181.02	154.72
Utility Relief Grant Scheme	5.01	7.86	3.78	8.72	16.57
WaterSmart	21.20	19.17	5.9		
Total	2,383.89	2,090.46	1,974.21	1,911.78	1,865.17

Community Sponsorship

Gippsland Water provides financial, merchandise and in-kind sponsorship to a number of local organisations and community groups. It provides an annual sponsorship to Gippsland Waterwatch of \$20,000, which helps to increase its community education program to raise awareness and understanding of water quality and conservation issues.

Gippsland Water also provides annual sponsorship of \$2,000 to Scope Quality Learning for the Gippsland Community Leadership Program and to the Golden and Paradise Beach Ratepayers and Residents Association.

Other organisations and community groups to benefit from the sponsorship program during the year include:

- Gippsland Centenary House
- Monash University Wetland Ecology Group
- Kosciusko Primary School
- Harvest of Gippsland
- Erica Pre-School
- Lake Wellington Landcare Network
- Mountain Rivers Landcare Group

Gippsland Water also supports the community through its mobile water fountain, which provides a drinking water facility for local events. The mobile water fountain is provided free of charge and has been used for a variety of events including:

- Baw Baw Garden Expo
- Farmworld
- International Tennis Federation Victorian Junior Championships
- Boolarra Folk Festival
- Family fun days
- Yallourn Energy fun run
- Big Wave Concert Tsunami Appeal
- Bairnsdale Air Show
- Boolarra Rodeo



Social performance

Community Education

Gippsland Water provides an education program for schools and community groups including site visits to water and wastewater treatment plants and our waste management facilities at Dutson Downs. These visits and site tours focus on water conservation and waste minimisation. Site tours provide participants with an understanding of how Gippsland Water protects the environment through the adoption of sound water and waste management practices that can be incorporated at home or at school.

The highlight of Gippsland Water's education program was National Water Week, with Vox Bandicoot productions invited to return to the region following their success in 2003. Primary schools from Narracan, Willow Grove, Thorpdale, Mirboo North and Maffra participated in this year's production *Some People Think Water Came Down in the Last Shower*, which combined fun, colour and interactivity with an educational theme of water conservation.

Gippsland Water has been involved with the development of Uniform Water Restrictions Guidelines for Victoria and is currently updating its Water Restrictions by-law to reflect these guidelines. The Water Restrictions by-law allows customers to request an exemption; these requests are then assessed on a case-by-case basis.

Gippsland Water also offers various payment options, including e-way, direct debit, Centrepay or other flexible payment arrangements to suit customers' needs as outlined in our Hardship Policy. In addition to this Gippsland Water administers the various customer rebate schemes and provides advice on Commonwealth and State Government funding focused on water conservation.

Management of Social and Economic Impacts

Gippsland Water has a Drought Management Plan, which is currently being reviewed as part of the statewide change to Uniform Water Restrictions. Water Supply-Demand Strategies are being developed for each town system which has the overall aim of managing the region's water resources in a sustainable manner, allowing for growth and protecting the environment with adequate stream flows.

Gippsland Water assists customers to reduce their water usage and this is aided by the delivery of a water conservation initiative to industry customers called the savewater!™ efficiency service. This service is about helping customers understand the importance of water conservation through education and assisting in retrofitting customer facilities to improve water efficiency. In addition to this, Gippsland Water is currently in the process of developing Permanent Water Saving Rules for the region.

Our people

The year has seen productivity improvement and cost reduction benefits generated from the Enterprise Agreement, the continuation of Gippsland Water's Management and Leadership Development Program, and the ongoing improvement of the performance management system. As well, the fourth organisation-wide Employee Opinion Survey was conducted, which enabled improvement opportunities to be identified and action plans developed.

Workplace Excellence Award

Gippsland Water was the successful recipient of the 2004 Workplace Excellence Award for a Workplace with 100 to 250 Employees. Now in their third year, the Workplace Excellence Awards are part of the State Government's agenda to highlight the many innovative and productive workplaces in Victoria.

Gippsland Water was assessed by independent evaluators against the Australian Business Excellence Framework and shortlisted for two award categories, the Workplace Excellence Award for a Workplace with 100 to 250 Employees and the Workplace Excellence Award for Better Work and Family Balance. Gippsland Water has made a significant commitment to invest in its people and to develop a highly inclusive workplace culture. By providing improved working conditions, better training and development opportunities, and most importantly by involving its people in key decisions, Gippsland Water has been able to improve service delivery to its customers.



WORKPLACE EXCELLENCE
AWARDS
WINNER 2004

Organisational Self Assessment

The key focus of the Organisational Development Section is the development of a continuous improvement culture within Gippsland Water that fosters growth in the skills and confidence of employees. Significant progress was made during 2004–05 towards this goal, including conducting the sixth Organisational Self Assessment (OSA) against the Australian Quality Council's Business Excellence Framework. This year the OSA recalibrated its method of measurement to focus more on results and improvements, as well as enable a complete review of the OSA Approach Statements. The OSA generated a number of key recommendations to assist the organisation in further developing a culture and practice of continuous improvement, as well as supporting the development of its employees.

Employee Opinion Survey

The fourth organisation-wide Employee Opinion Survey was conducted during February 2005. The purpose of the survey was to:

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

Approximately 86% of the organisation completed the survey, representing Gippsland Water employees, contract employees, trainees and agency staff. Data was collected on 18 different dimensions of employee satisfaction, including 'commitment to the organisation', 'job satisfaction' and 'career growth and development'. The results of the Employee Opinion Survey indicated a positive trend in the level of performance in the majority of categories surveyed, as compared with the previous surveys held in 2000 and 2002.



Social performance

Enterprise Agreement

Negotiations for the replacement of the second Gippsland Water Enterprise Agreement (EA 2001) commenced in January 2004, six months before the expiration of the existing agreement. This new Enterprise Agreement continued the emphasis on continuous improvement based on an approach of process improvement and balanced scorecard. The new three-year Enterprise Agreement (EA 2004) was agreed in August 2004 and certified by the Australian Industrial Relations Commission on 8 November 2004, with an operative date of 19 August 2004.

Notably, both during this financial year and during the negotiation period there were no lost-time hours to industrial disputes.

Employee Turnover

Year	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
% turnover	44.76	24.32	11.63	2.86	8.52	7.41	9.14	7.58	8.70

Employment by Category

Category	30 June 2004	30 June 2005
Full-time male	131	139
Full-time female	47	50
Part-time male	2	2
Part-time female	13	12
Casual male	0	0
Casual female	5	4
Total employees	198	207
Full-time equivalent	181	193
% FTE female employees	27.08	27.45

Staff service (all staff in excess of ten years)	Male	Female
>10 <15 years' service	9	5
>15 <20 years' service	21	2
>20 <25 years' service	11	-
>25 <30 years' service	8	-
>30 years' service	4	-

Case study

Occupational Health and Safety

Near Hit Reporting



'Near Hit – Report it' poster featured throughout the organisation.

Gippsland Water has always recognised the importance of reporting incidents, in particular the reporting of 'near hit' incidents.

A review of the incidents reported in the 2002–03 year revealed that only seven near hits were reported during the period. It was believed at the time that this was not a fair reflection of what was happening in the workplace.

Due mainly to the focused efforts of the occupational health and safety (OHS) representatives and their committees, the following two years have seen near hit reporting improve. In 2003–04 there were 52 near hits reported and 2004–05 saw 65 near hit incidents reported. The reporting of incidents by itself does not do anything; they must be investigated. Gippsland Water's OHS representatives have been actively involved in the investigation of incidents. The management team of Gippsland Water has been behind this project from the start, and has provided funding and approval for the implementation of recommendations arising from these investigations. The reporting of these types of incidents cannot be overestimated in the effect they have on reducing injuries in the workplace.

Gippsland Water employees now report near hits as a normal part of their work. This project has provided benefits by reducing the amount of injury-related incidents and significantly contributing to a positive 'safety culture'.

Following the continuing success of this project, Gippsland Water's OHS committees are keen to identify other areas where they can further enhance Gippsland Water's safety management systems.



Social performance

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 SafetyMAP Initial Level audit tool, and revealed continued improvement of a substantial nature, indicating that accreditation to the initial level of SafetyMAP could be obtained.

During 2004–05 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 entered into a contract with a new health services provider to provide a regulatory health-testing regime, in addition to developing preventative health and wellbeing programs.

There were no lost-time injuries recorded for the 2004–05 year, which was a significant improvement on previous years.

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 2004–05 financial year, have been:

- Vacation students – 5
- Internships – 2
- Work experience students – 7
- Traineeships – 2

Equal Employment Opportunity

The *Public Administration Act 2004* specifies a number of employment and conduct principles that must be observed by public sector organisations and their employees.

Employers must ensure:

- decisions are based on merit
- employees are treated fairly and reasonably
- equal employment opportunity is provided
- reasonable avenues of redress against unfair or unreasonable treatment

Employees must:

- act with impartiality
- display integrity, including avoiding real or apparent conflicts of interest
- show accountability for actions
- provide responsive service

Gippsland Water continues to maintain a workplace that complies with Equal Employment Opportunity (EEO) legislation and the Public Service Code of Conduct. During 2004–05, the Human Resources Policy was reviewed to ensure that it reflects best practice in EEO.

Workplace Bullying and Violence Guidelines were developed for the organisation and a series of briefing sessions was held for all staff on EEO legislation in relation to workplace bullying.

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 2004–05.

Management and leadership development for the organisation also continued with employees participating in such programs as Diploma in Frontline Management, Masters in Business Administration, Gippsland Community Leadership, Effective Supervisory Skills and Personal Productivity.

A review of the Management and Leadership Development Program was undertaken in the 2004–05 period in an effort to build on the capability of both current and future leaders.

Where possible, Gippsland Water sought to work closely with other businesses and industry within the region by inviting external participants to take part in these programs. This continued approach allows for ongoing cost efficiencies for both Gippsland Water and other participating employers within the region, along with providing networking opportunities for its people.

This partnership approach has proven a great success in the 2004–05 period with 180 employees from a number of water authorities across Gippsland participating in the Water Industry Operations Certificate III Program; 50 participants are from Gippsland Water.

Annual Water Consumption and Number of Assessments

Supply system	Actual Annual Consumption (ML) and Number of Connections (No.)						Average Annual Demand	Actual Annual Demand/ Average Annual Demand
	Residential		Non-Residential		Major Industry	Other	Total	
	ML	No.	ML	No.	ML	ML	ML	%
Boisdale	9.2	32	2.4	6		6.2	17.8	144.7
Boolarra	40.3	309	4.3	25		20.2	64.8	95.6
Briarolong	60.4	344	4.4	22		10.6	75.4	82.0
Coongulla–Glenmaggie	45.0	473	4.3	8		5.3	54.6	79.8
Erica–Rawson	40.8	299	20.6	37		41.1	102.5	87.2
Heyfield	181.5	833	73.0	104		10.8	265.3	83.6
Maffra–Stratford	599.2	2,718	107.3	278	471.5	215.6	1,393.6	101.1
Mirboo North	116.1	697	35.4	79		20.3	171.8	77.8
Moe–Newborough ¹	1,802.4	9,775	293.4	798	1,694.8	412.0	4,202.6	91.8
Moondarra Reservoir ²	4,533.7	21,720	979.3	2,146	43,005.2	2,602.8	51,121.0	97.4
Neerim South–Noojee	130.2	741	41.8	64		40.6	212.6	94.2
Warragul–Drouin ³	1,723.3	9,323	419.6	1,036	363.9	212.3	2,719.1	85.2
Willow Grove	30.9	142	6.3	10		12.8	50.0	91.9
Sale–Wurruk	1,269.9	6,058	418.8	718	155.0	168.5	2,012.2	94.3
Seaspray	26.3	343	2.6	10		17.8	46.7	100.0
Thorpdale	11.4	75	4.1	20		8.1	23.6	91.1
Toongabbie–Covwarr	130.4	434	11.9	27		25.9	168.2	86.6
Total⁴	10,751.0	54,316	2,429.5	5,388	45,690.4	3,830.9	62,701.8	

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, Damum, Drouin, Nilma, Rokeby and Warragul.

4 Number of assessments includes connected and non-connected residential customers.

Drinking Water Quality Compliance

This year, Gippsland Water changed its Drinking Water Quality Compliance Monitoring Program to meet the requirements of the State Government's draft *Safe Drinking Water Regulations*. The parameters monitored, and frequency of sampling, are:

Microbiological

E. coli (weekly)

Physico-chemical

Turbidity (weekly)

Aluminium (monthly)

Disinfection by-products

Trihalomethanes (THMs) (monthly)

Chloroacetic acid (monthly)

Dichloroacetic acid (monthly)

Trichloroacetic acid (monthly)

Percentage of drinking water samples compliant with the regulation limits are provided below. As this is the first year that this monitoring program has been undertaken, direct comparisons cannot be made with data from previous years.

Full details of drinking water quality for every reticulation system will be available via the Annual Report to the Department of Human Services, to be submitted by November of each year. This report will be available to the public via the Gippsland Water website, <http://www.gippswater.com.au>.



Social performance

	2004-05
<i>E. coli</i> (<1 <i>E. coli</i> in 98% of samples taken)	99.94% ¹
Turbidity (95% upper confidence limit of the mean ≤ 5 NTU)	100%
Aluminium (95% upper confidence limit of the mean ≤ 0.2 mg/L)	100%
Trihalomethanes (≤ 250 $\mu\text{g/L}$)	100%
Chloroacetic Acid (≤ 150 $\mu\text{g/L}$)	100%
Dichloroacetic Acid (≤ 100 $\mu\text{g/L}$)	99.75% ²
Trichloroacetic Acid (≤ 100 $\mu\text{g/L}$)	99.75% ²

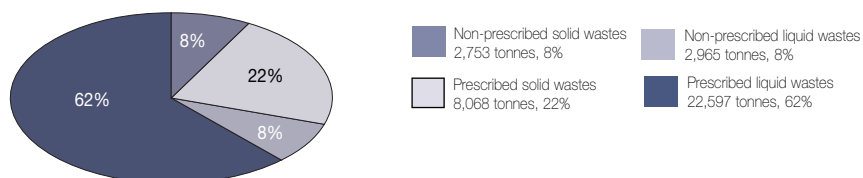
1 Single incident of high *E. coli* at Jumbuk, due to birds gaining access to a storage tank. Corrected with flushing and increased chlorination.

2 Single incident at Rawson, due to sampling immediately downstream from a mobile chlorination plant. Results for follow-up samples were within required limits.

Parameter	Compliance across all monitoring zones
Health-related inorganics	
Arsenic	100%
Cadmium	100%
Chromium	100%
Cyanide	100%
Fluoride	100%
Lead	100%
Mercury	100%
Nitrate	100%
Selenium	100%
Health-related organics	
Benzene	100%
Benzo[a]pyrene	100%
Carbon Tetrachloride	100%
1,2-dichloroethane	100%
1,1-dichloroethene	100%
Pentachlorophenol	100%
Tetrachloroethene	100%
Trichloroethene	100%
2,4,6- trichlorophenol	100%

Waste Deliveries to Dutson Downs

Approximately 70% of the prescribed waste generated by the Gippsland region is accepted by the Resource Recovery Facility, Dutson Downs. The chart below shows the waste tonnage received at the Resource Recovery Facility for 2004-05.





Case study

International Power Hazelwood Supply Pipeline



Pipeline replacement under conveyor



Replacement installation of above ground section

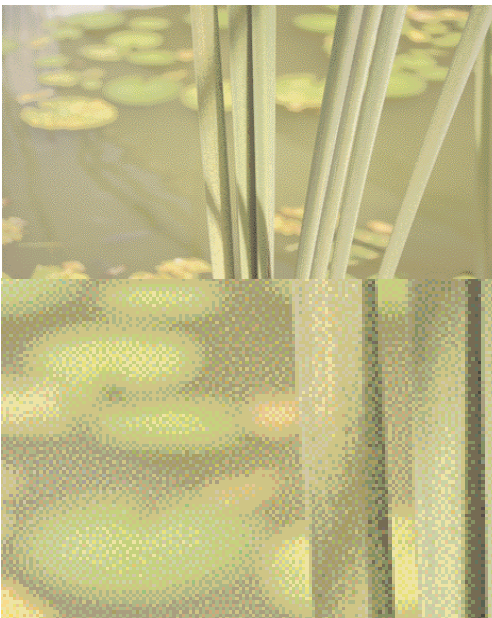
Gippsland Water is committed to reducing the number of unplanned outages to Major Clients by replacing pipes and fittings that have reached the end of their useful life. In achieving this goal Gippsland Water reduces risk and improves the security of supply to its Major Clients. One of the important projects completed by the Major Systems Group in the last few years has been to replace a section of prestressed concrete pipeline supplying raw water to the International Power – Hazelwood Power Station. This section of pipeline had reached the end of its useful life and had the potential to compromise the raw water supply to the power station.

The International Power – Hazelwood Power Station is located approximately 4.5 kilometres from the Buckleys Hill Reservoir. Gippsland Water provides a secure supply of raw water to International Power through existing 600 mm, 750 mm and 1,050 mm mains from Buckleys Hill Reservoir. These mains also interconnect to the Energy Brix Australia supply main. The International Power mains can be separated into two discrete supply systems in order to provide the power station with security of supply. The above supply mains form part of the works handed over to Gippsland Water from the State Electricity Commission of Victoria approximately 40 years ago. The mains traverse a number of underground obstacles and in many cases are located in the same easement as the 220 kV powerlines.

The existing pipelines are a combination of mild steel, reinforced concrete and prestressed concrete pipe. In particular the condition of the prestressed concrete pipe had deteriorated due to age and ground movement within the area, resulting in many failures. Also, over the years, heavy vehicle haulage roads have been constructed across the pipeline easements, which were a source of a number of failures. A decision was made in 2003 to replace 2.7 kilometres of the 750 mm prestressed concrete pipeline as this was identified as posing the greatest risk to Gippsland Water and the power station. Gippsland Water purchased the 813 mm mild steel concrete-lined pipes, valves, fittings, field jointing materials and cathodic protection cross-bond materials for these works through one contract, and later let a construction contract for the installation of the new pipe work.

The replacement pipeline started outside International Power's property boundary, at Gippsland Water's Ridge metering installation and reconnected back into the existing supply system at the Hazelwood surge tanks. An interconnection branch was also constructed at Gippsland Water's Ridge Reservoir. All connections include new valve arrangements. An opportunity was taken to re-establish the second supply into Energy Brix Australia and so improve the flexibility to supply them from different mains and increase their security of supply.

The works were completed in December 2004 at a total project cost of approximately \$3 million.



PART 4

Environmental performance

Part 4

Environmental Management System

The Gippsland Water Environmental Management System (EMS) continues to be reviewed and improved. Focus this year has been on the following activities:

- reviewing induction program for new staff, and tailoring EMS induction details to staff activities;
- completing a five-day environmental auditor training course by a Gippsland Water environmental engineer;
- creating a common Occupational Health and Safety (OHS) and Environmental Risk Assessment and Incident Report format;
- streamlining environmental risk assessment procedures with broader corporate risk management, and seeking a suitable tool to better track risk management activities;
- developing an environmental awareness module for the Certificate III training for Water Treatment Operators.

Working with Major Clients

Gippsland Water is unique among Victorian water authorities in that it provides services to several industries of state and national significance. Gippsland Water's Major Clients account for 70% of the total water consumed and represent one-third of its revenue earned.

Major Clients include Australian Paper, Latrobe Valley's power generators, Esso Australia and three large dairy product manufacturers; servicing these diverse customers presents many specific challenges for Gippsland Water. A number of these customers have dedicated supply systems solely for servicing their requirements, which necessitates a high security of supply, and the treatment and disposal of large volumes of trade waste.

Other significant Major Clients include hospitals, large commercial laundries, a correctional centre and sale yards; these customers are provided with services from normal town reticulation systems. Gippsland Water has implemented the savewater!™ efficiency service, which assists large industrial and commercial businesses to

reduce their water consumption and improve their operational efficiency. The aim is to encourage efficient use of water resources and assist in maintaining the businesses long-term economic sustainability.

Gippsland Water is currently awaiting Victorian Government approval for a number of significant projects focused on providing a sustainable approach to business through reuse and recycling. A number of Major Clients are also awaiting approval for development projects; expanding not only their operations but the service requirements from Gippsland Water.

Environmental Incidents

No significant environmental incidents occurred in 2004–05.

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 Water Services Association of Australia guidelines, developed with the Australian Greenhouse Office, Gippsland Water undertook a review of sources of greenhouse gas emissions and energy consumption in its operations in 2004–05. The relative greenhouse gas impacts, standardised as equivalent tonnes of carbon dioxide gas emitted, are summarised in the table below. The data categories this year have been changed slightly to better identify the operational sources of emissions, so only a total equivalent for 2003–04 is provided for comparison.

Activity	CO ₂ -equivalent (tonnes/year)	
	2003–04	2004–05
Waste treatment ¹		28,727
Water treatment ²		11,301
Traralgon office operations ³		1,230
Fuel use ⁴		1,262
Cattle farming ⁵		4,074
Total	46,100	46,594

1 Methane and nitrous oxide gas emissions, electricity.

2 Electricity, soda ash consumption.

3 Electricity.

4 Petrol, diesel, gas.

5 Methane from cattle.

Waste Minimisation

Chemical coagulation is used at Gippsland Water's water treatment plants to remove colour and other contaminants from water, prior to distribution to customers. A dosing control called a streaming current detector has been introduced at a number of plants to improve the efficiency of coagulant use. This has proven to be highly successful, with at least a 30% reduction in coagulant use. This has not only provided cost savings and a reduction in chemical consumption, but has reduced the amount of coagulated sludge required to be disposed of following treatment.

Management of office waste has been assessed at a number of similar sized offices in the region, to identify the most effective ways to reduce office waste to landfill. Central waste stations will be established in all work areas at the Traralgon office, with clearly defined containers for collection of recyclable materials. This will discourage the use of individual bins for the collection of all waste. Although Gippsland Water has an effective waste office paper collection service, additional benefit can be gained from reducing paper consumption in the first instance. A program has been implemented to monitor and report paper consumption at each printer, and to provide suggestions to reduce printing. One initiative has been to shift from the provision of paper-based to electronic reports from the laboratory services provider.

Performance of Ocean Outfalls

The operational performance of the Saline Water Outfall Pipeline (SWOP) and the Regional Outfall Sewer (ROS)/Delray Beach ocean outfall continues to meet Environment Protection Authority (EPA) licence compliance requirements, with no reportable incidents of below-compliance water quality occurring in the reporting period.

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

The persistence of strong south-westerly winds into late November 2004 caused continuously high turbidity in the Loy Yang Ash Pond. This reduced the opportunity to pump water in the SWOP, resulting in very high pond levels. To prevent secondary environmental impacts from operating the pond at high levels, the EPA gave permission to temporarily increase the turbidity limit for discharge of water via the SWOP. Monitoring indicated that the periods of pumping water at higher than normal turbidity levels were limited.



Environmental performance

Environment Improvement Plan

A risk ranking of the Environment Improvement Plan action items identified the following six items that potentially represented a high corporate risk:

- Review potential accident and emergency scenarios, and implement contingencies to minimise associated environmental impacts;
- Review buffer distances established for Gippsland Water assets, and communicate to local government;
- Continue to upgrade facilities at Dutson Downs Resource Recovery Facility;
- Continue to implement strategies for the improvement of the ROS;
- Identify high risk sources of odour, and implement a management strategy;
- Continue to review the potential impacts of Basslink on the operation of the SWOP.

Progress on each of these risk items is regularly monitored and reported.

Beneficial Reuse of Treated Wastewater

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

The opportunity to reuse treated wastewater at a given site is subject to factors such as seasonality of rainfall and temperature, discharge rate, storage capacity and quality of treated wastewater.

Irrigation of pasture continues to be the major treated wastewater 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, 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.

Gippsland Water operates a number of irrigation facilities, and also supplies reclaimed water for irrigation of private land, subject to the EPA guidelines. The long-term sustainability of irrigation depends on careful irrigation

and land management with rigorous monitoring of water and soil quality.

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 ensure that adequate storage capacity is maintained.

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

The SEPP – WoV allows reclaimed water to be used to provide water for the environment or beneficial 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.

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. This can only take place following the implementation of stringent controls on water quality required by both the EPA and the Department of Human Services.

The following table shows the proportion of wastewater treated in 2004–05, compared with 2003–04. The table specifies volumes of treated wastewater beneficially reused, and volumes discharged to external waterways. The two ocean outfalls operated by Gippsland Water (ROS and SWOP) dispose of large volumes of highly saline treated wastewater, currently unsuitable for beneficial reuse. The proportion of treated wastewater that is beneficially reused is therefore expressed as a percentage both exclusive and inclusive of the ocean outfall flows.

		Volume Reused (ML)		Volume Discharged (ML)		Compliance with EPA Water Quality Limits	
Treatment System	Final Fate of Treated Water	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05
Drouin	Irrigation to pasture or discharge to Shillinglaw Creek	185	209	248	328	100%	100%
Heyfield	Irrigation to pasture	78	96	0	0	100%	100%
Maifra	Irrigation to pasture and sporting field	184	279	0	0	100%	100%
Mirboo North	Irrigation to pasture and sporting field	67	64	0	0	100%	100%
Morwell	Supplement flow to wetlands	750	672	0	0	100%	100%
Stratford	Irrigation to pasture	94	135	0	0	100%	100%
Willow Grove	Irrigation to pasture	9	24	0	0	100%	100%
Neerim South	Discharge to Red Hill Creek	0	0	55	55	100%	100%
Rawson	Discharge to Coopers Creek	0	0	52	40	100%	100%
Warragul	Discharge to Hazel Creek	0	0	1,612	1,630	92%	89% ⁴
Moe	Discharge to Moe River	0	0	2,070	2,056	100%	100%
Sub-Total		1,367	1,479	4,037	4,109		
% reuse¹		25.3%	26.5%				
ROS ²	Discharge to Bass Strait (Delray Beach)	0	0	10,760	11,629	100%	100%
SWOP ²	Discharge to Bass Strait (McGaurans Beach)	0	0	7,541	7,456	100%	100%
Total		1,367	1,479	22,338	23,194		
% reuse³		5.8%	6.0%				

1 Percentage of non-saline treated wastewater.

2 Ocean disposal of treated highly saline wastewater, unsuitable for reuse.

3 Percentage of total volume of treated wastewater.

4 Treatment processes improved to better remove phosphorus, following a number of non-compliant water quality events.



Environmental performance

Biosolids Management

At the majority of wastewater treatment plants managed by Gippsland Water, biosolids (sewage sludge) are stabilised in dedicated treatment lagoons. Once the maximum lagoon capacity is reached, the biosolids are stabilised for removal. No desludging activities took place during this reporting period.

Biosolids from Neerim South Wastewater Treatment Plant are transported and combined with Warragul Wastewater Treatment Plant Sludge, prior to partial dewatering and transport to Dutson Downs for stabilisation, and beneficial reuse on the site. During the reporting period, approximately 1,900 tonnes of biosolids from the two plants was transported to Dutson Downs.

Gippsland Water has continued to develop techniques of windrow composting of biosolids with municipal green waste, to produce a compost product suitable for agricultural use at Dutson Downs. A case study detailing Gippsland Water's work towards a Soil and Organic Recycling Facility at Dutson Downs can be found on page 41.

Gippsland Water is 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 national guidelines for the sustainable reuse of biosolids.

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'*.

Gippsland Water continued to apply Level 1 Water Restrictions during the reporting period. Although significant rainfall events occurred to refresh the catchments, these were interspersed with long periods of little or no rain. This made it difficult to predict catchment yields and customer demand for water over the longer term, necessitating a precautionary approach to water management.

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 Level 1 Water Restrictions were still in place;
- water supply updates for local television news weather reports, to inform customers of water storage levels, including 'water-saving tip of the week';
- creation of a Water Patrol team who were highly visible in the community, monitoring restriction compliance and providing advice to 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 the community education program.

A Water Conservation Policy was adopted during the reporting period. This policy commits Gippsland Water to the sustainable management of its water resources, particularly by collaborating with water resource users to adopt a whole-of-catchment approach to water resource management.

Gippsland Water began participating in the savewater!™ efficiency service. This service assists medium to small sized commercial customers to reduce water consumption. Expert advice from external consultants in water conservation is provided to recommend water-saving opportunities. This service has also been offered to many of Gippsland Water's major customers. It is expected that reductions will be in the vicinity of 5–10% per customer.

An audit of Gippsland Water's own office and depot facilities has identified a potential reduction of 17.1% of water consumed. Works will in be undertaken over the coming months to implement the recommended improvements.

Due to the volumes of water required for their operations, Gippsland Water's Major Clients have strong economic incentives to reduce water consumption. Water conservation opportunities are a standing topic of regular liaison meetings, and many industries benchmark their water use patterns against similar industries as a means of ensuring that water use efficiencies are optimised.

Gippsland Water has worked in cooperation with local government to develop Water Conservation Plans for council facilities, as part of the State Government's Sustainable Water Use Plans program for local government.



Case study

savewater!™ efficiency service

savewater!™ efficiency service



savewater!™ efficiency service
brochure

Gippsland Water, working in partnership with Monash University, has assisted in identifying a potential saving of 16.7% of annual water consumption at Monash University's Gippsland campus. This was achieved through the savewater!™ efficiency service – a new program aimed at assisting businesses to reduce their water consumption and increase economic sustainability through water conservation.

The savewater!™ efficiency service was initiated to assist in positively contributing to the requirement to reduce water consumption over the next five years as outlined in the Victorian Government's White Paper.

In November 2004 an audit was conducted by Water and Energy Savers Pty Ltd as part of the savewater!™ efficiency service. The audit identified a potential annual reduction of 16.7% in the university's water consumption, which also introduces considerable savings to the organisation's water costs and sewer disposal costs. Following the initial audit the Gippsland campus has also undertaken a water conservation audit of its site to assist in identifying further potential water conservation measures available.

Monash University Gippsland campus is the first business in the region to benefit from the program, which was made possible through a partnership involving Gippsland Water and Yarra Valley Water, and funded by the Sustainable Melbourne Fund.

The savewater!™ efficiency service has been successfully implemented in the Melbourne metropolitan area; Gippsland Water is introducing this service in Gippsland in the coming months.



Environmental performance

Research

Odour

Chemical dosing for odour control along the ROS continued to be optimised, to reduce odour emissions while minimising chemical and energy consumption. Research was undertaken that focused on optimising dosing rates, identifying appropriate dosing locations and improving process control instrumentation.

Lake Coleman

Gippsland Water ceased discharging treated wastewater to Lake Coleman in 1992. Since then, 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. Over the period of the study, the lake has naturally undergone extreme changes, from near dryness to sudden filling. These extremities have provided the ideal opportunity to study the lake under a range of conditions. Results to date indicate that very little soluble phosphorus is available at any time, making it highly unlikely that an algal bloom will occur. It is expected that the study will be complete by December 2005.

Gippsland Water Factory – Renewable Energy Opportunities

A partnership has been created with Sustainability Victoria (formerly Sustainable Energy Association of Victoria), Gippsland Water and KBR consultants to identify opportunities to maximise renewable energy recovery from the operation of the proposed Gippsland Water Factory.

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 MP, 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 has undertaken a number of research and development activities for Gippsland Water over the reporting period, including:

- physical and chemical characterisation of a range of waste types currently received at Dutson Downs Resource Recovery Facility, to identify the suitability for composting to recover organic matter and nutrients;
- detailed literature review to characterise best practice composting, bioremediation and biofiltration technologies;
- evaluation of desalination technologies suitable for treating saline wastewater at Dutson Downs to a standard suitable for irrigation;
- independent assessment of Australian Organic Resources technologies for the remediation of biosolids from a range of Victorian water authorities.

In addition to these direct benefits, ASIRC is undertaking a number of research activities for other clients that will have benefits for Gippsland Water. These include the assessment of desalination and membrane water treatment technologies, cleaner production projects for trade waste generators, and prescribed waste minimisation projects for industries reliant on Dutson Downs for waste treatment.

Drought Response Management Plan

Supply

The 2004–05 summer period commenced with Moondarra Reservoir at full capacity and good flows in all Gippsland rivers and streams. Heavy rainfall in February 2005 maintained these good flows. However, after February there was virtually no rain in the Gippsland area until May, and flows in the streams and rivers reduced dramatically over this time. Moondarra Reservoir dropped quickly to a level that triggered the need to supplement the supply from Blue Rock Lake.

No triggers were reached that required the Drought Response Plans to be invoked.

Demand

Water demands have been minimised directly as a result of Level 1 Water Restrictions remaining in place since December 2002. The restrictions, together with the additional press coverage of the requirement for restrictions in Melbourne, have had the effect of reinforcing sensible water use in Gippsland.

National Pollutant Inventory Reporting

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

Emissions of specific chemicals from a facility are reported for inclusion on the database if the total concentration over a year is greater than a pre-established threshold value.

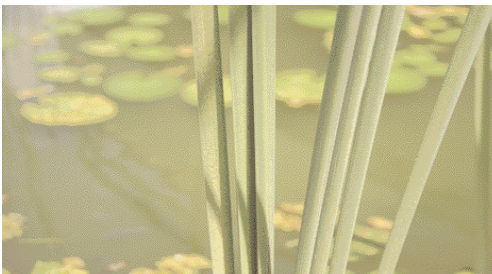
Data for reporting were determined for the emissions from 13 wastewater treatment and disposal facilities in 2004–05. Chemical loads to the environment above the threshold limits are recorded below. Data for 2003–04 are included for comparison.

Generally, comparisons of chemical loads to the environment are similar over the two-year period, with the exception of sulphide to the air from Dutson Downs. Loads of sulphide entering from the Regional Outfall Sewer continued to increase in 2004–05 due to odour control measures in the ROS. Additionally, sulphide losses (kg pa) from the Saline Wastewater Treatment Pond were included in the 2004–05 calculations for the first time.

Total nitrogen from the Moe Wastewater Treatment Plant was not reported this year, due to the load falling below the threshold value of 15,000 kg-N/yr.

Facility	Sulphide to air (kg-S/yr)		Ammonia to air (kg-N/yr)		Ammonia in effluent (kg-N/yr)		Total nitrogen in effluent (kg-N/yr)		Total phosphorus in effluent (kg-P/yr)	
Reporting threshold	10,000		10,000 ¹		10,000 ¹		15,000		3,000	
Period	2003–04	2004–05	2003–04	2004–05	2003–04	2004–05	2003–04	2004–05	2003–04	2004–05
Drouin WWTP	-	-	15,968	15,563	2,421	2,508	-	-	-	-
Moe WWTP	-	-	692	725	1,728	1,617	17,190	-	-	-
Morwell WWTP	-	-	2,169	1,811	384	325	-	-	-	-
Warragul WWTP	-	-	3,895	2,478	696	484	-	-	-	-
Dutson Downs	87,745	271,985	57,925	55,531	95,043	89,348	158,632	139,286	27,074	27,245

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



Environmental performance

Environment & Customer Committee

The Environment and Customer Committee continues to provide Gippsland Water with beneficial contributions to its policies and strategies relating to the impact of Gippsland Water's operations on its environment, customers and broader community.

The committee met four times throughout the year and focused on issues such as the Essential Services Commission's approval of Gippsland Water's pricing structure and Water Plan, water quality results for treatment plant performance, the Gippsland Water Factory, the Eastern Water Recycling Proposal and review of the Customer Charter. The committee also toured the wastewater and waste facilities at Dutson Downs.

As at 30 June 2005, the Environment and Customer Committee comprised:

- Des Sinnott (Chairperson) – Boisdale
- Don Blackely – Drouin
- Malcolm Boyce – Drouin
- Nadine Cranenburgh – Traralgon
- Jane Gurling – Nambrok
- Jodie Halliwell – Darnum
- Maree McPherson – Traralgon
- Peter Smolenaars – Sale
- Francois Vallette – Maffra
- Simon Van Der Zalm – Churchill

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 2004–05. The committee reviewed the environmental compliance and operational performance of both the McGaurans Beach and Delray Beach ocean outfalls.

Additional issues considered during the reporting period included odour abatement trials on the ROS, the proposed Gippsland Water Factory, temporary turbidity limit variation for the SWOP, and the results of toxicity testing of the treated wastewaters discharged via the outfalls.

As at 30 June 2005, the Coastal Advisory Committee comprised:

- Mr Neil Terrill (Chairperson) – Churchill
- Cr Peter Garlick (Deputy Chairperson) – Stradbroke, Wellington Shire
- Mr Mark Duthie – Sale, Esso
- Mr Alan Eagle – Morwell, Australian Paper
- Ms Fiona Fullard – Morwell, Latrobe City
- Mr Frank Johns – Golden Beach
- Mr Jeff North – Lakes Entrance, Lakes Entrance Fishermen's Co-op
- Mr Russell Pentland – Traralgon, Loy Yang Power
- Mr Peter Marwood – Traralgon
- Cr Charles McCubbin – Longford, Wellington Shire
- Mr Dieter Melzer – Traralgon, EPA

Dutson Downs Advisory Committee

The Dutson Downs Advisory Committee was formed in August 2001. The committee examines issues relating to past, current and future practices at the Dutson Downs Resource Recovery Facility. The committee consists of a cross-section of representatives from regulatory agencies, community groups, local government and local industries.

The committee met three times throughout the year and focused on issues such as the Lake Coleman recovery project, the contaminated soils recycling project proposal and EPA licence compliance. A major achievement for this committee was the approval of the Environment Improvement Plan (EIP) for the Dutson Downs Resource Recovery Facility, which was officially endorsed by the committee, Gippsland Water and the EPA on 15 November 2004. This EIP describes the processes and systems in place for managing prescribed industrial wastes and liquid wastes received at the Resource Recovery Facility to ensure that, under normal conditions, the potential for harm to the environment is minimised.

As at 30 June 2005, the Dutson Downs Advisory Committee comprised:

- Cr Peter Garlick (Chairperson) – Gippsland Regional Waste Management Group/Wellington Shire Council
- Darren Baumgarten – Rosedale Leather
- Steven Dickson – Wellington Shire Council
- Mark Duthie – Esso
- Alan Eagle – Australian Paper
- Wally Evans – Watermark Inc
- Jodie Halliwell – West Gippsland Catchment Management Authority
- John Hirt – Sale Field and Game Association
- Cr Charles McCubbin – Wellington Shire Council
- David Mackenzie – EPA Victoria
- Peter Merritt – Department of Sustainability and Environment
- John Steel – Community representative

Environment Protection and Biodiversity Conservation Act 1999

Gippsland Water did not undertake any projects in 2004–05 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. These are managed according to the principles of habitat protection and restoration, land rehabilitation and sustainable agriculture.

Activities undertaken during the reporting period include:

- installing 9 kilometres of fencing to retain livestock in pasture areas;
- protecting 115 hectares of native vegetation from livestock access;
- establishing 10 hectares of locally indigenous trees under the Indigenous Plantations for the Gippsland Plains project;
- removing 189 hectares of the pest plant Spiny Rush and return of the repaired land to farm production;
- developing fodder crop production for the region, including wheat, triticale, barley, peas, vetch and lucerne.

Water for the Future

The Water for the Future initiatives of the State Government were outlined in the White Paper *Securing Our Water Future Together*, released in late June 2004. Gippsland Water has undertaken a number of activities required in the White Paper, including:

- finalising the Tarago Reservoir bulk water entitlement with other key stakeholders;
- preparing a Water Supply–Demand Strategy, to identify the best mix of demand measures and supply options;
- implementing water conservation targets, to include in the Water Supply–Demand Strategy;
- improving communication with the community, to better inform customers of details of water conservation measures and targets;
- developing the Gippsland Water Factory project;
- seeking opportunities to safely and sustainably expand the use of recycled water;
- implementing leakage control programs to reduce loss of water from pipes;
- facilitating the independent audit of all bulk water entitlements.

Regional Catchment Management Strategy

The West Gippsland Catchment Management Authority (WGCMA) officially launched its 2004–09 Regional Catchment Strategy in September 2004. The Regional Catchment Strategy shares many common management objectives with Gippsland Water, including:

- protecting and improving water quality;
- improving the balance between multiple uses of surface waters and groundwaters;
- ensuring the sustainability of production and harvest while securing the protection of assets;
- developing a monitoring, evaluation and reporting framework for natural resource management across Gippsland;
- fostering communication, education and awareness of natural resource and heritage assets.

Gippsland Water works with the WGCMA, other management agencies and the community to identify and implement solutions to catchment issues of common concern.

Victorian Biodiversity Strategy

The Victorian Biodiversity Strategy was adopted in 1997, to prevent or reduce the loss of biodiversity across the State, and to correct past errors when the opportunity arises.

A key objective of the Dutson Downs Integrated Land Use Management Plan is the enhancement of regional biodiversity. Many of the activities undertaken include an objective to protect and enhance biodiversity onsite.

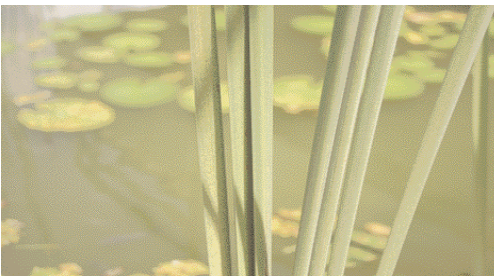
For example, in the planning of the potable water pipeline extensions from Glengarry to Toongabbie, and from Maffra to Boisdale, Gippsland Water has to consider the ecological impacts of installing pipelines along roadside verges. It is common for roadsides to contain rare plants, or representative endangered grassland ecosystems. Gippsland Water has worked with the Department of Sustainability and Environment and local government to avoid disturbing rare flora, and to minimise disturbance of endangered ecosystems. Where disturbance is unavoidable, agreement has been reached to establish and maintain biodiversity offsets of similar ecosystems locally.

Victorian River Health Strategy

The Victorian River Health Strategy (VRHS) was developed by the Victorian Government in August 2002. Activities to address the VRHS will primarily be through the West Gippsland River Health Strategy, developed by the WGCMA. Although still only at the public exposure draft stage, only one priority activity specific to Gippsland Water has been identified. This item is the implementation of a sewerage scheme for Seaspray. Action on this item is underway.

Gippsland Water participated in the planning process for the WGCMA's Water Quality Action Plan. Input to the plan was provided to ensure compatibility in the management objectives of both agencies. Once the plan is adopted, Gippsland Water will work with the WGCMA to ensure that action items specific to Gippsland Water's operations are addressed.

Gippsland Water is active in the Gippsland Regional Water Monitoring Partnership, 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>). Gippsland Water contributes to the operation and upkeep of monitoring stations located on the Latrobe River, Tyers River, Jacobs Creek and Merrimans Creek.



Environmental performance

Victorian Greenhouse Strategy

The Victorian Greenhouse Strategy was adopted by the State Government in 2002. The strategy includes a number of actions to reduce the greenhouse effect impacts of all Victorians.

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 measures the energy consumption of major individual plant items, such as pumps and aerators. Where possible, the plant operations are optimised, to minimise the energy demand while still providing the required level of service.

Currently organic loads and configurations of wastewater treatment plants are not suited to the efficient recovery of methane for combustion and energy recovery. The proposed Gippsland Water Factory provides such opportunities. A partnership has been created with Sustainability Victoria (formerly Sustainable Energy Association of Victoria), Gippsland Water and KBR consultants to identify opportunities to maximise renewable energy recovery from the operation of the proposed Gippsland Water Factory.

Glossary

Biosolids

Organic solids and minerals that accumulate as a final product of wastewater treatment processes, and have been stabilised through treatment or long-term storage.

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.

DSE

Department of Sustainability and Environment

EIP

Environment Improvement Plan

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 the 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.

SEPP

State Environment Protection Policy

Significant environmental aspect (SEA)

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

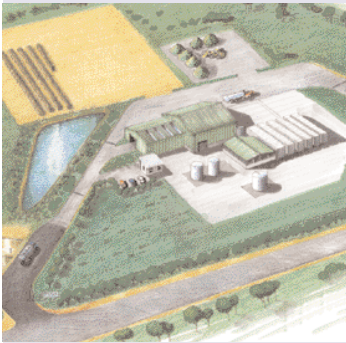
WGCMA

West Gippsland Catchment Management Authority



Case study

Dutson Downs Soil and Organic Recycling Facility and Resource Recovery Facility



An artist's impression of the proposed Soil and Organic Recycling Facility

In July 2003 the Victorian State Government confirmed that Dutson Downs was the preferred site for the development of a soil recycling and treatment facility.

Due to changed market conditions in the contaminated soil market, it became apparent that there may have been insufficient market to justify the capital expense to develop a best practice soil-only recycling and treatment facility. Accordingly, in November 2003 Gippsland Water put the project on hold to re-assess options. During the 2004–05 financial year Gippsland Water re-assessed market and financial options and redesigned the project to a Soil and Organic Recycling Facility (SORF). The SORF will be a staged development and will focus on recycling existing organic waste streams with the capability to also treat contaminated soils. Research, development and concept design and documentation have been prepared for an application to the Victorian Environment Protection Authority (EPA) for works approval.

The facility will be constructed in three stages:

- Stage 1: Infrastructure (buildings, roads, lighting, utilities)
Liquid/solid separation/treatment plant
Two in-vessel composting units
Air emissions controls
- Stage 2: Up to four additional in-vessel composting units
- Stage 3: Additional building and facilities for specialised treatment technologies (eg thermal desorption and solvent washing) for complex organic contaminated soil (eg PCBs organochlorines).

The facility will provide best practice recycling solutions for most of the liquid and solid organic waste streams currently received at the Resource Recovery Facility, Dutson Downs.

Operations will use proven technology and be validated by a proof-of-process methodology which will be reviewed and approved by the EPA.

The preparation of the works approval documentation was reviewed and authorised by an independent EPA approved environmental auditor.



PART 5

Economic performance

Part 5

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 was a key strategic and commercial issue facing Gippsland Water during 2004–05. 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 was 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 *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;
- 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 supply of storage operator and bulk water, sewerage and 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. 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 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 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 were submitted to the ESC on 1 September 2004.

Following this submission the ESC undertook a detailed review of Water Plans and conducted a number of public forums seeking feedback on the Water Plans prior to making its determinations. On 15 June 2005 the ESC released its final decision on pricing for the years 2005–06 to 2007–08.

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.

The State Government in its White Paper *Securing Our Water Future Together* proposed to introduce new pricing arrangements that 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.

	\$ Exclude annual CPI %	2005–06	2006–07	2007–08
Water	Service charge	\$79.20 pa	\$79.20 pa	\$79.20 pa
Water	Volumetric charge	\$0.9159 per KL	\$0.9159 per KL	\$0.9159 per KL
Wastewater	Service charge	\$307.30 pa	\$338.34 pa	\$372.51 pa

Gippsland Water tariffs for a typical residential customer receiving water and wastewater services



Economic performance

The ESC, as the price and quality regulator of the water industry, is responsible for administering the Government's pricing framework. In fulfilling its responsibilities, the ESC ensures 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 products during 2004–05 included:

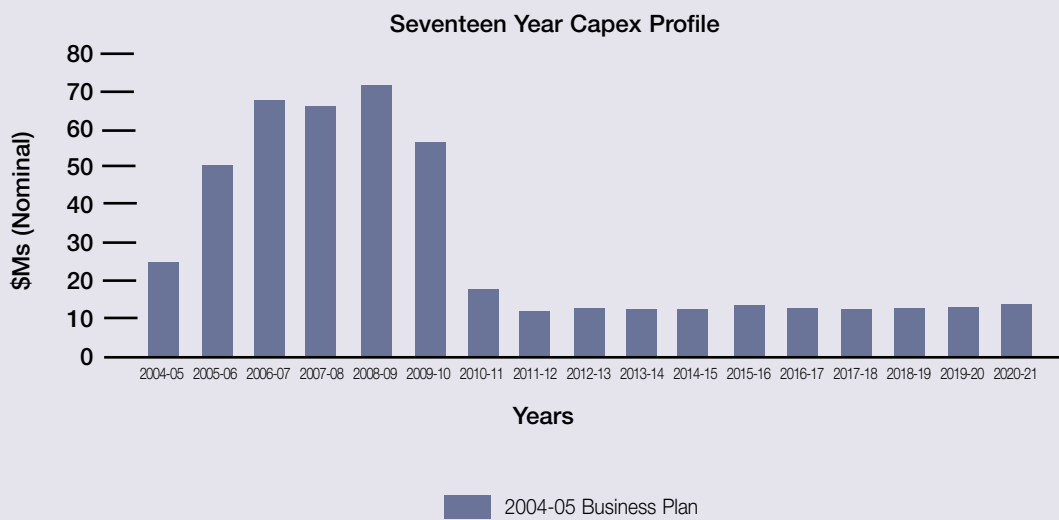
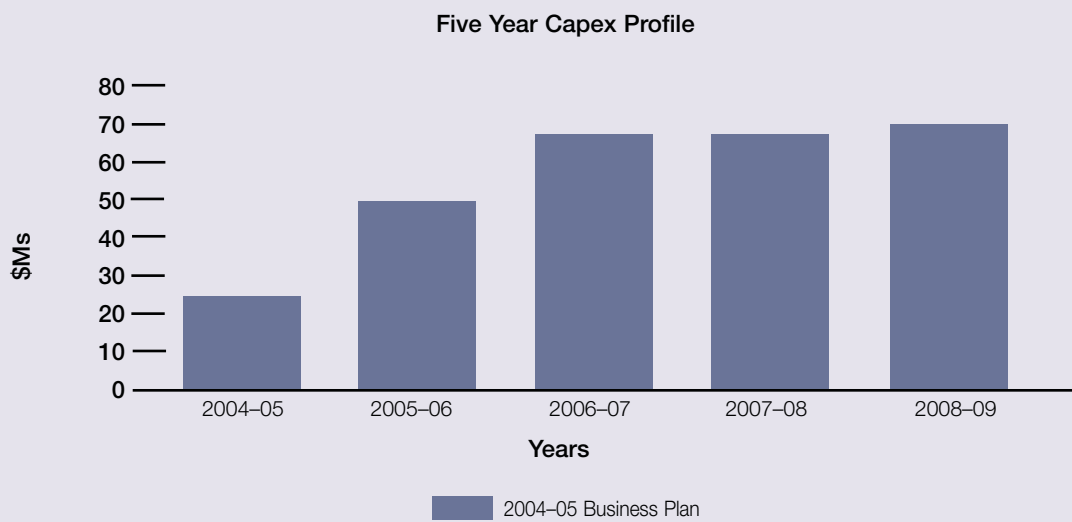
- \$2.313m for water and wastewater asset renewals across Gippsland Water;
- \$1.898m for the additional treatment module at Tyers Water Treatment Plant;
- \$1.287m for Customer Information and Billing System;
- \$1.184m for Stage 1 of the Gippsland Water Factory;
- \$1.037m for water supply main to International Power Hazelwood;
- \$0.844m for the ring main upgrade at Maffra.

Future Capital Investment

Gippsland Water's expenditure program for the next five years is projected to total \$274 million. The capital program focuses on:

- major water recycling and reuse initiative (Gippsland Water Factory);
- 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.

Gippsland Water's five-year capital program includes allowances for the Gippsland Water Factory (\$140m), Seaspray Wastewater (\$5.9m), Loch Sport Water and Wastewater (\$5.7m), Erica–Rawson Water (\$1.9m) and the RRF organics (SORF) initiative (\$3m).





Economic performance

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**
- **Water Services**
- **Wastewater Services**
- **Resource Recovery Facility (unregulated)**
- **Agribusiness (unregulated)**

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 Australian Paper 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, 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 Regional Outfall Sewer and the Saline Waste Outfall Pipeline.

Water Services

Gippsland Water provides potable water to 59,704 properties across 19 water supply systems. Sixteen of the water supply systems have dedicated water treatment plants for the removal of unwanted material from the water supply, and 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 1,933 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 full capacity.

Wastewater Services

Gippsland Water provides wastewater services to 51,203 properties across 18 wastewater supply systems. These wastewater supply systems consist of 1,364 kilometres of sewer mains and 171 pump stations. 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 Gippsland Water's strategic objectives, it is aiming 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.

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 428 hectare zone, within the 8,000 hectare Dutson Downs property.

Historically, the site was established to dispose of wastes generated in the region. In support of government sustainability objectives, Gippsland Water has commenced a redevelopment program that will provide a best practice waste management facility for the region. A case study detailing recent developments associated with the RRF can be found on page 41.

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. Longer-term plans include the development of significant irrigation practices at Dutson Downs using reuse water sourced from the Gippsland Water Factory project. 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 Regional Outfall Sewer wastewater will allow Gippsland Water 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.

PART 6

Financial performance

Part 6

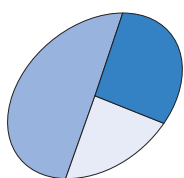
FINANCIAL PERFORMANCE & BUSINESS INDICATORS AS AT 30 JUNE 2005

Summary of Financial Results

	2004-05 \$'000	2003-04 \$'000	2002-03 \$'000	2001-02 \$'000	2000-01 \$'000	1999-00 \$'000	1998-99 \$'000
Core Business Revenue	53,169	45,841	41,449	38,459	37,011	36,505	35,444
Interest Revenue	983	1,000	858	768	1,317	1,539	2,129
Government Contributions	0	0	-	-	28	-	18
Non Government Contributions	9,463	6,459	3,753	5,261	1,383	2,048	1,605
Other Revenue (Farm & Gross Proceeds)	1,748	1,478	1,384	2,038	1,937	2,024	1,819
	65,363	54,778	47,444	46,526	41,676	42,116	41,015
Operations & Maintenance Expense	29,284	25,309	26,136	24,082	22,491	21,188	17,546
Depreciation Expenses	17,154	16,201	15,763	14,743	14,969	14,672	15,285
Administration Expenses	10,003	7,526	6,949	6,750	8,100	8,643	9,313
Finance Expenses						1	485
	56,442	49,036	48,848	45,575	45,560	44,504	42,629
Net Operating Result	8,921	5,743	(1,404)	951	(3,884)	(2,388)	(1,614)

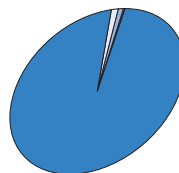
FINANCIAL PERFORMANCE & BUSINESS INDICATORS AS AT 30 JUNE 2005

Water Income from Tariffs & Charges



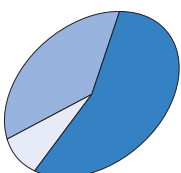
	2005 \$'000
Urban Residential	15,222
Urban Non Residential	3,421
Major Clients	8,538
TOTAL	27,181

Liabilities & Equity



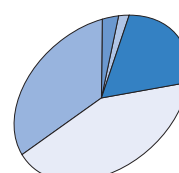
	2005 \$'000
Equity	485,466
Creditors & Accruals	6,462
Provisions	4,864
Other	1,494
TOTAL	498,285

Wastewater Income from Tariffs & Charges



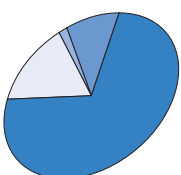
	2005 \$'000
Urban Residential	12,026
Urban Non Residential	2,075
Major Clients	7,301
TOTAL	21,401

Business Stream Revenue



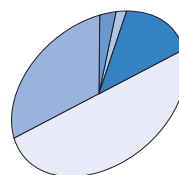
	2005 %
Bulk	22%
Water	41%
Waste	32%
RRF	3%
Agriculture	2%
TOTAL	100%

Total Income from All Sources



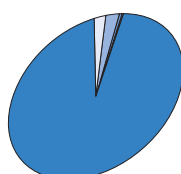
	2005 \$'000
Tariffs & Charges	48,582
Develop't Contributions	9,463
Finance	983
Other	6,335
TOTAL	65,363

Business Stream Expenses



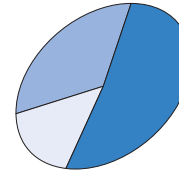
	2005 %
Bulk	16%
Water	50%
Waste	29%
RRF	3%
Agriculture	2%
TOTAL	100%

Total Assets



	2005 \$'000
Fixed	471,115
Cash & Investments	10,641
Debtors & Receivables	12,627
Inventories	2,545
Other	1,356
TOTAL	498,285

Total Expenses



	2005 \$'000
Operations & Maintenance	29,284
Administration	10,003
Depreciation	17,154
TOTAL	56,442

Financial performance

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$'000	2004 \$'000
Revenues from Ordinary Activities	1(b)		
Service Charges - Domestic	1(b), 3(a)	16,040	14,726
Service Charges - Commercial	1(b), 3(a)	13,117	12,408
Volumetric Charges - Domestic	3(a)	11,208	7,590
Volumetric Charges - Commercial	3(a)	8,367	6,738
Income for Capital Purposes	1(b), 3(a)	9,463	6,459
Total Operating Revenue		58,193	47,921
Revenue from Non-Operating Activities			
Proceeds from Sale of Assets	1(b)	920	847
Investment Income	1(b)	983	1,000
Other Revenue	1(b)	5,266	5,009
Total Non-Operating Revenue		7,170	6,857
Total Revenues from Ordinary Activities		65,363	54,778
Expenses from Ordinary Activities			
Employee Benefits	1(k)	14,553	12,816
Suppliers	1(j)	23,292	19,066
Depreciation	1(d), 3(b)	17,154	16,201
WDV of Assets Sold	1(b)	1,442	953
Total Expenses from Ordinary Activities		56,441	49,035
Surplus/(Deficit) from Ordinary Activities before Tax		8,921	5,743
Income Tax Expense	1(o), 4	-	-
Net Result for Operating Period		8,921	5,743
Movements in Equity			
Net (Decrease) in Asset Revaluation Reserve	14	(206)	(2,372)
Total movements directly recognised as Equity		(206)	(2,372)
Total changes in equity other than those resulting from transactions with the Victorian State Government as owner		8,715	3,371

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$'000	2004 \$'000
Assets			
Current Assets			
Cash Assets	1(f), 5	10,641	17,931
Receivables	1(g), 6	12,627	5,841
Inventories	1(h), 7	2,545	2,363
Other	9	1,356	1,304
Total Current Assets		27,170	27,439
Non Current Assets			
Other Financial Assets	1(i), 8	1,046	1,046
Property, Plant and Equipment	1(d), 10	451,432	446,913
Capital Work in Progress	10	17,632	10,485
Other	9	1,005	843
Total Non Current Assets		471,115	459,287
Total Assets		498,285	486,726
Current Liabilities			
Payables	1(j), 11	7,955	6,288
Employee Benefits	1(k), 12	1,697	1,437
Total Current Liabilities		9,652	7,725
Non Current Liabilities			
Payables	11	703	937
Employee Benefits	1(k), 12	1,964	1,520
Bioremediation Pond Rehabilitation	1(l), 12	500	-
Total Non Current Liabilities		3,167	2,457
Total Liabilities		12,819	10,182
Net Assets		485,466	476,544
Equity			
Contributed Capital	1(b), 13	191,385	191,385
Asset Revaluation Reserve	14(a)	277,153	277,359
Accumulated Surplus/(Deficit)	14(b)	16,928	7,801
Total Equity		485,466	476,545



Financial performance

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$'000	2004 \$'000
Cash Flows from Operating Activities			
Cash Receipts in the Course of Operations			
Receipts from Customers		51,967	49,472
Cash Payments in the Course of Operations			
Wages and Salaries		(14,021)	(12,380)
Suppliers and Others		(26,351)	(19,928)
Interest Received		976	986
Net Cash Provided By Operating Activities	15(b)	12,571	18,151
Cash Flows from Investing Activities			
Payments for Property, Plant and Equipment		(24,856)	(17,517)
Income for Capital Purposes		4,076	2,942
Proceeds from Sale of Property, Plant and Equipment		920	847
Net Cash Used In Investing Activities		(19,860)	(13,728)
Cash Flows from Financing Activities			
Increase/(Decrease) in Investments		-	67
Net Cash Provided By Financing Activities		-	67
Net Movement in Cash		(7,289)	4,490
Cash Held Beginning of Year		17,931	13,441
Cash Held End of Year	15(a)	10,641	17,931

Table of contents

AAS/AASB FINANCIAL REPORT

	Financial Statements
1018	Statement of Financial Performance
36	Statement of Financial Position
28	Statement of Cash Flows
	Notes to the Financial Report
6	Note 1 Significant Accounting Policies
1047	Note 2 Impacts of adopting AASB equivalents to IASB Standards
1018	Note 3 Statement of Financial Performance – Disclosures
36	Note 4 Income Tax
	Note 5 Cash Assets
36	Note 6 Receivables
2	Note 7 Inventories
36	Note 8 Other Financial Assets
36	Note 9 Other Assets
36/1041	Note 10 Property, Plant and Equipment
36	Note 11 Payables
30/1044	Note 12 Provisions
36	Note 13 Contributed Capital
36	Note 14 Reserves and Accumulated Surplus
28	Note 15 Cash Flows Disclosures
33	Note 16 Financial Instruments
36	Note 17 Commitments
1044	Note 18 Contingent Liabilities and Contingent Assets
	Note 19 Superannuation
	Note 20 Operating Results of Retail Services
	Note 21 Responsible Persons Related Disclosures
	Note 22 Segment Information (Wholesale / Retail Operations)
	Note 23 Events Occurring after Balance Date

Addendum

Direction	Statement of Financial Performance – Disaggregated
	Statement of Financial Position – Disaggregated
	Statement of Cash Flows – Disaggregated

Auditor General's Report



Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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 2005.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

General

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

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

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

Accounting Policies

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

Classification between current and non-current

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

Rounding

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

(b) Revenue Recognition

Water and sewerage charges

Rate/tariff and service charges are recognised as revenue when levied or determined. Water and sewerage charges by measure are recognised as revenue when the meters are read. Meter reading is undertaken progressively throughout the year. For the 2004–05 financial year the Authority estimated the outstanding revenue in respect of meters which had not been read at balance date (\$2,000,320.49), by multiplying the number of days since the last reading by each customer's average service usage. This was a change in process from previous financial years.

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 transferred to the Authority's control.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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. Expected net cash flows are discounted to their present value in determining the recoverable amount of major asset groups using a discount rate of 5.69%.

The carrying amount of the Authority'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. Revaluation 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:

Class of Fixed Asset	Periods
Buildings 60 years	
<i>Infrastructure</i>	
Water	Years
- Storages	150
- Distribution Networks	40 → 100
- Treatment Plants	25 → 50
Wastewater	
- Storages	65 → 80
- Distribution Networks	60 → 100
- Treatment Plants	15 → 50
<i>Other Assets</i>	
Plant & Equipment	10 → 20
Motor Vehicles	8
Furniture & Computers	3 → 10

(e) Self-Generating and Regenerating Assets

Plantations

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

The net increment in market value of plantations is recognised as revenue by determining 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 plantations are recognised as an asset.

Sam Paton & Associates Pty, Ltd, Certified Practicing Valuers completed an independent valuation of plantations as at 30 June 2005.

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

Plantation	2004–05	2003–04
Softwood Pinus Radiata Ha	596.2	596.2
Softwood Pinus Radiata Valuation	\$956,000	\$797,000

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 cash flow analysis for plantation types is based on the nominated rotation periods for each plantation type. The cost of growing the trees has been deducted in determining net cash flows. Costs associated with the land on which plantations are grown are rates, land tax and other costs.



Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Crops

Crops refer to cereal, forage and legumes stored on site at the Authority's various farming properties. The 2004/05 year is the first year that the Authority has had crops available for the market.

Sam Paton and Associates Pty Ltd, Certified Practicing Valuers completed an independent valuation of crops as at 30 June 2005.

The value and physical quantity of crops in storage at balance date are as follows:

Crops	2004-05
Silage Bales (Dutson, Maffra & Stratford)	730
Silage Valuation (Dutson, Maffra & Stratford)	\$32,000

Sam Paton and Associates independently verified these values having regard to seasonal conditions prevailing at the time both in Gippsland locally and in other recipient hay markets for this category of produce.

Livestock

Livestock refers to all heifers, steers, cows and bulls, located at the Authority's various farming properties.

Chris Stanley Livestock of Woori Yallock completed an independent valuation of livestock as at 30 June 2005.

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

Livestock	2004-05	2003-04
Livestock Numbers	2619	2506
Livestock Valuation	\$1,551,258	\$1,479,200

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

(f) Cash Assets

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

(g) Receivables

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

(h) Inventories

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

(i) Investments

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

(j) Payables

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

(k) Employee Benefits

Superannuation

Defined Benefit Unfunded Superannuation

Central Gippsland Region Water Authority contributes in respect of its employees to the 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.

An Actuarial Assessment was completed by Towers Perrin as at 31 December 2002 which indicated that the assets of the Fund were insufficient to meet the accrued benefits liability of defined benefit members of the fund. The Authority's 30 June 2003, share of the Scheme's unfunded liability was \$1,170,883.39. The Authority elected to pay this liability in equal installments over a 10-year period, commencing in 2002-03.

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

The Authority also contributes to the following superannuation schemes for various members of the organisation:

- Equip Super Fund
- Tesslatf The ARAR
- D & P Keating
- DJ & LJ Young Super Fund
- Health Super
- D Tylee Superannuation

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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.

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.

(l) Bioremediation Pond Rehabilitation

In respect of the Bioremediation Pond (cardboard pond) at Dutson Downs, which falls under EPA licence ES344, the Authority is required to meet the conditions of Sections 19A (2A) and 21 of the Environment Protection Act 1970 which requires a financial assurance for an occupier of a landfill by works approval, licence or Pollution Abatement Notice. The financial assurance is intended to provide a guarantee that the costs of remediation, site closure and post closure liabilities are not borne by the community in the event of the occupiers of the premises abandoning the site, becoming insolvent or incurring clean up costs beyond their financial capability.

In addition, as all the conditions of AASB1044 are met, the Authority will need to recognise the liability for rehabilitation of this site through a provision account. AASB1044 requires that the

(m) 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.

(n) 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*.

(o) 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 (ATO). The Authority incurred a \$2,408,475 tax expense during the financial year (2003/04 \$1,795,727 tax expense). There has been no impact in the year ended 30 June 2005 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 2005 in respect of tax losses not brought to account is \$23,545,428 (2003-04 \$21,564,735 30).



Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

(p) Dividend Policy

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

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer. The Authority was not required to pay a dividend in the 2004–05 financial year based on operating income from 2003–04 year. It is not anticipated that the Authority will be required to pay a dividend on the 2004–05 operating profit as it has not meet the Dividend Policy determination (Note 3d).

(q) Environmental Contributions

The *Water Industry (Environmental Contributions) Act 2004* amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water supply authorities.

The Act establishes an obligation for authorities to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each authority.

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

The environmental contributions are disclosed separately within the expenses.

(r) 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 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

Following the adoption of Australian equivalents to International Financial Reporting Standards (A-IFRS), the Authority will report for the first time in compliance with A-IFRS, when results for the financial year ended 30 June 2006 are released.

The Authority was established to achieve the objective of government in providing services free of charge or at prices significantly below their cost of production for the collective consumption by the community, which is incompatible with generating profit as a principal objective. Consequently, where appropriate, the Authority has applied those paragraphs in the accounting standards applicable to not-for-profit entities.

An A-IFRS compliant financial report will comprise a new statement of changes in equity in addition to the three existing financial statements, which will be renamed. The Statement of Financial Performance will be renamed as the Operating Statement, the Statement of Financial Position will revert to its previous title as the Balance Sheet and the Statement of Cash Flows will be simplified as the Cash Flow Statement. However, for the purpose of disclosing the impact of adopting A-IFRS in the 2004–05 financial report, existing titles and terminologies will be retained.

With certain exceptions, entities that have adopted A-IFRS must record transactions that are reported in the financial report as though A-IFRS had always applied. This requirement also extends to any comparative information included within the financial report. Most accounting policy adjustments to apply A-IFRS retrospectively will be made against accumulated funds at the 1 July 2004 opening balance sheet date for the comparative period. The exceptions include deferral until 1 July 2005 of the application and adjustment for:

AASB 132 Financial Instruments: Disclosure and Presentation;
AASB 139 Financial Instruments: Recognition and Measurement;
AASB 4 Insurance Contracts;
AASB 1023 General Insurance Contracts (revised July 2004); and
AASB 1038 Life Insurance Contracts (revised July 2004)
The comparative information for transactions affected by these standards will be accounted for in accordance with existing accounting standards.

The Authority has taken the following steps in managing the transition to A-IFRS and has achieved the following scheduled milestones:

- established a steering committee to oversee the transition to and implementation of A-IFRS;
- established an A-IFRS project team to review the new accounting standards to identify key issues and the likely impacts resulting from the adoption of A-IFRS and any relevant Financial Reporting Directions as issued by the Minister for Finance; and
- participated in an education and training process for stakeholders to raise awareness of the changes in reporting requirements and the processes to be undertaken

This financial report has been prepared in accordance with current Australian accounting standards and other financial reporting requires (AGAAP). A number of differences between A-GAAP and A-IFRS have been identified as potentially having a material impact on the Authority's financial position and financial performance on the adoption of A-IFRS. Set out below are the key areas where accounting policies are expected to change on adoption of A-IFRS and the best estimate of the quantitative impact of the changes on net profit, net assets and total equity for the year ended 30 June 2005.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

The estimates disclosed below are the Authority's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to A-IFRS may differ from the estimates disclosed due to:

- Change in facts and circumstances;
- Ongoing work being undertaken by the A-IFRS project team;
- Potential amendments to A-IFRS and interpretations; and
- Emerging accepted practice in the interpretation and application of A-IFRS and UIG interpretations

Reconciliation of net result under Australian GAAP to that under A-IFRS

Net Results as reported under Australian GAAP	Note	Year ended 30 June 2005 \$'000
Net Result as reported under Australian GAAP		8,921
<u>Estimated A-IFRS impact on Revenue</u>		
Revenue from ordinary activities		0
Net Loss on Disposal of Non Current Assets		(920)
		(920)
<u>Estimated A-IFRS impact on expenses</u>		
Depreciation and amortisation		0
Net Loss on Disposal of Non Current Assets		(920)
Employee Benefits		12
Other expenses from ordinary activities		0
		(908)
Net Result under A-IFRS		8,909

Reconciliation of net assets as presented under Australian GAAP to that under A-IFRS

Net Assets as reported under Australian GAAP	Note	Year ended 30 June 2005 \$'000
Net Assets as reported under Australian GAAP		485,466
<u>Estimated A-IFRS impact on Assets</u>		
Inventory		(321)
Property, Plant & Equipment		(2,266)
Major Spares (PP&E)		321
Intangible assets		2,266
		0
<u>Estimated A-IFRS impact on Liabilities</u>		
Employee Provisions		208
		208
Net Assets under A-IFRS		485,258

Reconciliation of equity as presented under Australian GAAP to that under A-IFRS

Total Equity as reported under Australian GAAP	Note	Year ended 30 June 2005 \$'000
Total Equity as reported under Australian GAAP		485,466
Adjustment to accumulated surplus/ (deficit)		
Employee Provisions		(208)
Asset Revaluation Reserve		266,735
		266,527
Adjustment to Reserves		
Asset Revaluation Reserve		(266,735)
		(266,735)
Total Equity under A-IFRS		485,258



Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

(a) Revenue from Non-Operating Activities

Although not impacting the net result of the Authority, the adoption of A-IFRS will result in the reclassification of proceeds from the sale of non-current assets from 'revenue from non-operating activities' to expenses from ordinary activities in the Statement of Financial Performance.

As a consequence, revenue from non-operating activities decreased by \$0.920M, other expenses decreased by \$1.442M and a loss on sale of non-current assets of \$0.523M was recognized for the financial year ended 30 June 2005.

(b) Impairment of Assets

AASB136 *Impairment of Assets* requires assets to be assessed for impairment each year. Impairment testing will apply to all assets, other than inventories, financial assets and assets arising from construction contracts, regardless of whether they are measured on a cost or fair value basis. If indicators of impairment exist, the asset will need to be tested to ensure that the carrying value does not exceed its recoverable amount, which is the higher of its value-in-use and fair value less costs to sell. For not-for-profit entities, value-in-use of an asset is generally its depreciated replacement cost.

An assessment for impairment indicators was conducted on transition date, 1 July 2004, as well as for the financial year ending 30 June 2005. No indicators were identified to require an impairment test; therefore no impairment losses have been recognized.

It is not practicable to determine the impact of the change in accounting policy for future financial reports, as any impairment or reversal there of will be affected by future conditions.

(c) Property, Plant and Equipment

AASB116 *Property, Plant and Equipment* requires the capitalization of costs of dismantling and removing an asset and restoring the site on which the asset was created, together with the recognition of a provision at present value in accordance with AASB137 *Provisions, Contingent Liabilities and Contingent Assets*. These costs (and the related provisions) are not recognized under AGAAP and the Authority currently expenses such costs as they are incurred.

The Authority has not identified any assets that will require dismantling, removal or restoration which meet the requirements of recognition under AASB116 *Property, Plant and Equipment* and AASB137 *Provisions, Contingent Liabilities and Contingent Assets*.

(d) Spares

Spare parts are usually carried as inventory and recognized in profit or loss as consumed. Under AASB116 *Property, Plant and Equipment* major spare parts are recognized as part of plant and equipment and should be depreciated over their useful life once in production.

The impact of this change in accounting policy is expected to result in an increase to the carrying amounts of assets of \$0.321M and a decrease in the carrying amount of inventory of \$0.321M as at 30 June 2005.

(e) Intangible Assets

Financial Reporting Direction (FRD) 109 requires expenditure on a non-monetary item without physical substance to be recognised as an intangible asset only if the amount involved meets the capitalisation threshold that is material to the entity. This FRD now requires all purchased internaluse software to be identified as an intangible asset under AASB138.

The effect of the above requirement on the Authority's Statement of Financial Position as at 30 June 2005 will be an estimated increase in intangible assets of \$2.266M with a corresponding decrease in Property, Plant and Equipment.

(f) Employee Benefits

Under existing Australian accounting standards, employee benefits such as wages and salaries, annual leave and sick leave are required to be measured at their nominal amount regardless of whether they are expected to be settled within 12 months of the reporting date. On adoption of AIFRS, a distinction is made between short-term and long-term employee benefits and AASB 119 *Employee Benefits* requires liabilities for short-term employee benefits to be measured at nominal amounts and liabilities for long-term employee benefits to be measured at present value. AASB119 defines short-term employee benefits as employee benefits that fall due wholly within 12 months after the end of the period in which the employees render the related service. Therefore, liabilities for employee benefits such as wages and salaries, annual leave and sick leave are required to be measured at present value where they are not expected to be settled within 12 months of the reporting date.

The effect of the above requirement on the Authority's Statement of Financial Position as at 30 June 2005 will be an estimated increase in employee benefits liability of \$0.208M.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005 \$'000	2004 \$'000
NOTE 3 STATEMENT OF FINANCIAL PERFORMANCE - DISCLOSURES		
(a) Revenue		
<u>Service Charges</u>		
Sewerage Charges	21,401	19,843
Trade Waste Charges	149	133
Water Service Charges	27,181	21,487
	48,731	41,463
<u>Developer Contributions</u>		
Fees Paid by Developers	4,076	2,942
Assets Received from Developers	5,387	3,517
	9,463	6,459
(b) Net Gains and Expenses		
The surplus (deficit) from ordinary activities includes the following specific net gains and expenses		
<u>Net Gain (Loss) on Disposal</u>		
Investments	-	26
Property, Plant & Equipment	(523)	(105)
<u>Expenses</u>		
Depreciation		
Buildings	307	163
Water Infrastructure	7,281	8,572
Wastewater Infrastructure	7,706	5,648
Plant & Equipment	1,343	1,338
Motor Vehicles	516	480
Total Depreciation	17,154	16,201
Bad & Doubtful Debts	74	10
Superannuation Contributions	1,246	1,128
Gross Profit from Livestock	573	568
Auditors Remuneration		
Auditor General for Audit of Financial Statements	46	38
(c) Individually Significant Items (Note 1(k))		
Unfunded Superannuation Liability	-	-
Environmental Contribution	1,520	-
(d) Dividend Policy		
(% of Operating Surplus)		
Revenue from Operating Activities	58,193	47,921
Revenue from Non-Operating Activities	7,170	6,857
Less Income for Capital Purposes	9,463	6,459
Total Revenue from Ordinary Activities (Excl Income for Capital Purposes)	55,900	48,319
Less Expenses from Ordinary Activities	56,441	49,035
Operating Surplus / (Deficit)	(541)	(716)
Expected Dividend Payable @ 65% Operating Surplus	-	-

Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005 \$'000	2004 \$'000
NOTE 4 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	8,921	5,743
Income Tax calculated at 30%	2,676	1,723
Tax Effect of Permanent Differences:		
Accounting Depreciation on Non Tax depreciable items		49
Capital Expenditure - non deductible		24
Non Assessable Income	(243)	
Non Deductible Sundry Expenses	47	-
Income Tax Adjusted for permanent differences	2,480	1,796
Benefit of Tax Losses from Prior years Recouped	2,480	1,796
Aggregate Income Tax Expense	-	-

NOTE 5 CASH ASSETS

Current

Cash on Hand	2	2
Cash at Bank	3,082	1,534
Deposits at Call	2,233	48
Investments	5,325	16,347
	10,641	17,931

A valuation of investments at 30 June 2005 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 6 RECEIVABLES

Accrued Interest	64	56
Trade Debtors	10,287	5,740
less Provision for Doubtful Debts	(60)	(60)
Total Trade Debtors	10,227	5,680
Accrued Income	2,336	106
	12,627	5,841

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005 \$'000	2004 \$'000
NOTE 7 INVENTORIES		
Stores and Consumables	962	884
Livestock at Valuation (refer note 1(e))	1,551	1,479
Crops	32	-
Total Inventories	2,545	2,363
NOTE 8 OTHER FINANCIAL ASSETS		
Non Current		
Non Current		
Government Securities - Inscribed Stock	6	6
Loans to other Authorities	40	40
Shares at Cost	-	-
Long Term Investments	1,000	1,000
	1,046	1,046
NOTE 9 OTHER ASSETS		
Current		
Current		
Private Schemes Unmatured Capital	24	30
Prepayments	470	594
Goods & Services Taxation refund due	839	668
Other	24	12
	1,356	1,304
Non Current		
Private Schemes Unmatured Capital	49	46
Plantations (refer note 1(e))	956	797
	1,005	843

Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2,005 \$'000	2004 \$'000
NOTE 10 PROPERTY, PLANT & EQUIPMENT		
a) Classes of property, plant and equipment		
Land		
At Cost	17	-
At Independent Valuation	12,951	12,838
	<u>12,968</u>	<u>12,838</u>
Buildings		
At Cost	189	-
Less: accumulated depreciation	(1)	-
At Valuation	7,368	7,508
Less: accumulated depreciation	(304)	-
	<u>7,252</u>	<u>7,508</u>
Water Infrastructure		
At Cost	16,065	6,021
Less: accumulated depreciation	(395)	(46)
At Valuation	197,799	198,110
Less: accumulated depreciation	(6,910)	(3)
	<u>206,559</u>	<u>204,082</u>
Wastewater Infrastructure		
At Cost	11,927	4,320
Less: accumulated depreciation	(296)	(41)
At Valuation	210,368	210,420
Less: accumulated depreciation	(7,456)	(13)
	<u>214,543</u>	<u>214,686</u>
Equipment		
At Cost	12,915	9,481
Less: accumulated depreciation	(6,048)	(4,731)
	<u>6,867</u>	<u>4,751</u>
Motor Vehicles		
At Cost	4,351	3,990
Less: accumulated depreciation	(1,108)	(942)
	<u>3,243</u>	<u>3,048</u>
Under Construction (Work In Progress)	17,632	10,485
	<u>17,632</u>	<u>10,485</u>
TOTAL	<u>469,063</u>	<u>457,398</u>

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 2005

NOTE 10 PROPERTY, PLANT & EQUIPMENT (CONTINUED)

b) Movements during the reporting period

	Opening WDV	Additions	Disposals	Revaluation Adjustment	Adj for Retained Earnings	Depreciation	Closing WDV
Land							
At Cost		17					17
At Independent Valuation	12,838		(2)	114			12,951
	12,838	17	(2)	114	-	-	12,968
Buildings							
At Cost		189				(1)	188
At Independent Valuation	7,508		(24)	(114)		(306)	7,064
	7,508	189	(24)	(114)	-	(307)	7,252
Water Infrastructure							
At Cost	5,976	10,043				(349)	15,671
At Deprival Value	198,106		(286)			(6,933)	190,887
	204,082	10,043	(286)	-	-	(7,281)	206,558
Wastewater Infrastructure							
At Cost	4,279	7,607				(256)	11,631
At Deprival Value	210,407		(44)			(7,451)	202,912
	214,686	7,607	(44)	-	-	(7,706)	214,543
Plant & Equipment							
At Cost	4,751	3,467	(8)			(1,343)	6,867
	4,751	3,467	(8)	-	-	(1,343)	6,867
Motor Vehicles							
At Cost	3,048	1,791	(1,079)			(516)	3,243
	3,048	1,791	(1,079)	-	-	(516)	3,243
Under Construction							
	10,485	24,767	(17,620)				17,632
	10,485	24,767	(17,620)	-	-	-	17,632
Total property, plant and equipment	457,398	47,882	(19,062)	-	-	(17,154)	469,063

Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2004 \$'000	2003 \$'000
NOTE 11 PAYABLES		
Current		
Accruals	1,879	1,189
Other Creditors	5,959	4,982
Unfunded Superannuation Liability	117	117
	7,955	6,288
Non Current		
Unfunded Superannuation Liability	703	937
	703	937
NOTE 12 PROVISIONS		
Current		
Annual Leave	1,479	1,268
Long Service Leave	218	169
	1,697	1,437
Non Current		
Employee benefits		
Long Service Leave	1,964	1,520
Bioremediation Pond Rehabilitation	500	-
	2,464	1,520
Number of FTE employees at reporting date	193	198
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	5.50%	6.50%
Weighted average discount rates	4.75 - 5.51%	5.26 - 5.91%
Weighted average terms to settlement of the liability (years)	13	13
NOTE 13 CONTRIBUTED CAPITAL		
Opening Balance	191,385	191,385
Government Cash Contributions	-	-
	191,385	191,385

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005 \$'000	2004 \$'000
NOTE 14 RESERVES AND ACCUMULATED SURPLUS		
(a) Asset Revaluation Reserves		
Opening Balance	277,359	279,731
Revaluation decrement		(2,372)
Transfer to Accumulated Surplus for component of assets sold during the year	(206)	-
Transfer to Accumulated Surplus	-	-
Closing Balance	277,153	277,359
(b) Accumulated Surplus		
Opening Balance	7,801	2,058
Plus Transfer of Asset Revaluation component of assets sold during the year	206	-
	8,007	2,058
Less Surplus/(Deficit) from Ordinary Activities	8,921	5,743
Closing Balance	16,928	7,801
NOTE 15 CASHS FLOW DISCLOSURES		
(a) Cash at the end of the year, as shown in the Statement of Cash Flows Reconciled to the related items as follows:		
Cash on Hand	2	2
Cash at Bank	3,082	1,534
Deposits at Call	2,233	48
Short Term Investments	5,325	16,347
	10,641	17,931
(b) Reconciliation of net cash provided by operating activities to operating surplus / (deficit)		
Operating Surplus / (Deficit) for Year	8,921	5,743
Add/(less):		
Loss on Sale of Fixed Assets	523	105
Depreciation	17,154	16,201
Income for Capital Purposes	(9,463)	(6,459)
Plantations revenue non-cash	(159)	(267)
Net Cash provided by Operating Activities before change in Assets and Liabilities	16,976	15,323
Changes in Operating Assets and Liabilities		
(Increase)/Decrease in Debtors	(6,957)	(983)
(Increase)/Decrease in Other Assets	274	(328)
(Increase)/Decrease in Inventory and Livestock	(182)	(94)
(Decrease)/Increase in Creditors and Provisions	2,459	4,232
Net Cash Provided By Operating Activities	12,571	18,151



Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 16 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 5.50% (4.48% in 2004)
	Interest is recognised as it accrues	Funds returned fixed interest rate of between 5.45% (4.48% in 2004) and 5.64% (5.53% in 2004) 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 7.75% (6.70% in 2004). 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 2005

NOTE 16 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest Rate Risk

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

Financial Instruments	Floating Interest Rate		Fixed Interest Rate maturing in:				Non-interest bearing		Weighted average effective interest rate		Total	
			1 year or less		Over 1 to 5 years							
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 %	2004 %	2005 \$'000	2004 \$'000
i) Financial Assets												
Cash Assets	5,316	1,584	5,325	16,347	-	-	-	-	4.75%	4.75%	10,641	17,931
Receivables - Trade	-	-	-	-	-	-	12,627	5,841	N/A	N/A	12,627	5,841
Other Financial Assets	-	-	-	-	1,046	1,046	-	-	5.48%	5.30%	1,046	1,046
Other Assets*	-	-	-	-	-	-	936	756	N/A	N/A	936	756
Total Financial Assets	5,316	1,584	5,325	16,347	1,046	1,046	13,563	6,597	N/A	N/A	25,250	25,574
ii) Financial Liabilities												
Trade Creditors & Accruals	-	-	-	-	-	-	8,658	7,225	N/A	N/A	8,658	7,225
Total Financial Liabilities	-	-	-	-	-	-	8,658	7,225	N/A	N/A	8,658	7,225

* Excludes Prepayments & Plantations

Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 16 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Net Fair Values

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

Financial Instruments	Total carrying amount as per Statement of Financial Position		Aggregate Net Fair Value	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
i) Financial Assets				
Cash Assets	10,641	17,931	10,596	17,894
Receivables - Trade	12,627	5,841	12,627	5,841
Other Financial Assets	1,046	1,046	1,046	1,046
Other Assets*	936	756	936	756
Total Financial Assets	25,250	25,574	25,205	25,538
ii) Financial Liabilities				
Payables - Trade Creditors and Accruals	8,658	7,225	8,658	7,225
Total Financial Liabilities	8,658	7,225	8,658	7,225

* Excludes Prepayments & Plantations

(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 2005

	2005 \$'000	2004 \$'000
NOTE 17 COMMITMENTS		
<u>Lease Commitments</u>		
As at 30 June the Authority had finance lease commitments due for payment as follows:		
within one year	65	68
- later than one year but not later than five years	272	366
- later than five years	220	324
	557	758
<u>Capital Commitments</u>		
As at the 30 June the Authority had the following capital commitments:	4,233	1,611
	4,233	1,611

NOTE 18 CONTINGENT LIABILITIES & CONTINGENT ASSETS

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

NOTE 19 SUPERANNUATION

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

- Vision Super
- Vision Super Defined Benefit Plan
- Equip Super Fund
- Tesslatf The ARAR
- D & P Keating
- DJ & LJ Young Super Fund
- Health Super
- D Tylee Superannuation

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%	301	311
Vision Super - Defined Benefits (Employer Salary Sacrifice)	Defined	9.25–15.25%	76	67
Vision Super - Supersaver (Employer)	Accumulation	9%	667	591
Vision Super - Supersaver (Employer Salary Sacrifice)	Accumulation	9%	192	151
Equip Super Fund	Accumulation	9%	4	5
Equip Super Fund (Employer Salary Sacrifice)	Accumulation	9%	1	
Tesslatf The ARAR	Accumulation	9%	1	1
D & P Keating	Accumulation	9%	1	1
DJ & LJ Young Super Fund	Accumulation	9%	1	1
Health Super	Accumulation	9%	1	
D Tylee Superannuation	Accumulation	9%	1	
			1,246	1,128

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 Authority 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.

Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 20 OPERATING RESULTS OF RETAIL SERVICES

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

	Urban Water Supply		Rural Water Supply		Wastewater		Other		Total Retail Operations	
	2004-05 \$000's	2003-04 \$000's	2005-03 \$000's	2003-04 \$000's	2005-03 \$000's	2003-04 \$000's	2005-03 \$000's	2003-04 \$000's	2005-03 \$000's	2003-04 \$000's
Revenue										
Sales - External	25,018	19,648			21,401	19,843	16,695	13,419	63,115	52,910
Inter Service Sales									-	-
Unallocated Revenue									-	-
Total Revenue	25,018	19,648	-	-	21,401	19,843	16,695	13,419	63,115	52,910
Service Result	13,729	9,791			11,873	8,334	(16,681)	(12,383)	8,921	5,743
Add: Unallocated Revenue									-	-
Less: Unallocated Expenses									-	-
Operating Surplus / (Deficiency) from Retail Operations									8,921	5,743

NOTE 21 RESPONSIBLE PERSONS' 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 2004 - 30 June 2005)
John Mitchell - Chief Executive Officer

Board Members

Richard Elkington (Chairman)
Jay Bonnington
Pamela Keating
Lisa Proctor (1 July - 30 September 2004)
Leah Young
Alan Seale
Anthony Flynn
Keith Hamilton (1 October 2004 - 30 June 2005)

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 termination payments and bonuses paid at the end of contracts).

2005 \$'000	2004 \$'000
109	103

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 21 RESPONSIBLE PERSONS' RELATED DISCLOSURES CONTINUED

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

Income Band (\$'s)	Total Remuneration		Base Remuneration	
	2005 - No	2004 - No	2005 - No	2004 - No
0 - 9,999	2	4	2	4
10,000 - 19,999	5	4	5	4
20,000 - 29,999				
30,000 - 39,999	1	1	1	1
180,000 - 189,999				1
190,000 - 199,999			1	
200,000 - 209,999		1		
210,000 - 219,999				
220,000 - 229,999	1			
Total Numbers	9	10	9	10

Retirement benefits of responsible persons

The retirement benefits paid by the Authority in connection with the retirement of responsible persons of the Authority amounted to:

2005 \$'000	2004 \$'000
8	8

Loans

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

Other Transactions

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

b) Executive Officers' Remuneration

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

Income Band (\$'s)	Total Remuneration		Base Remuneration	
	2005 - No	2004 - No	2005 - No	2004 - No
100,000 - 109,999	6	4	8	4
110,000 - 119,999	4		1	
120,000 - 129,999				2
130,000 - 139,999		1	2	
140,000 - 149,999		1		1
150,000 - 159,999	2		1	
160,000 - 169,999		1		
170,000 - 179,999	1			
Total Numbers	13	7	12	7
Total remuneration for the reporting period of executive officers included above amounted to (\$'000's):				
	1,590	871	1,268	824

As a result of normal salary increases consistent with Government guidelines five officers have now moved into the Executive Officer's Remuneration reporting stream.

Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 22 SEGMENT INFORMATION - WHOLESALE / RETAIL

Statement Of Financial Performance

Revenue from Ordinary Activities
Bulk Water Sales - Urban Retail
Retail Service Charges
Retail Usage Charges
Other Revenue
Total Revenue from Ordinary Activities

Expenses from Ordinary Activities

Operations and Maintenance
Administration
Depreciation
Total Expenses from Ordinary Activities

Net Operating Deficit from Ordinary Activities

Net Profit / (Deficit)

Statement Of Financial Position

Assets

Cash Assets
Other Financial Assets
Property, Plant and Equipment
Other Assets
TOTAL ASSETS

Liabilities

Provisions & Payables
TOTAL LIABILITIES

Statement Of Cashflows

Capital Flows from Investing Activities
Capital Flows from Financing Activities

Wholesale Operations		Retail Operations	
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
2,248	1,868	-	-
-	-	28,943	27,085
-	-	17,476	12,406
-	-	16,695	13,419
2,248	1,868	63,115	52,910
990	994	28,294	24,315
398	287	9,605	7,239
860	588	16,295	15,614
2,248	1,868	54,193	47,167
-	-	8,921	5,743
-	-	8,921	5,743
3,098	2,015	7,543	15,916
-	-	1,046	1,046
25,920	26,718	443,143	430,680
1,012	928	16,522	9,423
30,031	29,386	468,254	457,066
486	406	12,333	9,777
486	406	12,333	9,777
(30)	(46)	(19,830)	(13,682)
-	-	-	67

Intersegment transactions totalling \$2,248,235.30 have been eliminated upon preparing the consolidated annual financial statements of the Authority.

NOTE 23 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 2005.

CENTRAL GIPPSLAND REGION WATER AUTHORITY

We certify that the financial statements of the Central Gippsland Region Water Authority for the period ended 30 June 2005 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 Cash Flows and notes to the financial statements present fairly the financial transactions for the period 1 July 2004 to 30 June 2005 and the financial position of the Authority as at 30 June 2005.

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



Pam Keating
Acting Chairman
Central Gippsland Region Water Authority



John Mitchell
Accountable Officer
Central Gippsland Region Water Authority

Dated the 27th day of September 2005



AUDITOR GENERAL
VICTORIA

INDEPENDENT AUDIT REPORT

Central Gippsland Region Water Authority

To the Members of the Parliament of Victoria and Members of the Board of the Authority
Scope

The Financial Report

The accompanying financial report for the year ended 30 June 2005 of the Central Gippsland Region Water Authority consists of the statement of financial performance, statement of financial position, statement of cash flows, notes to and forming part of the financial report, and the supporting documentation.

Members' Responsibility

The Members of the Board of the Central Gippsland Region Water Authority are responsible for:

- the preparation and presentation of the financial report and the information it contains, including accounting policies and accounting estimates
- the maintenance of adequate accounting records and internal controls that are designed to record its transactions and affairs, and prevent and detect fraud and errors.

Audit Approach

As required by the *Audit Act 1994*, an independent audit has been carried out in order to express an opinion on the financial report. The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement.

The audit procedures included:

- examining information on a test basis to provide evidence supporting the amounts and disclosures in the financial report
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the members
- obtaining written confirmation regarding the material representations made in conjunction with the audit
- reviewing the overall presentation of information in the financial report.

These procedures have been undertaken to form an opinion as to whether the financial report is presented in all material respects fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, so as to present a view which is consistent with any understanding of the Authority's financial position, and its financial performance and cash flows.

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

Victorian Auditor-General's Office Level 34, 140 William Street, Melbourne Victoria 3008
Telephone (03) 8661 7000 Facsimile (03) 8661 7001 Email complaints@ag.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest



AUDITOR GENERAL
VICTORIA

Independent Audit Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers are to be exercised. The Auditor-General and his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

Audit Opinion

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, the financial position of the Central Gippsland Region Water Authority as at 30 June 2005 and its financial performance and cash flows for the year then ended.

MELBOURNE
27 September 2005



JW CAMERON
Auditor-General

Victorian Auditor-General's Office Level 34, 140 William Street, Melbourne Victoria 3008
Telephone (03) 8661 7000 Facsimile (03) 8661 7001 Email complaints@ag.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest

PART 7

Performance report

Part 7

Performance Indicator	2004-05 Target	2004-05 Result	% Variance	Notes
PART 1 - FINANCIAL PERFORMANCE INDICATORS				
Long Term Profitability (Return on Assets)				
Earnings before interest and tax and after abnormals x 100				
Average total assets	1.16%	1.81%	56%	(1)
Owner's Investment (Return on Equity)				
Operating profit after tax x 100				
Average total equity	0.9%	1.3%	44%	(1)
Long Term Financial Viability (Debt to Equity)				
Debt x 100				
Total equity	0%	0%		
Liquidity and Debt Servicing (Interest Cover)				
Earnings before interest and tax and after abnormals x 100				
Gross interest expense	0%	0%		
Immediate Liquidity and Debt Servicing				
Cash flow from operations before net interest				
Net interest expense	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	86	92	7%	
Water Supply Reticulation	473	450	-5%	
Water Supply Treatment	251	327	30%	(2)
Sewerage Reticulation	266	204	-23%	(2)
Sewerage Treatment	609	232	-62%	(2)

(1) This year shows an increase in the Water Volumetric Charge of \$2.135m. This is a direct result of the change in accounting policy following from the requirement in the 2003/04 External Audit Management Letter requesting "the Authority accrue meter readings between the last reading and 30 June, to recognise all revenue earned within the financial year"

(2) The target figures assumed an annual growth rate of 4% in property connections across the Authority which would increase the ML transported and treated. A further assumption for the targets is that the wet weather component (rainfall infiltration) of the inflow would be the same as 2003-04 year inflows. The inflow into the treatment plants is highly dependent on rainfall and infiltration.

Performance Indicator	2004-05 Target	2004-05 Result	% Variance	Notes
SERVICE DELIVERY PERFORMANCE INDICATORS - GENERAL				
RELIABILITY OF SUPPLY - URBAN SUPPLIES				
1. Properties Interrupted Ratio				
Number of properties that experienced a service interruption x 100 Total properties receiving water	22.0%	19.34%	-12%	(1)
2. Interruption Time (Hours)				
Average time taken in hours to restore an interrupted service	2.5	2.51	-	
RELIABILITY OF WASTEWATER COLLECTION SERVICES				
<u>Total number of confirmed sewer overflows</u> Kilometres of sewerage mains/100				
SYSTEM				
Churchill/Boolarra/Yinnar	0.00	4.89	-100%	(2)
Drouin	16.1	4.64	-71%	(3)
Glengarry /Toongabbie	0.00	0.00	-	
Heyfield	35.1	4.41	-87%	(4)
Maffra	26.0	3.80	-85%	(5)
Mirboo North	24.6	4.88	-80%	(6)
Moe/Newborough/ Trafalgar/ Yarragon	10.0	5.47	-45%	(7)
Morwell	54.9	9.78	-82%	(8)
Neerim South	6.8	0.00	-	(9)
Rawson	11.9	11.90	-	
Rosedale	0.00	0.00	-	
Sale	0.00	1.56	-100%	(10)
Stratford	4.7	0.00	-	
Traralgon	0.00	6.47	-100%	(11)
Warragul	21.5	6.76	-69%	(12)
Willow Grove	13.3	0.00	-100%	(13)
Yallourn North	0.00	0.00	-	



Performance report

- (1) Due to water restrictions being in place, the air scouring program was suspended for four months during this financial year, reducing the need for mains isolation during scouring events. The water main replacement program has also reduced the number of repeat main breaks. Higher rainfall this year has contributed to a lower number of main breaks caused by dry and cracking soil.
- (2) Churchill and Yinnar experienced sewer overflows, 50% of these due to tree root invasion and 50% due to foreign material.
- (3) 30% of Drouin's overflows were due to tree root invasion into the sewer system with 60% due to foreign material or unknown sources/reasons.
- (4) 50% of Heyfield's overflows were due to tree root invasion and 50% due to foreign material.
- (5) There were only 2 sewer overflows experienced in Maffra due as a result of the Authority's ongoing sewer preventative maintenance program.
- (6) There was only one sewer overflow due to fat build-up within the system and the reduction has been due to the sewer preventative maintenance program.
- (7) The sewer preventative maintenance program has shown a large reduction in the number of overflows within the system – 2 overflows were recorded for the year, one for foreign material and the other a fat build up within the system.
- (8) Only 14 overflows were recorded for the year compared to 24 in the 2003–04 year. 30% due to tree root invasion, and the remainder due to foreign material and unknown sources. This reduction in overflows is directly related to the Authority's ongoing sewer preventative maintenance program.
- (9) Neerim South experienced no overflows for the year
- (10) The Sewer Cleaning Program only commenced in Sale late 2004–05, the 2 overflows that were experienced occurred prior to the cleaning program and since this time there have been no overflows.
- (11) 50% of Traralgon's 13 overflows were due to fat build-up within the sewer system occurring in the first half of the financial year. The remainder of the overflows were attributed to foreign material or unknown reasons.
- (12) 50% of Warragul's 8 overflows were due to tree root invasions during the winter months. The other 50% was due to foreign material within the sewer. The sewer cleaning program commenced in August 2004 which has resulted in a decrease in overflows from 29 in 2003–04 to 8 for 2004–05.
- (13) Willow Grove had no sewer overflows for the year; the target was for 2 overflows.

Performance Indicator	2004-05 Target	2004-05 Result	% Variance	Notes
SERVICE DELIVERY PERFORMANCE INDICATORS - WASTEWATER				
Quality of Wastewater Disposal (by Treatment or Disposal Facility)				
1. AGGREGATE ANNUAL PERFORMANCE OF A TREATMENT OR DISPOSAL FACILITY				
Number of individual test results $\frac{\text{meeting EPA licence conditions} \times 100}{\text{Number of routine tests for the year}}$				
Dutson Downs	100	100	-	
Heyfield	100	100	-	
Maffra (Domestic)	100	100	-	
Mirboo North	100	100	-	
Moe	100	100	-	
Morwell	100	100	-	
Neerim South	100	100	-	
Rawson	100	100	-	
Saline Waste Outfall Pipeline	100	100	-	
Stratford	100	100	-	
Warragul	100	89	-11%	(1)
Willow Grove	100	100	-	

(1) Total phosphorus concentration was outside annual mean and 90 th percentile EPA licence limits on a number of occasions. This was due to a failure of chemical precipitation processes. An alum dosing facility was installed on site in February 2005 to improve the precipitation of phosphorus prior to discharge from the plant.

Performance report

Performance Indicator	2004-05 Target	2004-05 Result	% Variance	Notes
-----------------------	-------------------	-------------------	------------	-------

SERVICE DELIVERY PERFORMANCE INDICATORS - WASTEWATER

2. SHORT TERM/PERSISTENT COMPLIANCE WITH EPA LICENCE

Number of sets of test results
meeting EPA licence conditions x 100
Number of sets of routine tests for the year

Dutson Downs	100	100	-	
Heyfield	100	100	-	
Maffra (Domestic)	100	100	-	
Mirboo North	100	100	-	
Moe	100	100	-	(1)
Morwell	100	100	-	
Neerim South	100	100	-	
Rawson	100	100	-	
Saline Waste Outfall Pipeline	100	100	-	
Stratford	100	100	-	
Warragul	100	33	-67%	(2)
Willow Grove	100	100	-	

(1) Previously reported non-compliant data subsequently found to have been due to a laboratory reporting error.

(2) Total phosphorus concentration was outside annual mean and 90 th percentile EPA licence limits on a number of occasions. This was due to a failure of chemical precipitation processes. An alum dosing facility was installed on site in February 2005 to improve the precipitation of phosphorus prior to discharge from the plant.

Performance Indicator	2004-05 Target	2004-05 Result	% Variance	Notes
SERVICE DELIVERY PERFORMANCE INDICATORS - ENVIRONMENTAL				
Waste Management for Wastewater (by treatment or disposal facility)				
1. WASTEWATER EFFLUENT REUSED				
<u>Volume of effluent reused x 100</u> Total volume of effluent produced				
Drouin	62%	39%	-37%	(1)
Dutson Downs	0%	0%	-	
Heyfield	100%	100%	-	
Maffra (Domestic)	100%	100%	-	
Mirboo North	100%	100%	-	
Moe	0%	0%	-	
Morwell	100%	100%	-	
Neerim South	0%	0%	-	
Rawson	0%	0%	-	
Saline Waste Outfall Pipeline	0%	0%	-	
Stratford	100%	100%	-	
Warragul	0%	0%	-	
Willow Grove	100%	100%	-	
2. WASTEWATER SLUDGE REUSED/RECYCLED				
<u>Volume of sludge reused/recycled x 100</u> Total volume of sludge produced				
Drouin	0%	0%	-	
Dutson Downs	0%	0%	-	
Heyfield	0%	0%	-	
Maffra (Domestic)	0%	0%	-	
Mirboo North	0%	0%	-	
Moe	0%	0%	-	
Morwell	0%	0%	-	
Neerim South	100%	100%	-	
Rawson	0%	0%	-	
Saline Waste Outfall Pipeline	0%	0%	-	
Stratford	0%	0%	-	
Warragul	100%	100%	-	
Willow Grove	0%	0%	-	

(1) Proposed target of 62% is likely to have been adopted in error, as this level of reuse could not currently be achieved at Drouin, using the sustainable irrigation practices required by EPA.

Performance report

Performance Indicator	2004-05 Target	2004-05 Result	% Variance	Notes
WATER SERVICES AGREEMENT STANDARDS				
1. Restoration of water supply				
Number of unplanned interruptions restored within 5 hours x 100 Total unplanned interruptions	98.6%	97.7%	-1%	
2. Containment of Sewer Spillages				
Number of sewer spillages (priority 1 and 2) contained within 5 hours x 100 Total sewer spillages	100%	100%	-	
CUSTOMER COMPLAINTS				
1. Water Quality Complaints				
Number of water quality complaints Number of water customers/1000	2.2	1.47	-33%	(1)
2. Water Supply Reliability Complaints				
Number of water supply reliability complaints Number of water customers/1000	0.86	0.83	-3%	
3. Sewerage Service Quality & Reliability Complaints				
Number of sewerage service quality & reliability complaints Number of sewerage customers/1000	0.49	0.10	-80%	(2)
4. Affordability Complaints				
Number of affordability complaints Number of water customers/1000	0.17	0.82	382%	(3)
5. Other Complaints				
Number of all other complaints Number of water customers/1000	0.17	0.46	171%	(4)

(1) Frequency of complaints was reduced as air scouring program was suspended for four months. Air scouring generally results in complaints arising due to the change in the appearance of the water immediately following the return of service to customers.

(2) Reduction due to the Authority's ongoing sewer preventative maintenance program.

(3) An increased number of complaints relating to affordability were the direct result of incremental tariff increases over the past year.

(4) Implementation of a new Customer Information and Billing System caused delays to the billing cycle, resulting in increased enquiries, longer call queues and subsequently an increased number of complaints. This was over a short period.

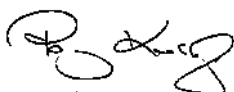
CENTRAL GIPPSLAND REGION WATER AUTHORITY

PERFORMANCE STATEMENT FOR 2004/05

In our opinion, the accompanying Statement of Performance of Central Gippsland Region Water Authority, in respect of 2004/05 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The statement outlines the relevant performance indicators as determined by the responsible Minister, the actual results achieved for the financial year against pre-determined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets.

As at the date of signing, we are not aware of any circumstance which would render any particular in the Statement to be misleading or inaccurate.



Pam Keating
Acting Chairman
Central Gippsland Region Water Authority



John Mitchell
Accountable Officer
Central Gippsland Region Water Authority

Dated the 27th day of September 2005



AUDITOR GENERAL VICTORIA

INDEPENDENT AUDIT REPORT

Central Gippsland Region Water Authority

To the Members of the Parliament of Victoria and Members of the Board of the Authority

Scope

The Statement of Performance

The accompanying statement of performance for the year ended 30 June 2005 of the Central Gippsland Region Water Authority consists of the statement, the related notes and the supporting declaration.

Members' Responsibility

The Members of the Board of the Central Gippsland Region Water Authority are responsible for the preparation and presentation of the statement of performance and the information it contains.

Audit Approach

As required by the *Audit Act 1994*, an independent audit has been carried out in order to express an opinion on the statement of performance. The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the statement of performance is free of material misstatement.

The audit procedures included:

- examining information on a test basis to provide evidence supporting the amounts and disclosures in the statement
- obtaining written confirmation regarding the material representations made in conjunction with the audit
- reviewing the overall presentation of information in the statement of performance.

These procedures, which did not extend to an assessment of the relevance or the appropriateness of the performance indicators contained within the statement, have been undertaken to form an opinion as to whether, in all material respects, the statement of performance is presented fairly in accordance with the *Financial Management Act 1994*.

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

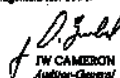
Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers are to be exercised. The Auditor-General and his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

Audit Opinion

In my opinion, the statement of performance of the Central Gippsland Region Water Authority in respect of the 2005 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

MELBOURNE
27 September 2005


J.W. CAMERON
Auditor-General

Victorian Auditor-General's Office Level 34, 140 William Street, Melbourne Victoria 3000
Telephone (03) 8021 7000 Facsimile (03) 8021 7010 Email: accounts@ag.vic.gov.au Website: www.ag.vic.gov.au

Acting in the Public Interest

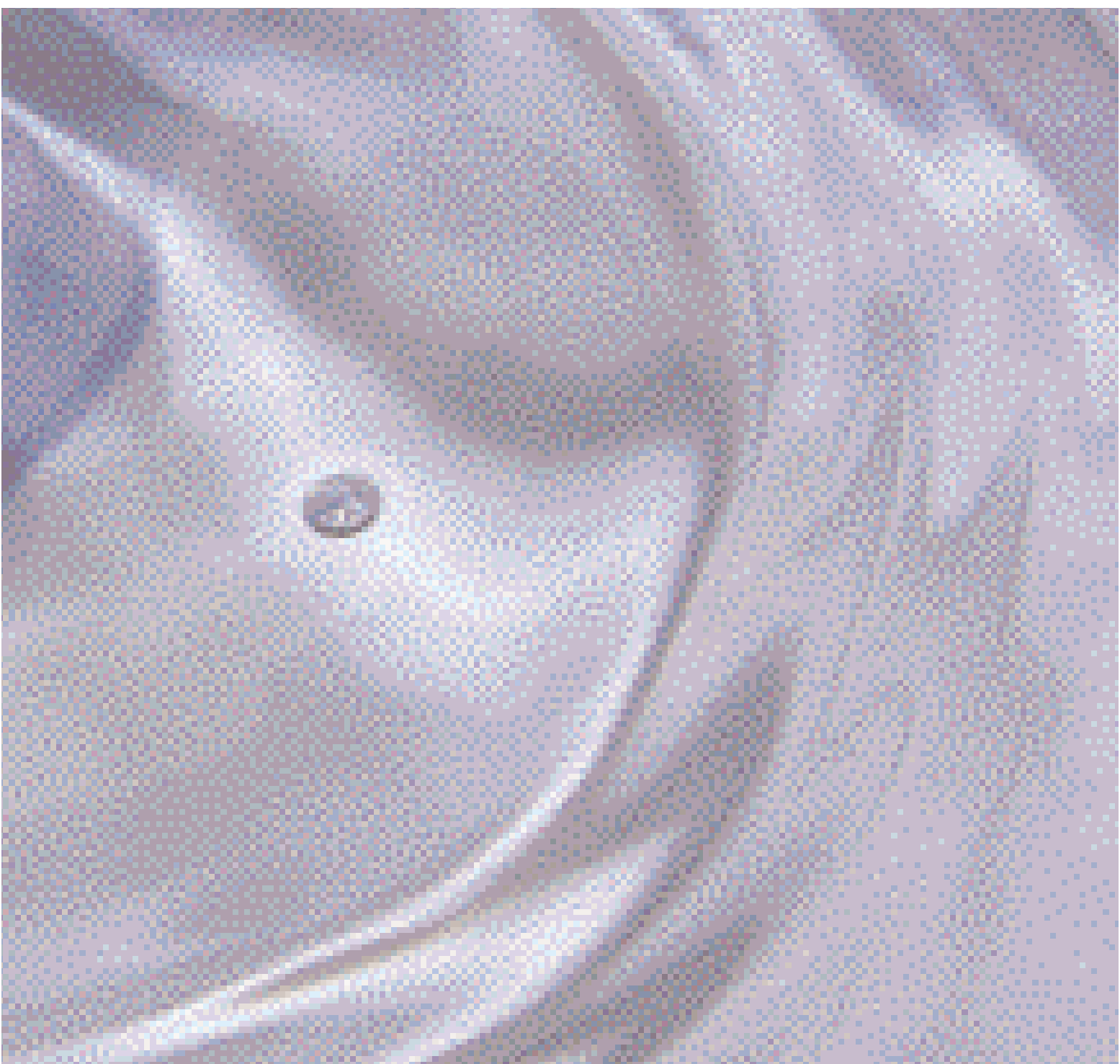
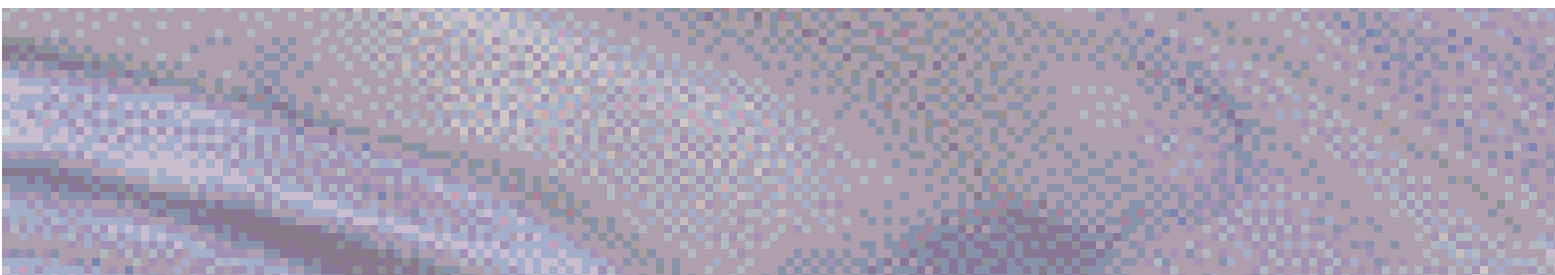
PART 8

Disclosure index

Part 8

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		
<i>Charter and Purpose</i>		
22	Manner of establishment and the relevant Ministers	3
22	Objectives, functions, powers and duties	3, 6
22	Nature and range of services provided	3, 6
22	Organisational structure, names and functional areas of responsibility of senior officers	14
22	Names of board members	10–11
Financial and Other Information		
22	Statement of workforce data for current and previous financial year	24
22	Merit and equity	26
15	Executive officer disclosures	73
22	5 year summary of the financial results	48
22	Significant changes in financial position during the year	73
22	Objectives & performance against objectives	76–83
22	Major changes or factors affecting performance	n/a
22	Subsequent events which will affect operations in future years	74
22	Details of consultancies > \$100,000	19
22	Details of consultancies – total No. and cost < \$100,000	19
12	Disclosure of major contracts	n/a
22	Application and operation of <i>Freedom of Information Act 1982</i>	18
22	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	19
22	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	18
22	Statement on National Competition Policy	18
22	Occupational health and safety	26
10	Disclosure index	84
22	Statement of availability of other information*	18
Community Inclusiveness – Premiers Circular – Aged, Youth, Koories, NESB		12, 18
Compliance statement for the FIMCF		54
Changes required for International Reporting Standards		58
A-G Letter statement of compliance		75, 83





Gippsland Water

Hazelwood Road, PO Box 348
Traralgon, Victoria 3844

Telephone: (03) 5177 4600

Facsimile: (03) 5174 0103

Email: contactus@gippswater.com.au

Internet: <http://www.gippswater.com.au>

ABN 75 830 750 413