



GIPPSLAND WATER

# Annual Report

05-06

Incorporating the 2005-06  
Sustainability Report  
and Financial Statements



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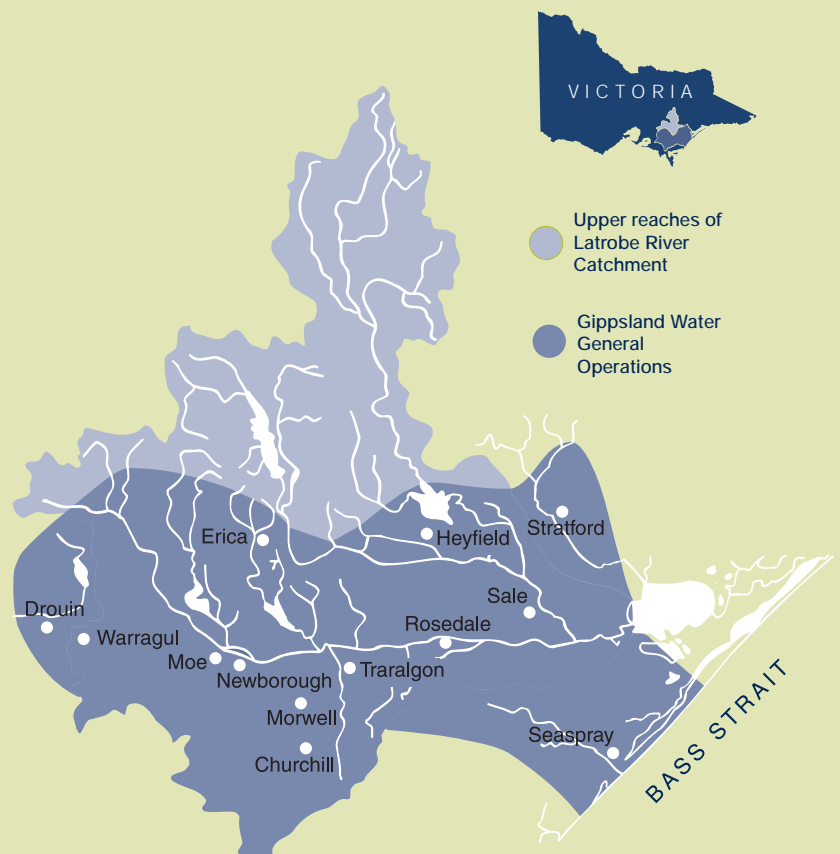
# Introduction and overview

## Profile of Gippsland Water

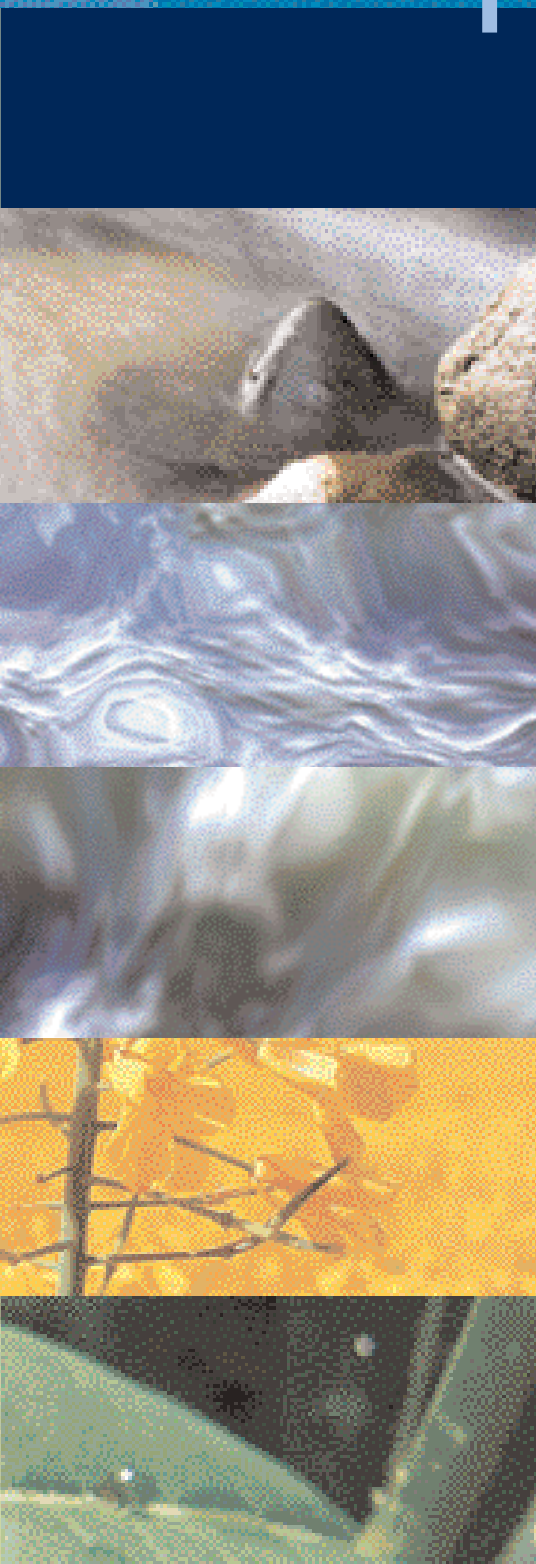
The Central Gippsland Region Water Authority, trading as Gippsland Water, was constituted on 21 December 1994 under the *Water Act 1989*. The authority is responsible to the Honourable John Thwaites MP, Minister for Water.

Gippsland Water provides high quality water and wastewater services to all customers to ensure social, environmental and economic benefits for Central Gippsland. Its 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 of approximately 130,000 people and services 61,392 water customers and 52,422 wastewater customers. Gippsland Water's customers also include local industries, some of which are of state and national significance.

Gippsland Water is the second largest non-metropolitan water authority in Victoria in terms of the total volume of water supplied and collected. It manages 17 water treatment plants, 11 wastewater treatment plants and two ocean outfalls. Gippsland Water is a unique water authority within Victoria in that it provides significant solid and liquid waste recovery services at its Resource Recovery Facility located at Dutson Downs, meeting the demands for 70% of the prescribed waste produced within the region. Gippsland Water is also responsible for a successful agribusiness enterprise, being a producer of quality beef, feed crops and plantation timber as part of its wastewater management activities.



# part 1



## Gippsland Water at a glance

### Water

Gippsland Water manages 17 water treatment plants. It obtains its water from a variety of sources including reservoirs, surface water and groundwater. The water services include:

- 61,392 customers serviced
- 64,347 megalitres of water supplied
- 1,913 kilometres of water mains

### Wastewater

Gippsland Water manages 11 wastewater treatment plants and two ocean outfalls. The wastewater services include:

- 52,422 customers serviced
- 20,801 megalitres of wastewater collected
- 1,343 kilometres of sewer mains

### Waste materials

Gippsland Water manages the Resource Recovery Facility (RRF) at Dutson Downs which was established in 1985. The wastes managed at the RRF include:

- 22,495 tonnes of liquid waste treated
- 8,844 tonnes of solid waste treated

### Agribusiness

Gippsland Water manages a successful agribusiness at its Dutson Downs site. Operations on the site include:

- 2,787 cattle
- 1,184 sheep
- 1,057 cattle sold
- 1,105 tonnes fodder sold

# part 1

## Introduction and overview

### Highlights of the year

Our most significant business achievements for 2005–06 financial year and its link to Gippsland Water's areas of focus were:

Area of strategic focus	Business achievement
<b>Resource Sustainability</b>	<p>Implemented Victorian Government White Paper <i>Securing Our Water Future Together</i> including preparation of a draft Water Supply and Demand Strategy, to identify the best mix of demand measures and supply options; implemented water conservation targets, to include in the Water Supply and Demand Strategy; contributed to the preparation of the Central Region Draft Sustainable Water Strategy; improved communication with the community, to better inform customers about water conservation measures and targets; developed the Gippsland Water Factory.</p> <p>Secured funding for the Gippsland Water Factory project with a \$50 million Victorian Government contribution: \$25 million from the Regional Infrastructure Development Fund and \$25 million from the Victorian Water Trust.</p> <p>Developed Environment Improvement Plans for six wastewater treatment plants to help identify longer-term asset improvement requirements prior to the scoping of the next Water Plan.</p> <p>Gippsland Water, in conjunction with the Environment Protection Authority (EPA), has entered into Cleaner Production Partnerships with four major clients.</p> <p>Introduced Permanent Water Saving Rules on 7 December 2005.</p> <p>Initiated water conservation trials in Tyers, Glengarry, Toongabbie and Rosedale townships to assist in reducing domestic water consumption.</p> <p>Implemented the savewater!™ efficiency service with businesses and local government agencies to reduce water consumption through improving water conservation awareness and water efficiency.</p> <p>Conducted schools water efficiency program.</p> <p>Implemented Dutson Downs Integrated Land Use Management Plan.</p>



	<p>Responded to the January 2006 Moondarra bushfire to ensure protection of critical assets, catchment recovery and continuation of service to customers.</p> <p>Obtained EPA works approval for the construction of the Soil and Organic Recycling Facility at Dutson Downs.</p>
<b>Customers, Stakeholders and Community</b>	<p>Conducted an independent customer satisfaction survey in 2006, which showed that 87% of respondents rated Gippsland Water at seven out of 10 or above for how well the water authority met all their needs.</p> <p>Gippsland Water's advisory committees have continued to play a key role in providing advice to Gippsland Water and the Board regarding policies and strategies, and in facilitating communication between the authority and broader community.</p>
<b>Governance</b>	<p>Reviewed and updated Gippsland Water's Environment Policy.</p> <p>Reviewed and updated Gippsland Water's Water Conservation Policy.</p>
<b>Organisational Sustainability</b>	<p>In May 2006 Gippsland Water achieved a significant occupational health and safety milestone with a total of two years without a lost-time injury.</p> <p>Gippsland Water continues to provide employment and development opportunities for young people: 11 vacation students, two internships, six work experience students and two traineeships were supported during the 2005–06 financial year.</p> <p>Gippsland Water's Work Life Balance Committee (formed in May 2005) continued to promote a culture of effective work and family balance throughout the organisation.</p> <p>Conducted a range of employee opinion surveys, including the State Services Authority 'People Matters Survey'.</p>

# part 1

## Introduction and overview

### Joint message from the Chair and Chief Executive Officer

**It is with pleasure that we present this  
year's annual report.**

**This report highlights our  
achievements and progress towards  
meeting the objectives of Gippsland  
Water's Strategic Plan, with a focus  
on sustainable outcomes for the  
Gippsland region.**

This year saw the release of the Victorian Government's draft Central Region Sustainable Water Strategy (CRSWS). This strategy highlighted the challenges Gippsland Water faces to secure the sustainability of our water resources.

Gippsland Water provided two detailed submissions in response to the draft CRSWS focusing on a regional perspective to sustainable water management. The first was developed in conjunction with the Gippsland Integrated Natural Resources Forum (GINRF) and West Gippsland Catchment Management Authority (WGCMA). The second submission was developed in conjunction with information provided from a workshop held with Gippsland Water's Major Clients and regional representatives.

The submission in response to the strategy focused on providing a regional perspective. The Gippsland region plays a major role in supporting Victoria's resource driven economy and the significance of this was highlighted in our response. The secure supply of water now and into the future is integral to ensuring the delivery

of essential services across Victoria, such as energy and to ensuring that our potential development opportunities are optimised.

The impact of the fires in the Moondarra catchment (15,500 hectares burnt) was also considered in the CRSWS, with respect to the influence this incident may have on future water yields in Moondarra Reservoir. Gippsland Water continues to develop a Moondarra Catchment Rehabilitation Plan and implement contingency plans to protect water sources, and continues to regularly monitor water quality. These plans are being developed after obtaining expert advice from other water authorities who have been impacted by bushfires.

The CRSWS highlighted two major recycling initiatives in the Gippsland region. These are the Eastern Water Recycling Proposal (EWRP) and the Gippsland Water Factory. These projects aim to provide current and future generations with a valued and sustainable water resource that will improve the health of Gippsland waterways, lake systems and oceans.

The Gippsland Water Factory is an innovative solution being developed by an alliance team consisting of Gippsland Water, Parsons Brinckerhoff, CH2M-Hill and Transfield Services. It will treat up to 35 million litres of wastewater per day and will produce up to 8 million litres per day of high quality treated wastewater for reuse by Australian Paper. The Gippsland Water Factory incorporates a new wastewater treatment facility, new transfer systems and a number of innovative sustainability features.

The Gippsland Water Factory planning phase is nearing completion with the alliance well advanced on milestones to enable construction to commence in late 2006. The alliance has also submitted a works approval application to the Environment Protection Authority. This application seeks approval for the construction of the facility at Maryvale near Morwell.





Gippsland Water has been participating in the EWRP Steering Committee and Working Group to review and provide input into the proposal. This feasibility study is expected to be completed by the end of June 2006 with the full report to be submitted to the Victorian Government for consideration. It is essential that Gippsland Water continues to participate in the development of this proposal to ensure a sustainable wastewater solution is developed that will benefit Gippsland and the broader Victorian community and environment.

The sustainable management of wastewater and waste is integral to ensuring we take responsibility for our activities both now and into the future. Gippsland Water's initiative to compost low level contaminated soil and organic waste at its Soil and Organic Recycling Facility (SORF) was approved on 22 November 2005 by the Environment Protection Authority (EPA). Following the issue of the approval, an appeal was lodged in the Victorian Civil and Administrative Tribunal against the decision made by the EPA. This appeal was later withdrawn.

Gippsland Water is pleased that it is now able to proceed with the construction of the SORF. This facility will increase the region's capacity to improve the management of waste produced. It will enable organic waste to be recycled and reduce the volume of waste disposed to landfill. The facility will also assist Gippsland Water achieve its objective of eliminating the need for the bioremediation pond which is a source of odour at Dutson Downs. Most importantly, the compost product generated from the SORF will provide a valuable resource for improving the quality of soil at Dutson Downs that is used for cropping and other agribusiness activities.

We recognise that Gippsland Water is an integral part of the Gippsland community and continue to work in partnership with others in the region to ensure we achieve sustainable outcomes for the future. It is for this reason that Gippsland Water continues with its commitment to the Gippsland Integrated Natural Resources Forum (GINRF). This is demonstrated through work undertaken with the forum on strategic issues facing the region (e.g. climate change and CRSWS) and with educational events including National Water Week and World Environment Day.

Other partnerships include the EPA Cleaner Production Partnership project with four of Gippsland Water's Major Clients. This project will assist businesses in becoming more efficient and reduce the volume of waste generated, thereby improving the health of our environment and the sustainability of these businesses.

The success of Gippsland Water's achievements over the past 12 months is a result of our dedicated team of employees. Our employees continue to seek new ways of improving the level of service provided to customers and stakeholders, and we have a team of employees focusing on projects identified to assist us in continuously improving the way we operate. The focus of this approach was largely driven by outcomes from Gippsland Water's Organisational Self Assessment.

In 2006, we undertook a strategic review of the structure of our organisation and a new structure was implemented with the establishment of two new departments – Corporate and Customer Services, and Finance and Regulation. This review also took account of the Board's 2005 Strategic Review process which not only provided key drivers for the organisation in response to stakeholder needs, but also

reviewed the relationship between the Board and the organisation, and indeed, the dynamic of the Board's operations itself.

The new organisation structure seeks to align the functions of the business with the needs of customers, stakeholders, government and employees. In this review we also sought to refresh the organisation and have formed an on going Implementation Team that is working closely with the executive to provide guidance on how we can achieve an improved approach to the way we operate.

We are proud of the quality of our people and their dedication towards ensuring we provide a high level of service to all our customers. The Board would like to formally congratulate all Gippsland Water employees and members of the alliance for their professionalism and efforts in working towards a more sustainable Gippsland region for the benefit of our community and our environment.

Richard Elkington  
CHAIR

John Mitchell  
CHIEF EXECUTIVE OFFICER





# Strategy and governance

## Our purpose

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

## Our vision

To manage the water cycle and waste recovery services in a manner that adds 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 attitude to the community, our products and service delivery, our business and 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; and
- focus on long-term sustainability.

# part 2

## Gippsland Water's Strategic Plan

Water sustains life and is a prerequisite for a sustainable region. Ultimately, if our rivers, wetlands, estuaries, bays, oceans, lakes and floodplains deteriorate so will our economy and our society. The path towards sustainable water and natural resource management will mean change. Our task is to accept this challenge and achieve the desired result through innovation, leadership and collaboration.

Our stakeholders and the wider community expect that we will sustain and improve our natural capital in the interests of future generations, and accordingly are seeking greater transparency and accountability in the stewardship of natural resources. Gippsland Water is a key player in the management of natural resources within the region. We acknowledge that the challenges for organisations and individuals involved in sustainable natural resource management are substantial and increasingly complex.

The Board of Gippsland Water has led the development of a Strategic Plan that provides the business with clear direction to deliver on a range of objectives that meets the needs of customers, stakeholders and the community.

As such, our Strategic Plan 2006–2011 has a clear focus on:

- delivery of all business obligations to provide a reliable and safe urban water and wastewater service to our customers;
- pricing for sustainability to recognise the true value of water;
- achieving Corporate Plan financial and performance targets;

- successfully managing relationships with key stakeholders;
- empowering staff and encouraging organisational excellence;
- meeting all statutory and governance requirements;
- identifying and appropriately managing all business risks;
- implementing state and national water reform initiatives;
- a whole-of-catchment approach to the management of our natural capital (land, air and water);
- delivery of the Victorian Government's commitment to ecologically sustainable development, public accountability, economic prosperity and social justice, which are part of our business objectives; and
- innovation and collaboration between resource managers and resource users to better understand the water cycle, ecosystem and the emerging challenge of climate variability.

The Board and staff of Gippsland Water have a strong commitment to delivering the Strategic Plan 2006–2011 objectives. We will strive to provide high quality water, wastewater and waste recovery services for the benefit of all customers and to ensure the sustainability of our natural resources for the benefit of future generations.

# part 2

## Strategy and governance

### *Gippsland Water's Strategic Plan (continued)*

Gippsland Water's Strategic Plan has four key areas of focus:

#### **1 Resource sustainability**

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

#### **2 Customers, stakeholders and community**

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 our customers with the highest standard of products and services possible remains a key element of our strategy.

#### **3 Governance**

The Board and 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 applicable legislation. We will model our behaviour on governance obligations in accordance with corporations law.

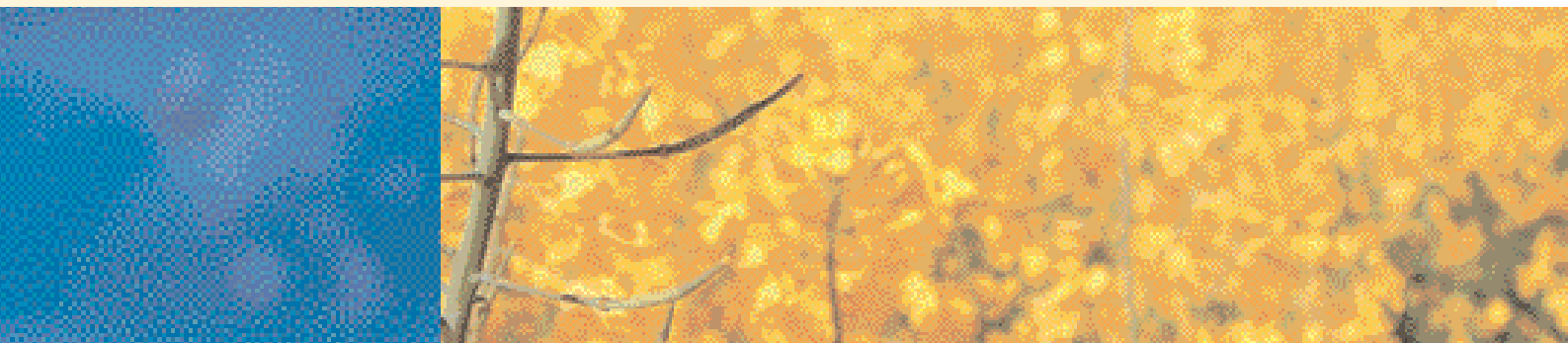
#### **4 Organisational sustainability**

Gippsland Water is committed to ensuring the ongoing sustainability of our organisation. This will be achieved by ensuring we have a thorough understanding of 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.

### **Corporate key performance indicators for 2005–06**

Gippsland Water continues to report against a set of established key performance indicators (KPIs). These KPIs are reviewed annually to ensure that they are relevant and that they continue to improve performance.

In 2005–06 Gippsland Water reported against 29 indicators. These indicators span all areas of the business and link directly to Gippsland Water's Strategic Plan and the performance requirements of the Essential Services Commission and government departments. This provides an additional means by which Gippsland Water can benchmark performance against other organisations. The overall results for 2005–06 are summarised in the following table.



## Corporate key performance indicators

KPI No.	Key performance indicators	Unit of measure	2005-2006 target	Year-to-date performance as at 30 April 2006	Historical performance (actual/compliance)			
					2001-02	2002-03	2003-04	2004-05
	<b>Water</b>							
1	Unplanned water supply interruptions	per 100 km	55	12.57	60.00	46.00	54.00	58.06
2	Average time taken to attend bursts and leaks (priority 1)	minutes	40	28.70	35.00	35.00	35.00	79.98
3	Average time taken to attend bursts and leaks (priority 2)	minutes	150	85.83	120.00	115.00	120.00	423.79
4	Unplanned water supply interruptions restored within five hours	per cent	97.8	99.29%	96.00	98.28	99.23	77.90
5	Planned water supply interruptions restored within five hours	per cent	87	92.85%				72
6	Average unplanned customer minutes off water supply	minutes	8	5.95	6.30	12.09	6.32	14.37
7	Average planned customer minutes off water supply	minutes	65.4	15.4				23.85
8	Average frequency of unplanned water supply interruptions	number	0.07	0.07	0.06	0.08	0.06	0.13
9	Average frequency of planned water supply interruptions	number	0.5	0.114				0.11
10	Average duration of unplanned water supply interruptions	minutes	118.7	85.10	111.00	144.00	101.00	110.79
11	Average duration of planned water supply interruptions	minutes	130.8	131.8				214.09
12	Number of customers experiencing more than five unplanned water supply interruptions in the year	number	0	0				0
13	Unaccounted for water	per cent	16	14.5%	12.60	18.20	16.90	19.65
	<b>Sewerage</b>							
14	Sewerage blockages	per 100km	25	17.01	22.00	27.00	28.00	24
15	Average time to attend sewer spills and blockages	minutes	35	35		40.00	30.00	Not reported
16	Average time to rectify a sewer blockage	minutes	130	86.58	174.00	114.00	117.00	Not reported

# part 2

## Strategy and governance

### Corporate key performance indicators (cont).

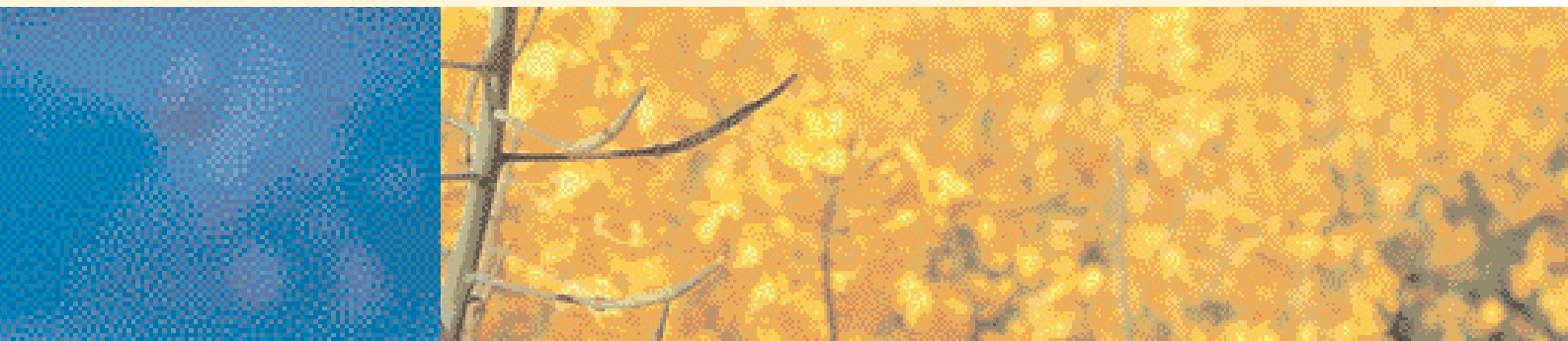
KPI No.	Key performance Indicators	Unit of measure	2005-2006 target	Year-to-date performance as at 30 April 2006	Historical performance (actual/compliance)			
					2001-02	2002-03	2003-04	2004-05
17	Spills contained within five hours	per cent	98	100%	93.00	96.00	99.58	100
18	Customers receiving more than three sewer blockages in the year	number	0	0				Not reported
	<b>Customer service</b>							
19	Complaints to Energy and Water Ombudsman of Victoria	per 1,000 customers	0.7	0.1172	0.50	0.90	0.60	0.1
20	Telephone calls answered within 30 seconds	per cent	80	84.90%		73.00	80.00	Not
	<b>Additional service standards</b>							
21	Average time taken to attend bursts and leaks (priority 3)	minutes	2,400	1,204.64	2,655.00	2,760.00	3,535	Not reported
22	Population receiving water meeting E. coli standards	per cent	99	100%	100.00	99.36	99.81	99.99
23	Population receiving water meeting disinfection by-products standards	per cent	99	99.57%	100.00	100.00	100.00	99.88
24	EPA Discharge Quality Licence compliance	per cent	100	99.20%	97.80	96.60	99.60	99.11
25	Population receiving water meeting turbidity standards	per cent	100	100%	100.00	100.00	100.00	100
	<b>Our people</b>							
26	Number of lost-time injuries	number	0	1				0
27	Injury frequency rate	number	35	3.23				0
28	OHS leading index	number	21	26.42				42
29	Employee availability	number	=34 annual per employee =2.8 monthly per employee	2.23				45.1

For the year ending 2005-06, 26 of 29 indicators have met target and three indicators have not met target.



= On target

= Not currently on target, and not expected to meet target



Details of the KPIs that have not met the planned target for 2005–06 are:

**KPI 11 – Average duration of planned water supply interruptions**

**Reason why KPI was not met:**

This KPI was over target by less than 1% (131.8 versus 130.8) because of a significant increase in planned interruptions associated with real estate developments (water main extension tie-ins), which require a minimum of 180 minutes to complete.

**Planned corrective action:** Continued efforts to minimise the duration of planned shutdowns since September 2005 has seen the average duration drop from 190 minutes between July and September to 132 minutes by the end of the reporting period. The average duration of interruptions from October 2005 to June 2006 was 112 minutes. This shows the rapid improvement since corrective action was taken.

Effective from 1 July 2006, Gippsland Water will be implementing changes to the planned shutdown policy and practices, which should ensure this KPI is met in future years.

**KPI 24 – EPA discharge quality licence compliance**

**Neerim South WWTP – 4 October 2005**

**Reason why KPI was not met:**

In October 2005 total phosphorus results were above the median value of 0.5 mg/L. Poor biomass health and anaerobic conditions in the buffer tank had reduced the efficiency of phosphorus removal. Sulphide generated had preferential bound with the PFS coagulant added to remove phosphorus.

**Planned corrective action:**

The buffer tank has been taken offline to restore the health of the biomass in the bioreactor and return treatment efficiency. PFS dosing is being gradually increased to improve phosphorus removal without impacting on restoration of biomass health. The buffer tank will be brought back online with revised operating set points to prevent anaerobic conditions, once the median total phosphorus target is reached. This will allow the plant to cope with wet weather events.

An inline chemical mixer has been installed to allow more effective phosphorus removal.

**Morwell WWTP – 7 February 2006**

**Reason why KPI was not met:**

During February 2006 a failure of the aerator in the North Basin resulted in all influent being directed to the South Basin. The South Basin was unable to cope with the extra load which led to final effluent being discharged with an ammonium nitrogen concentration greater than the EPA licence maximum of 5 mg/L.

**Planned corrective action:** The North Basin was taken offline to allow repairs to be carried out on the aerators. Discharging recommenced on 10 March 2006. The operation of both the North and South Basins has been optimised and they are now producing effluent that is well within the median requirements of the EPA licence.

**KPI 26 – The number of lost-time injuries**

**Reason why KPI was not met:**

An employee strained his lower back while cutting saplings on a lagoon batter at Dutson on 29 May 2006. This injury occurred while the employee was positioning himself on the batter, not actually cutting a sapling.

**Planned corrective action:** An investigation is being conducted and a risk assessment is recommended prior to completing this type of activity to ensure that all hazards, including falls, manual handling and equipment usage, are appropriately controlled.

# part 2

## Strategy and governance



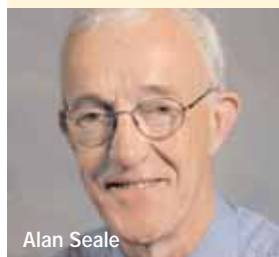
Pam Keating (Deputy Chair)

Richard Elkington  
(Chair)

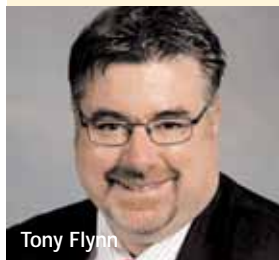
Leah Young



Jay Bonnington



Alan Seale



Tony Flynn



Keith Hamilton

### 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). He is also 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 Keating 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, Grad Dip Bus, FAICD, AIMM*

Business management and strategic planning are Leah Young's key areas of contribution to the Board. Leah has held the position of Business Manager at St Paul's Anglican Grammar School since 1996. Prior to her position at St Paul's she 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 Westernport Water Authority. Leah has lived in Gippsland all of her life.

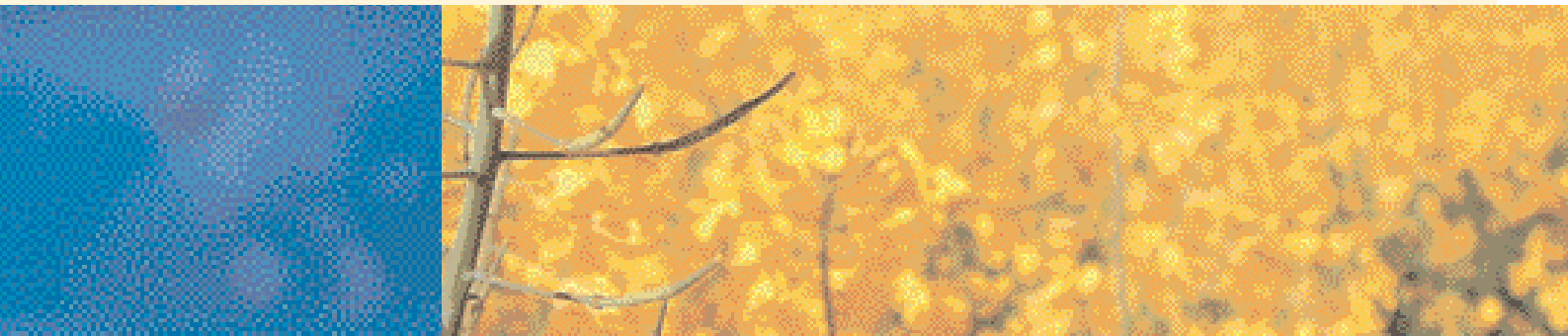
#### Jay Bonnington *BCom (Auckland), MBA(Mon) FCPA, FAICD*

Jay Bonnington is currently Chair of Dental Health Services Victoria, a director of South East Water Ltd, Vic Power Trading, Warrnambool Co-Op Society, Agriculture Victoria Services Pty Ltd and a trustee of the Melbourne Exhibition and Convention Centre.

Jay was previously the CEO of the Make-a-Wish Foundation of Australia, a National Director of CPA Australia, Head of Financial Services with NEMMCO and Finance Director/CFO of Yallourn Energy Ltd. Prior to that she worked for ten years with the large construction and engineering group Transfield.

Jay continues working with Make-A-Wish International, assisting to develop





the Asian affiliates with business improvement frameworks and accountability.

She is a business mentor in a formal business program, mentoring young business leaders to assist them in developing the skills, behaviours and insights to reach their future business goals.

Jay is a trustee for The Queens Fund – a not-for-profit organisation – assisting needy women and children in distress, and is active in the Rotary and Zonta organisations.

#### **Alan Seale BEng (Chem), FIEA, MAICD**

Alan Seale brings to the Board skills in manufacturing, technology, environment, 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 United States 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 Chairman of City West Water Limited and a director of both the Australian Sustainable Industries Research Centre Pty Ltd and 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 for many years has 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 President of the Moe Development Group and is committed to working with local youth through his long-term involvement with Scouts Victoria. He is a member of the Mount Baw Baw Alpine Resort Board of Management and the Trafalgar Reserve Committee, and has also been involved in the Latrobe First campaign by acting as a local ambassador.

#### **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.

## Director attendances at Board and committee meetings

Director	Board meetings eligible	Attendance	Safety, Health & Environment Sub-Committee eligible	Attendance	Audit Committee eligible	Attendance	Executive Remuneration Committee eligible	Attendance	Technical Review Committee	Attendance
Richard Elkington	12	11	0	0	0	1	3	3	0	0
Pam Keating	12	12	4	4	0	0	3	3	0	0
Leah Young	12	11	0	0	4	3	3	3	0	0
Jay Bonnington	12	10	0	0	4	4	3	3	0	0
Alan Seale	12	12	4	4	0	0	3	3	0	1
Tony Flynn	12	12	0	0	0	0	3	3	0	0
Keith Hamilton	12	12	4	3	0	0	3	3	0	0

# part 2

## Strategy and governance

### Audit Committee

Gippsland Water's Audit Committee plays a key role in assisting the Board to 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 controls 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;
- reviewing management information systems;
- preventing, detecting and investigating fraud and irregularities; and
- considering the scope and quality of the external audit.

Audit Committee members for 2005–06 were:

**Victoria Mavros, Independent Chairperson**

(Appointed for a final three-year term in August 2004. Attended all meetings during reporting year).

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. Victoria migrated to Australia in 1993 and broadened her experience by working as an internal auditor for Queensland Health. She is also a trained secondary school teacher, and on her arrival in Sale assisted as a voluntary literacy tutor. Victoria has continued to contribute to the community by volunteering her financial skills on a number of committees.

**Richard McDowell, Independent member**

(Appointed for a second three-year term in August 2004. Attended all meetings during reporting year).

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; and is a Registered Tax Agent and Registered Company Auditor.

**Jay Bonnington**, Board member

**Leah Young**, Board member

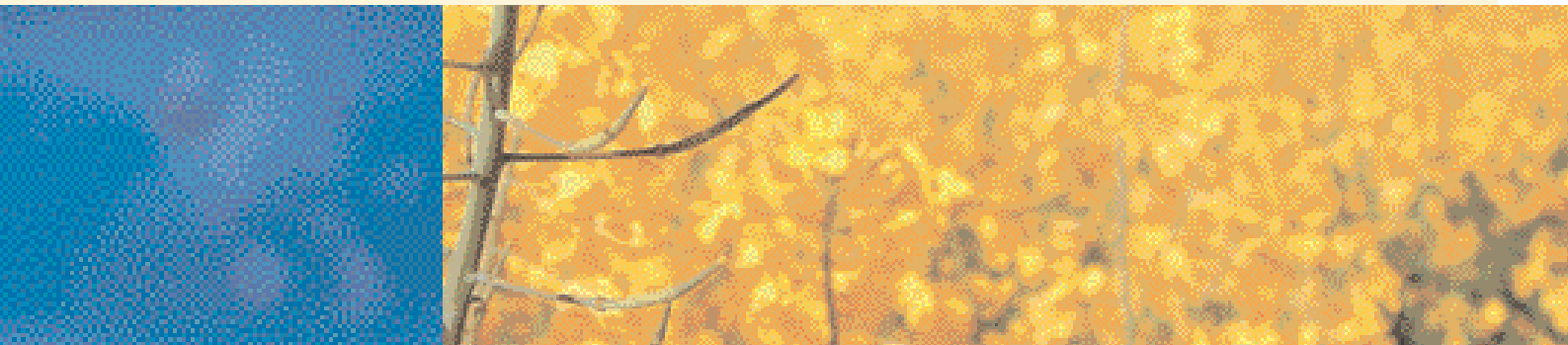
### Board, Safety, Health and Environment Sub-Committee

The Board Safety, Health and Environment (SHE) Sub-Committee is responsible for:

- reviewing and approving the Gippsland Water Occupational Health and Safety Policy and the Environmental Policy, which will be used to guide Gippsland Water's activities;
- providing advice and direction on the environmental governance aspects of Gippsland Water's business operations and 'triple bottom line' reporting;
- receiving, reviewing and accepting reports on environmental incidents resulting in reportable matters to the Environment Protection Authority, as well as safety incidents resulting in reportable matters to WorkCover;
- reviewing the Environment Improvement Plan (EIP) to ensure that appropriate progress is being achieved with the environmental improvement themes; and
- reviewing the Occupational Health and Safety (OHS) Management Plan and the OHS Performance Index.

SHE Sub-Committee members for 2005–06 were:

<b>Keith Hamilton</b>	Board member
<b>Pam Keating</b>	Board member
<b>Alan Seale</b>	Board member
<b>John Mitchell</b>	(CEO)
<b>David Evans</b>	(General Manager Planning and Development)
<b>Peter Skeels</b>	(General Manager Corporate Services)
<b>Jim Somerville</b>	(General Manager Operations)



## 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.

The Executive Remuneration Committee comprises the entire Board.

## Technical Review Committee

The Technical Review Committee did not meet during the reporting year as the Chairperson was appointed to a new panel whose task was to independently oversee the technical solution for the Gippsland Water Factory project. The new panel was called the Independent Peer Review Panel and it completed its review of the Gippsland Water Factory design in May 2006. Its final report was presented to the Gippsland Water Board in June 2006.

For the past three years, the members of the Technical Review Committee have been Professor Barry Hart (Chairperson), Mr Arnold Dix, Dr Denis Saunders, Dr David Garman and Mr Chris Bell. There were no new members in 2005–06.

# Legislative compliance

## *Information Privacy Act 2000*

The *Information Privacy Act 2000* applies to all Victorian statutory authorities, ensuring that 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 reporting 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 1982* 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.

## 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.

## *Financial Management Act 1994*

Information relevant to the headings listed in Financial Reporting Direction 22 of the *Financial Management Act 1994* is held at Gippsland Water's head office and is available on request, subject to the *Freedom of Information Act 1982*.

## *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.

# part 2

## Strategy and governance

### 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 seven tenders during the 2005–06 financial year:

#### New projects

- **GW271** Tyers WTP membrane and module
- **GW273** Erica–Rawson WTP
- **GW279** Drouin WWTP DAFF plant
- **RFP001** Gippsland Water Factory Alliance contract

#### Completed projects

- **GW255** Glengarry to Toongabbie pipeline
- **GW257** 12 ML Clear Water Storage, Clarkes Road, Traralgon
- **GW264** Traralgon WTP DAF primary filter upgrade

### Consultant services and reviews

During the 2005–06 financial year, \$369,000.00 was spent on a total of 20 consultancy services, compared with \$22,752.27 on a total of six consultancy services in 2004–05.

This included one consultancy greater than \$100,000. An AcMP Documentation Project was undertaken by consultant Montgomery Watson at a cost of \$123,000.

### Overseas travel

Overseas travel by staff or directors occurred on two occasions during the reporting year.

- The Gippsland Water Board resolved that a study tour of membrane wastewater treatment plants in Singapore should be undertaken by four staff members. Singapore is considered a leader in membrane technologies and continues to invest in treatment infrastructure for the

sustainability of their national water resources.

In January 2006, the four staff spent two days visiting various sites to gain first-hand and practical knowledge that could assist the Gippsland Water Factory project team in critical decision making. Staff undertook a study tour of various wastewater treatment plant facilities that used membrane, membrane bioreactor and reverse osmosis technology.

- During March 2006, two staff members attended a billing conference in New Zealand run by Hansen Information Technologies, Gippsland Water's Customer Information and Billing System provider. This included a presentation by Gippsland Water to the conference.

### 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 disclosed matters to be investigated and appropriate action taken.

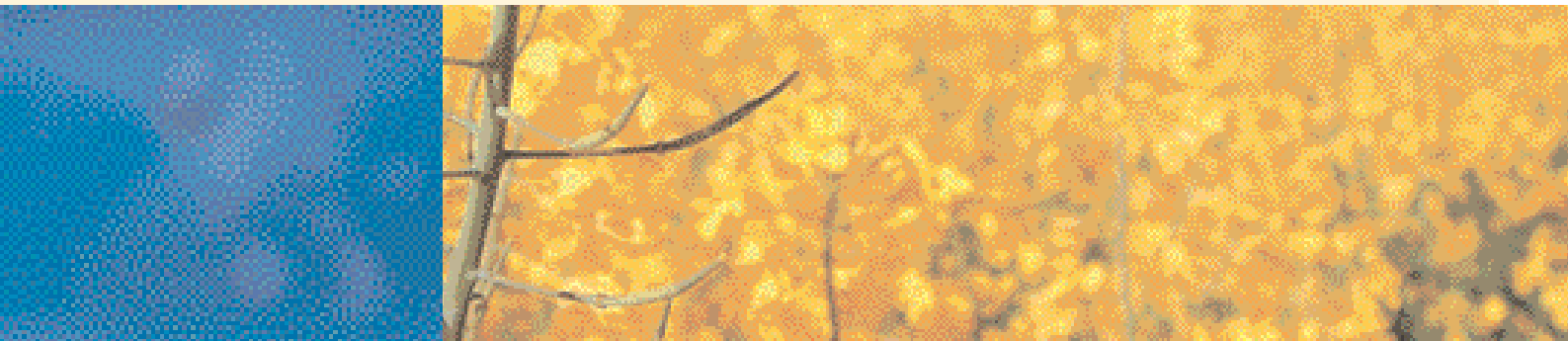
Disclosures of improper conduct or detrimental action by Gippsland Water or its employees may be made to the following:

**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 participated in a number of Water Services Association of Australia (WSAA) benchmarking programs. Key programs included WSAA Facts and Mechanical and Electrical Contracted Services (both WSAA initiatives) 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, benchmarking 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 Australia/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

The Risk Management Committee met four times during 2005–06 to review and manage risk exposures facing the organisation, as well as to consider new and emerging risks that were identified between reviews. The Risk Management Committee reports to the Board via the Audit Committee.

## *Public Administration Act 2004*

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

Employers must ensure that:

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

Employees must:

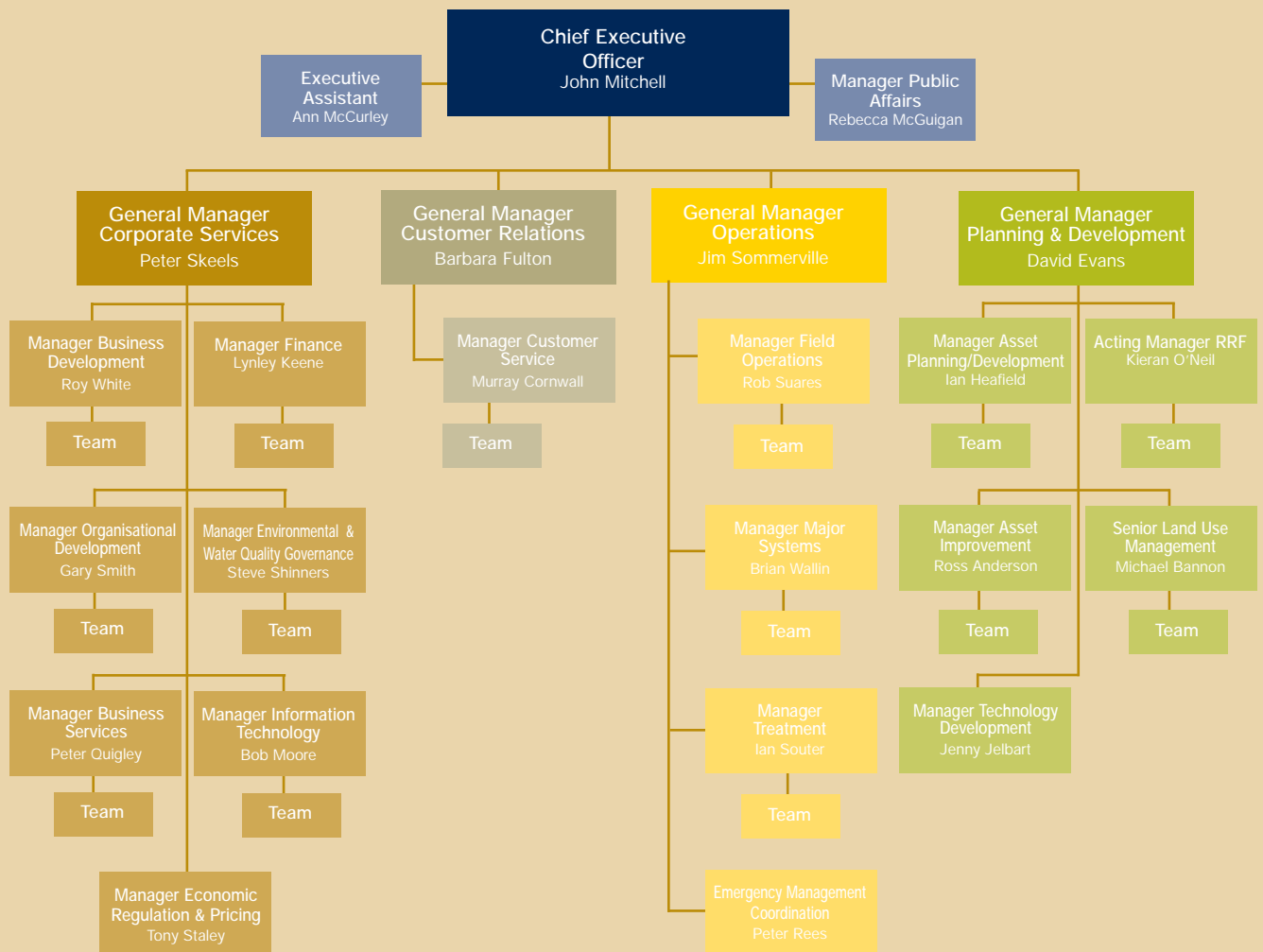
- act with impartiality;
- display integrity, including avoiding real or apparent conflicts of interest;
- show accountability for actions; and
- provide responsive service.



# Social performance

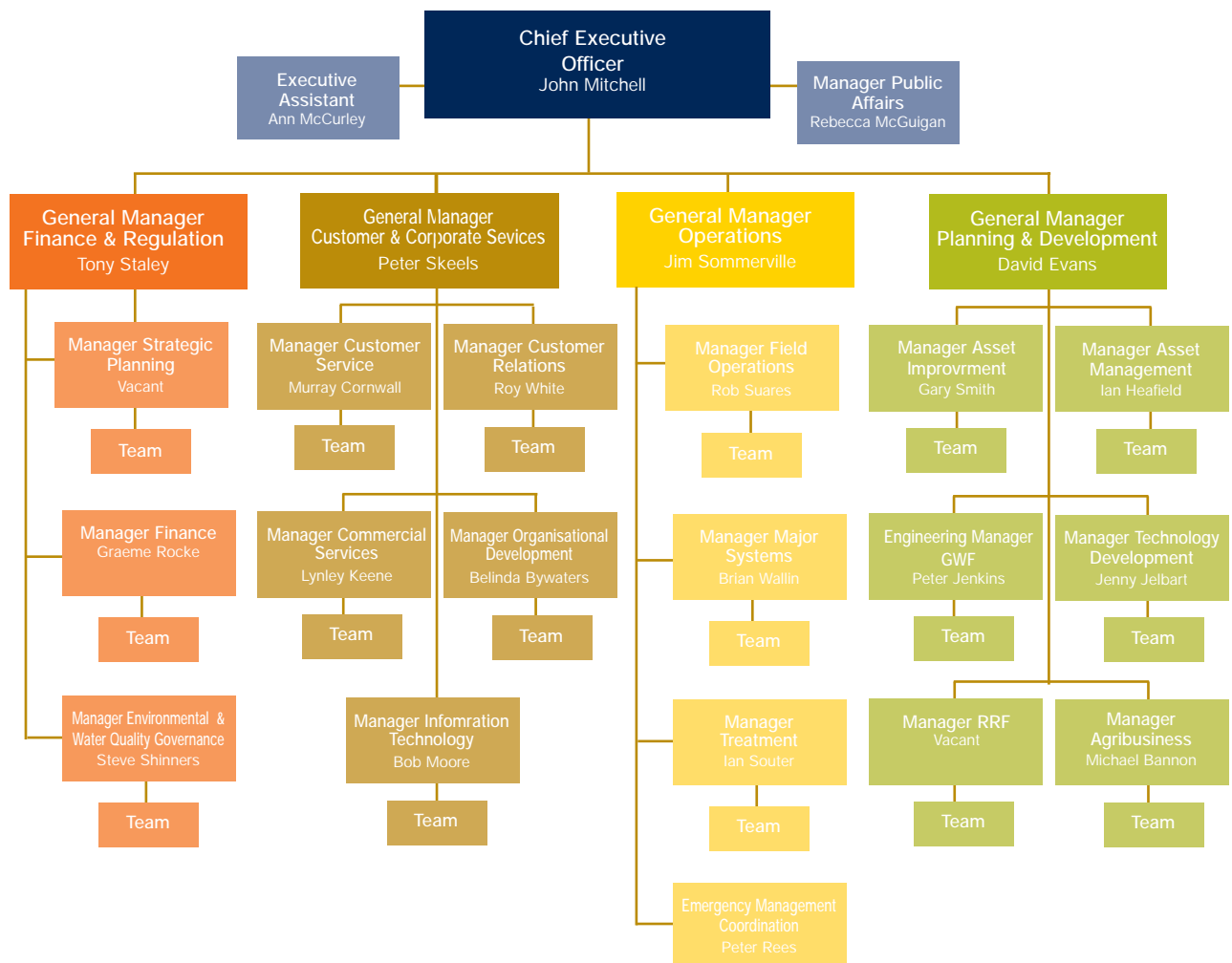
## Our people

Organisation structure as at 30/6/2006



# part 3

Organisation structure as at 1/7/2006





# 3 part 3

## Social performance

### Organisation restructure

In 2006, a strategic review of Gippsland Water's organisation structure was undertaken and a new structure was implemented with the establishment of two new departments – Corporate and Customer Services, and Finance and Regulation. This review also took account of the Board's 2005 Strategic Review process which not only provided key drivers for the organisation in response to stakeholder needs, but also reviewed the relationship between the Board and the organisation, and indeed, the dynamic of the Board's operations itself.

The new organisation structure seeks to align the functions of the business with the needs of customers, stakeholders, government and employees. In this review, Gippsland Water also sought to refresh the organisation and have formed an on going Implementation Team that is working closely with the executive to provide guidance on how we can achieve an improved approach to the way we operate.

### Our people: Highlights of the year

In 2006, Gippsland Water achieved a safety milestone with a total of two years without a lost-time injury. The year has also seen further cultural and cost benefits generated from the enterprise agreement.

Other highlights included:

- the continuation of Gippsland Water's Management and Leadership Development Program;
- the culmination of the Water Industry Training Package for our current operations staff;
- the fifth Organisational Self Assessment;
- an ongoing improvement of the performance management system; and
- employee opinion surveys conducted across the organisation using a sample size of 10% for statistical accuracy, preceding the next whole-of-organisation Employee Opinion Survey due in 2007. Information from these surveys was provided to all employees, to be used for identifying improvement opportunities.



# Case study

## Organisational sustainability: Work life balance

Gippsland Water's commitment to the wellbeing of its employees has been highlighted by the creation of the Work Life Balance Committee. Created in 2005, the committee was initiated following:

- a recommended study into the emerging issues of an aging workforce, attracting and retaining talent, and generational diversity in terms of long-term succession planning; and
- the outcomes of Gippsland Water's last Enterprise Agreement negotiations, which requested a review of flexible work arrangements beyond maternity leave and part-time work, and to incorporate needs such as working after retirement age, caring for an elderly relative, and parents who are the primary caregivers of children.

The committee comprises 25 staff representing each department across the organisation. Meetings take place on a monthly basis with the purpose of promoting a culture of effective work and family balance.

The committee's methodology of achieving this is via:

- undertaking research into current best practice in work and life balance initiatives;
- gaining an awareness and understanding of the needs of employees at Gippsland Water with regard to work and family balance;
- recommending new policies and guidelines on work and life balance issues to the General Management Team; and
- communicating and promoting work life balance policy and practices across Gippsland Water.

A high attendance rate at each monthly meeting has highlighted the strong commitment that each committee member has. Due to this dedication, a number of achievements have marked a successful year.

- The committee was featured in the State Services Authority's *Flexible Work Guide*, which highlighted Gippsland Water's consultative approach to work life balance.
- The committee undertook an organisation-wide survey aimed at obtaining and reviewing feedback regarding the policies and practices of current flexible work options.
- The committee developed its first annual report, which has been a useful communications tool, both internally and externally to the organisation.
- Gippsland Water, in conjunction with Latrobe City, Industrial Relations Victoria and Wights Motor World, organised a local work life balance forum that took place on 15 May 2006. The forum was well received with a large number of attendees from both local private and public organisations.

The forthcoming year will present many challenges such as developing a flexible work guide, developing options to best manage a diverse workforce, and providing input into the next Enterprise Agreement negotiations. The establishment of the Work Life Balance Committee will ensure that an inclusive and consultative approach to the growing issue of work life balance continues and that employee needs are met both now and in the future.

# part 3

## Social performance

### Employment by category

Category	30 June 2002 No.	30 June 2003 No.	30 June 2004 No.	30 June 2005 No.	30 June 2006 No.
Full-time male	126	129	131	139	146
Full-time female	46	50	47	50	49
Part-time male	1	2	2	2	3
Part-time female	10	11	13	12	14
Casual male	0	0	0	0	0
Casual female	5	5	5	4	7
Total employees	188	197	198	207	219
Full-time equivalent	178.79	181	181	193	204
% Full-time equivalent female employees	27.62	28.54	27.08	27.45	28.35

Staff service (all staff in excess of ten year years)	Male No.	Female No.
>10 <15 years service	4	4
>15 <20 years service	23	2
>20 <25 years service	12	-
>25 <30 years service	10	-
>30 years service	4	-

### Employee turnover

Year	2001-02	2002-03	2003-04	2004-05	2005-06
% turnover	7.41	9.14	7.58	8.70	6.28

### Equal employment opportunity

Gippsland Water continues to maintain a workplace that complies with Equal Employment Opportunity (EEO) legislation and the Victorian Public Service Code of Conduct. During 2005-06, 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 were held for all staff on EEO legislation in relation to workplace bullying.

The practice of providing trained, volunteer employee Contact Officers was initiated during the year. The role of the Contact Officers is to assist in providing information and support for employees who feel that they have been harassed or bullied at work.

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



# Diversity

## Female employees

During 2005–06 there was a total of 71 women employed at Gippsland Water, which represents 28% of the full-time equivalent organisational workforce.

Women were represented at all levels of the organisation, including general management, senior management, team leadership, professional/engineering, technical and administrative roles.

Facilities for nursing mothers are provided at the Traralgon office, and the opportunity for flexible and part-time work is provided for all employees returning from maternity leave (which includes 14 weeks paid leave, and up to 12 months total leave opportunity).

## Employment and development opportunities for young people

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

These programs, which Gippsland Water either initiated or has been involved in during the 2005–06 financial year, include:

- vacation student program: eleven students employed;
- internship program: two interns employed;
- work experience program: six students employed; and
- traineeship programs: two trainees employed.

Gippsland Water also participates in the new Monash University Gippsland Campus Scholarship Program, and has made a commitment to fund an initial two students in 2006 (engineering and accounting), as well as commitments into the future.

## Indigenous communities

Although Gippsland Water does not currently have any employees from indigenous communities, we do have recruitment policies that ensure a fair and open opportunity is provided to all potential employees.

## Occupational health and safety

For the fourth consecutive year, Gippsland Water contracted an independent auditor to conduct an Occupational Health and Safety (OHS) Management System audit. This year the auditors were also requested to provide a detailed report on Gippsland Water's compliance with the *Occupational Health and Safety Act 2004*, which was introduced in July 2005.

The auditor reported that Gippsland Water's OHS Management System conformed to the accreditation requirements of AS4801, and is substantially compliant with the current Victorian OHS legislative framework. This result clearly demonstrates that Gippsland Water's safety strategies, which include a committed and consultative approach to continuous improvement, are having the desired effect.

An initiative developed by our employees to control a serious workplace hazard received national recognition by achieving third place in the prestigious Blake Dawson Waldron Inside OHS Competition. This follows Gippsland Water's achievement of two successive years as Victorian WorkSafe Awards finalists.

Gippsland Water continued its focus on reporting 'near hits' and opportunities for improvement. We believe that this strategy has led to a reduction in injury rates and has significantly contributed to the organisation reaching an important OHS milestone, achieving two years without a lost-time injury in April 2006.

# part 3

## Social performance

### Work life balance

Formed in May 2005, Gippsland Water's Work Life Balance Committee was created to promote a culture of effective work and family balance throughout the organisation. The committee is made up of 25 employees representing each department and meets on a monthly basis to discuss a variety of issues, including activities the committee has undertaken, receiving presentations on legislative changes and hearing from expert guest speakers.

The committee, although only 12 months old, has undertaken a number of successful activities, including:

- Presentations by guest speakers, such as Leonie Morgan, Senior Policy Analyst (Work and Family) with Industrial Relations Victoria, and Marnie Dans from Gippsport.
- Gippsland Water featured as a case study in the State Services Authority's *Flexible Work Guide*, with two Gippsland Water officers presenting at the Melbourne forum that launched this document.
- An organisation-wide survey to obtain feedback from employees regarding current flexible work options and practice has been administered.
- The first Work Life Balance Committee Annual Report detailing background information, role, purpose and structure of the committee, activities and achievements and future challenges for the year ahead has been developed.
- Gippsland Water, in conjunction with Latrobe City, Industrial Relations Victoria and Wights Motor World, organised a forum on work life balance, which took place in Morwell on 15 May 2006 to allow local business to hear from expert speakers in this field.
- The Building Commission's Life and Wellbeing Team met with Gippsland Water's Work Life Balance Committee to discuss and share ideas on the different approaches to work life balance.

In the forthcoming financial year the committee will be focusing on continuing to explore ways to meet the needs of the organisation and employees in regards to work life balance to ensure we remain as an 'Employer of Choice' within the region.

### Organisational Self Assessment

Using the Australian Business Excellence Framework, Gippsland Water has completed the sixth review of its key management processes through the Organisation Self Assessment (OSA).

Gippsland Water is committed to continuing a holistic review process that meets the needs of the business while developing people through their participation and leadership during the review process.

The OSA generated a number of key recommendations to assist Gippsland Water in further developing a culture and practice of continuous improvement, as well as supporting the development of its employees.

The four key projects/watching briefs identified during this year's process were:

- understanding the business planning process and strategic direction of Gippsland Water;
- integration of knowledge data and systems;
- continuous improvement; and
- maximisation and development of people.

Once successfully completed, these projects will provide opportunity to further increase the rate of improvement and innovation at Gippsland Water. The opportunity provided by the OSA review process will also help to recognise results and share learnings within the organisation.



## Employee Opinion Survey

The State Services Authority 'People Matter Survey' was administered in early 2006 to provide employee feedback on the application by Gippsland Water of the employment and conduct principles contained in the *Public Sector Management and Employment Act 1998*.

These principles relate to:

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

Gippsland Water employees, contract employees, trainees and agency staff associated with Gippsland Water completed this survey.

Once collated by the State Services Authority, the results of the survey will be compared with Gippsland Water's 2004 results and those from both the water sub-sector and the Victorian public sector. The Gippsland Water Management Team will then use the information provided from this survey to identify areas of improvement and identify work plans for the following year.

## Training and development

Gippsland Water has continued to work in partnership with other water businesses across the region, including East Gippsland Water, South Gippsland Water, Westernport Water and Southern Rural Water to develop and deliver training programs. During 2005–06 this partnership approach delivered particular success with the completion of the Water Industry Training Project and also the Diploma in Frontline Management program.

A structured approach to the identification and delivery of training and development needs continued with employees participating in programs such as the

Gippsland Community Leadership Program, Masters in Business Administration, Effective Supervisory Skills, Personal Productivity and Professional Communication Skills.

As organisational challenges change, so do the challenges of our Leadership Team. A review of the Management and Leadership Development Program was undertaken in an effort to build on the capability of both current and future leaders of the organisation. The result has been the design and development of an 'adaptive leadership' program to be implemented in 2006–07.

# part 3

## Social performance

### Case study

#### Organisational sustainability: Certificate III Water Industry Training

During the 2005–06 period, water industry professionals from across the Gippsland region celebrated the achievements of 169 graduates who successfully completed a nationally accredited program in water industry operations.

A joint effort between Gippsland water authorities saw the appointment of the University of Ballarat and Goulburn Murray Water as training providers, along with VECCI, New Apprenticeship Centre. The aim was to deliver a structured approach to training for employees in the local water industry, while recognising the current knowledge and skills of professionals in a range of disciplines.

The program was established in 2004 by Gippsland Water, East Gippsland Water, South Gippsland Water, Westernport Water and Southern Rural Water, coming together as the Water Authorities of Gippsland Group (WAGG). Participants undertook a range of core subjects, including customer relations, environmental procedures and occupational health and safety, as well as electives relevant to their area of work.

The implementation of this nationally accredited program has enabled local water authorities to provide highly effective and targeted development programs for staff.

WAGG's partnership with its training providers gives water industry professionals in Gippsland the ability to attend locally based training courses, reducing the travel and cost barriers that previously existed.

The success of the project – believed to be the largest of its kind in the Australian water industry – has been reflected in the strong staff involvement shown over the past two years. Fifty-one employees from Gippsland Water participated, including staff in areas such as water and wastewater treatment, field operations, reticulation, major systems and water quality.

Gippsland Water is looking to build on the success delivered during the first two years of the project by continuing to provide new training and development opportunities for local water industry professionals.





# Our customers

## Customer relationship management

Gippsland Water strives to provide first class customer service that not only meets but exceeds customers' expectations. A continual improvement process is driven by feedback obtained through externally conducted residential and major client customer satisfaction surveys, which are complemented by internally conducted targeted surveys. The information gathered helps to identify areas for improvement.

Another aspect to ensuring quality service is the development of staff knowledge and skills. Gippsland Water's staff multiskilling program is showing a range of benefits, enabling the organisation's frontline employees to resolve more customer enquiries at the first point of contact.

This first point of contact, the Gippsland Water Integrated Service Centre, provides an important interface between office-based and field-based activities. This link continues to improve response times to faults and emergencies as well as keep the organisation up to date on operational issues in real time.

In addition, the Gippsland Water website provides customers with on-demand access to a wide range of information and services, including bill payment and account history. It also includes resources for students, developers, plumbers, minor trade waste customers, major clients and residential customers.

## Customer Charter

Gippsland Water's Customer Charter was first introduced in October 1998 and subsequently reviewed and updated in March 2001 and March 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 Consultative 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 on request and via the Gippsland Water website at <http://www.gippswater.com.au>.

# part 3

## Social performance

### Cultural diversity

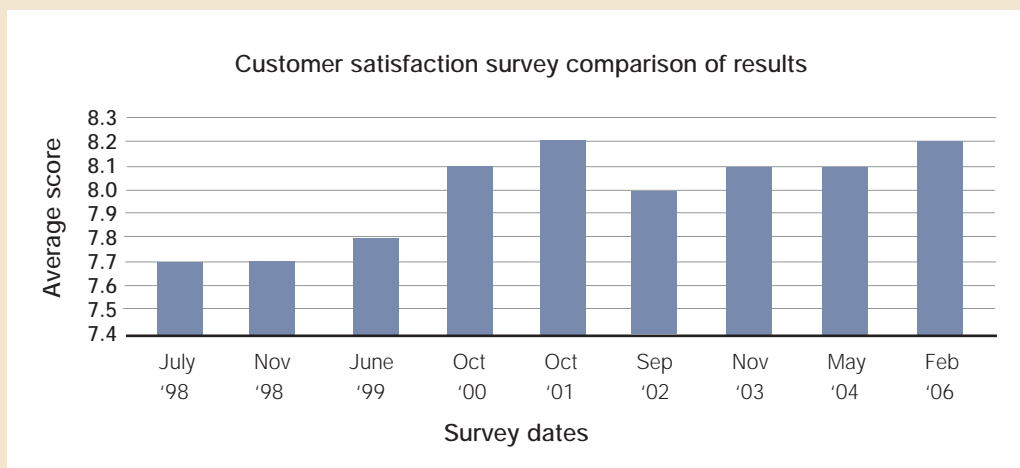
Gippsland Water's customer needs are diverse, reflecting the multicultural nature of the region. We seek to understand and respond to these needs and to build stronger relationships with our customers. Gippsland Water funds a translator service for our non-English-speaking and hearing-impaired customers.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

### Customer Satisfaction Survey

Gippsland Water undertook its Customer Satisfaction Survey during the 2005–06 financial year. A sample of 375 customers was interviewed covering the whole of Gippsland Water's service area.

Customers were asked about their levels of satisfaction with water quality, the wastewater system, environmental management, billing and customer service and awareness of Gippsland Water services. The overall satisfaction with Gippsland Water meeting customer needs and service performance compared with other utilities was also assessed.

An overall satisfaction result of 8.2 was obtained across the region, with 87% of respondents rating Gippsland Water at 7 out of 10 or above for how well the water authority met all their needs.



Strong results were also recorded in the area of water quality, with customers giving an overall satisfaction rating of 8.0. This was the highest score achieved in the eight-year history of the survey. Customers also gave positive ratings for the management of wastewater services (8.8), environmental management (8.0), billing and customer service (8.1) and performance in repairing service faults (8.3).

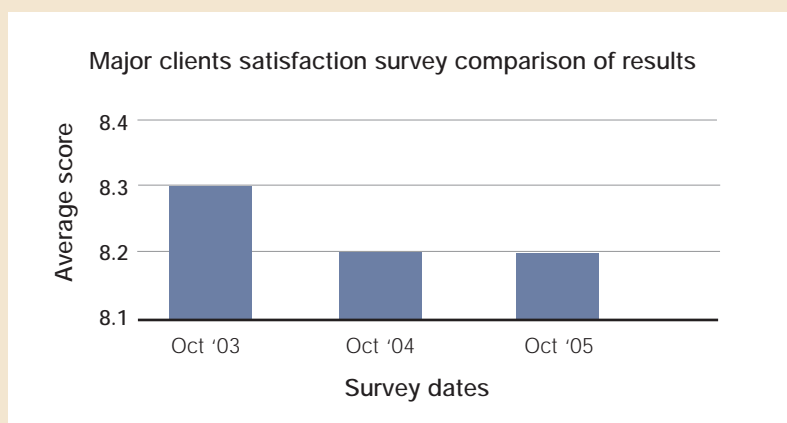
Areas identified for improvement included raising customer awareness about the way Gippsland Water treats and stores waste produced by local industries, and educating customers about the treatment processes for domestic wastewater. The survey also indicated that customer awareness about what Gippsland Water was doing for the local environment had declined.



## Major Clients Survey

Gippsland Water undertook its third Major Clients Survey during the 2005–06 financial year with 50% of Gippsland Water's major clients interviewed.

The survey included questions regarding the level of satisfaction major clients had with the various aspects of service provided by Gippsland Water including operational, technical and administrative services, value for money, security of supply and the major clients newsletter.



The average overall level of satisfaction was 8.2 (out of a maximum of 10), identical to the score recorded in the previous survey. All except three client ratings had improved or remained consistent with the previous year for satisfaction with the products and services received from Gippsland Water.

The overall results indicate positive performance with Gippsland Water's major clients, particularly in the areas of providing operational services for trade waste; domestic waste and prescribed waste; maintaining the security of supply to their organisation; availability and ease of contact for technical and administrative services; and providing the service and operational services of raw water.

## Community service obligations

	2005–06 \$000s	2004–05 \$000s	2003–04 \$000s	2002–03 \$000s	2001–02 \$000s
Concessions to pensioners	2,422.2	2,148.2	1,856.0	1,766.0	1,722.0
Rebates paid to non-profit organisations	238.0	209.5	207.4	198.50	181.0
Utility Relief Grant Scheme	6.4	5.0	7.9	3.8	8.7
WaterSmart	42.7	21.2	19.2	5.9	-
Total	2,709.3	2,383.9	2,090.5	1,974.2	1,911.8

# part 3

## Social performance

### Community sponsorship

Gippsland Water is proud to be part of the Gippsland community and demonstrates its commitment by supporting schools, organisations, clubs and local events through the provision of sponsorship, including financial, in-kind and promotional materials.

Each year Gippsland Water provides \$20,000 in financial sponsorship to Waterwatch to assist it with increasing its community education program. Waterwatch plays an integral role in raising awareness and understanding of water quality and water conservation issues.

Gippsland Water also provides annual sponsorship to Scope Quality Learning for the Gippsland Community Leadership Program, the Golden and Paradise Beach Ratepayers and Residents Association for their annual fishing competition, and to the Gippsland Business Awards.

Other organisations and community groups to benefit from the sponsorship program during the 2005–06 year include:

- Warragul Regional College
- West Gippsland Health Care Services
- Anglicare
- Associated Angling Club
- Seaspray Life Saving Club
- Variety Christmas Party
- Club Scouts
- Latrobe Valley Relay for Life
- Local schools, including St Gabriel's Primary, Morwell Park Primary, Hazelwood North Primary, Sacred Heart Primary and St Paul's Anglican Grammar

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

- Lardner Farm World
- Gippsland Harvest Festival
- Battle of Trafalgar
- Sale Baptist Church
- Victorian Little Athletics

- Morwell Festival of Roses
- Traralgon Tennis International
- Carols by Candlelight
- Latrobe City – Commonwealth Games

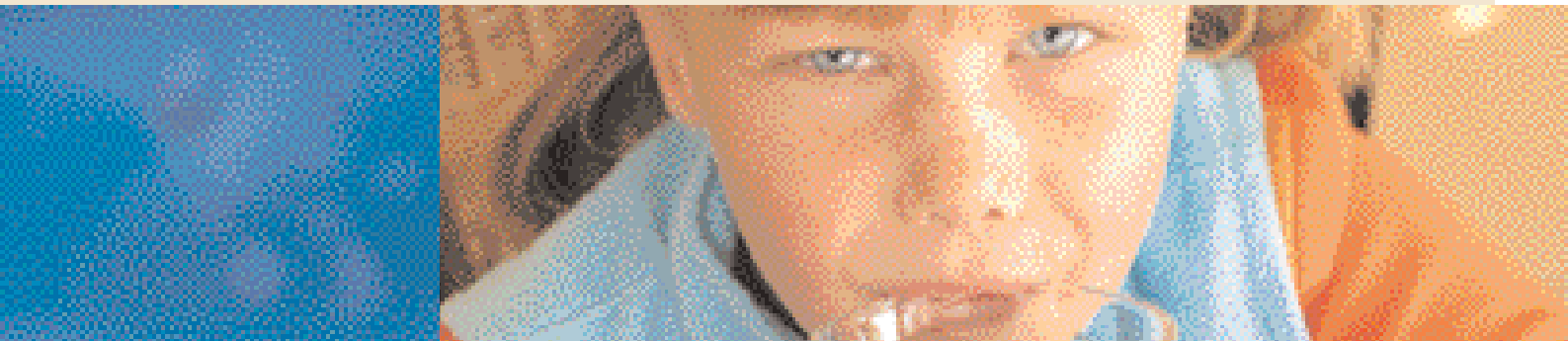
### Community education

Gippsland Water provides an education program for schools and community groups. This includes presentations, school visits and site visits to water and wastewater treatment plants and to the Resource Recovery Facility at Dutson Downs. The focus of the education program is to raise awareness of Gippsland Water's services, and provide information on water conservation, waste minimisation and actions undertaken to protect and improve the environment.

Gippsland Water also worked closely with the Gippsland Integrated Natural Resources Forum (GINRF) and other Gippsland water authorities to present a conference during National Water Week titled Who Does What in Water? The conference was free to the community and school groups, and was facilitated by educational performance group Vox Bandicoot. Speakers included local representatives involved in managing and protecting water resources in Gippsland, with a special guest appearance from Australia's most renowned marathon swimmer, Tammy van Wisse.

Gippsland Water also participated in the World Environment Day Student Conference held on Monday, 5 June 2006 in Traralgon. The event included the launch of the Natural Resources Report Card by the GINRF.

'Action in our catchment' was the catchcry for the 2006 conference, which was coordinated by GINRF and Waterwatch in partnership with a number of other agencies, including Gippsland Water. The aim of the conference was to bring together current and future natural resource managers in the region, enabling students to contribute to a sustainable future, while increasing their own abilities to work collaboratively and learn about local environmental issues.



Nine local schools worked in partnership with organisations such as the Department of Sustainability and Environment, the West Gippsland CMA, local government, water authorities and Landcare to undertake locally relevant environmental projects that were presented at the conference. As part of the event, Gippsland Water also conducted its popular 'waste minimisation' educational activity.

Gippsland Water partnered with Sacred Heart Primary School Morwell to fund a Schools Water Saving Audit and assist with educational activities. This included a presentation to year five and six students that looked at water and wastewater treatment. The school presented their project 'How sustainable is my school?' at the conference.

## Management of social and economic impacts

Gippsland Water acknowledges that there are complex socio-economic factors in the communities that we serve and understands that some of our customers may experience some form of financial hardship.

Gippsland Water's Hardship Policy has been developed along Victorian Water Industry guidelines to ensure that a level of service and respect is delivered to customers who are experiencing financial difficulties. The policy outlines the definition of a customer experiencing financial hardship, a customer's rights and the process that Gippsland Water follows to maintain quality service while providing suitable assistance options.

These include a range of different payment options, such as direct debit, Centrepay, e-way and other flexible payment arrangements, that allow customers to more effectively manage their account and pay over time. In addition, Gippsland Water administers a variety of customer rebate schemes and provides advice on Commonwealth and Victorian Government funding focused on water conservation.

# part 3

## Social performance

### 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	7.6	31	2.1	6		0.9	0.6	12.7
Boolarra	44.3	313	2.9	27		21.4	68.7	73.3
Briagolong	63.5	347	6.2	22		10.8	80.5	88.3
Coongulla–Glenmaggie	45.8	474	5.4	9		1.7	52.8	67.4
Erica–Rawson	52.9	302	16.7	40		38.8	108.4	135.5
Heyfield	191.0	855	84.1	113		8.5	283.6	314.7
Maffra–Stratford	626.6	2,785	91.6	298	561.7	134.7	1,414.6	1,406.0
Mirboo North	122.6	710	33.9	84		0.5	157.0	212.0
Moe–Newborough <sup>1</sup>	1,929.6	10,260	269.0	848	1,614.6	675.2	4,488.5	4,472.0
Moondarra <sup>2</sup>	4,900.8	22,221	934.0	2,160	45,733.6	832.6	52,401.0	52,569.6
Neerim South–Noojee	153.0	635	38.7	67		25.3	217.0	222.4
Warragul–Drouin <sup>3</sup>	1,846.6	9,571	447.7	1,082	356.4	58.1	2,708.8	3,168.5
Willow Grove	36.1	143	3.4	10		12.8	52.3	51.4
Sale–Wurruk	1,353.9	6,282	387.8	774	226.5	72.7	2,040.8	2,138.2
Seaspray	24.2	345	2.9	12		11.4	38.5	47.5
Thorpdale	12.2	76	3.1	20		11.0	26.2	26.0
Toongabbie–Cowwarr	144.6	443	11.0	27		42.1	197.7	215.6
<b>Total<sup>4</sup></b>	<b>11,555.0</b>	<b>55,793</b>	<b>2,340.6</b>	<b>5,599</b>	<b>48,492.8</b>	<b>1,958.5</b>	<b>64,347.0</b>	

\* These figures include some consumption from the 2004/05 financial year, due to the introduction of a new customer information and billing system in 2004/05.

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

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

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

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



## Drinking water quality compliance

Gippsland Water's Drinking Water Quality Compliance Monitoring Program has been established to meet the requirements of the Victorian Government's Safe Drinking Water Regulations (SDWR).

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, with comparison made with data from the previous year.

Full details of drinking water quality for every reticulation system will be available via the *Safe Drinking Water Act* 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 at <http://www.gippswater.com.au>



# part 3

## Social performance

### Percentage of drinking water samples compliant with SDWR

	2004-05	2005-06
<b><i>E. coli</i></b> ( $<1$ <i>E. coli</i> in 98% of samples taken)	99.94%	99.95% <sup>1</sup>
<b>Turbidity</b> (95% upper confidence limit of the mean $\leq 5$ NTU)	100%	100%
<b>Aluminium</b> ( $\leq 0.2$ mg/L)	100%	96.81% <sup>2</sup>
<b>Trihalomethanes</b> ( $\leq 250$ $\mu\text{g/L}$ )	100%	99.82% <sup>3</sup>
<b>Chloroacetic Acid</b> ( $\leq 150$ $\mu\text{g/L}$ )	100%	100%
<b>Dichloroacetic Acid</b> ( $\leq 100$ $\mu\text{g/L}$ )	99.75%	99.75% <sup>4</sup>
<b>Trichloroacetic Acid</b> ( $\leq 100$ $\mu\text{g/L}$ )	99.75%	99.57% <sup>5</sup>

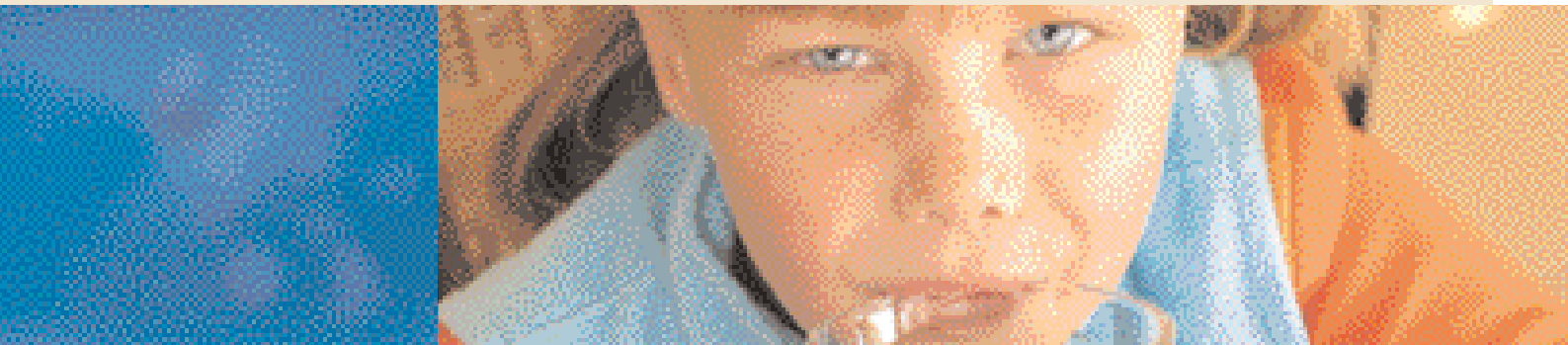
1 One sample taken in Seaspray contained *E. coli*. Source of contamination was due to birds gaining access to storage tank. Reticulation flushed and chlorination increased.

2 Toongabbie and Cowwarr experienced elevated 'total' aluminium levels, due to the presence of naturally occurring solids during high rainfall periods. Subsequent analyses (as required under the Safe Drinking Water Regulations) confirmed that 'acid soluble' aluminium concentrations within these systems met guideline levels. Higher aluminium levels were determined from Tyers Water Treatment Plant during trials to maximise plant output. Levels decreased when the plant returned to normal operation. An elevated aluminium result was detected in one sample from Trafalgar. The cause of this result is unknown.

3 A single incident of elevated trihalomethanes were detected in a sample from Erica, due to increased disinfection levels in an untreated water supply with high natural organic material.

4 A single incident of elevated dichloroacetic acid was detected in a sample from Rawson, due to increased disinfection levels in an untreated water supply with high natural organic material.

5 Five separate incidents of elevated trichloroacetic acid occurred: two in Erica and three in Rawson. These incidents occurred as a result of a disinfection unit malfunction, and the necessary higher disinfection levels required to achieve microbiological compliance in an untreated water supply with high natural organic material.



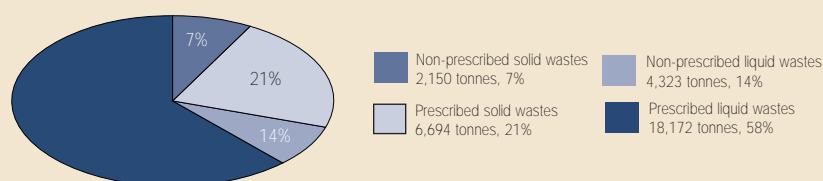
## Waste deliveries to Dutson Downs

77% of the prescribed waste generated by the Gippsland region is accepted by the Resource Recovery Facility (RRF), Dutson Downs.

A total of 31,339 tonnes of waste from 3,098 truck deliveries was received at the RRF in the 2005–06 financial year. Of this 77% was waste generated in the Gippsland region.

The chart below shows the waste tonnage received at the RRF for 2005–06.

**Wastes received at the Resource Recovery Facility, Dutson Downs for the 2005–06 financial year**



## Permanent Water Saving Rules

Gippsland Water introduced new Permanent Water Saving Rules on 7 December 2005, following the lifting of Stage One Water Restrictions from that date. The new rules reflected changing attitudes towards water use and were in line with the Victorian Government's 'Our Water, Our Future' Action Plan.

Gippsland Water's Permanent Water Saving Plan (PWSP) reinforces water saving patterns developed by customers during recent low-rainfall years. The plan was developed with the help of key stakeholders, and incorporated feedback from community information sessions.

The key rules implemented include:

- use of manual or automatic watering systems restricted to between 8 pm and 10 am daily;
- hoses can only be used with trigger nozzles attached;
- paved areas cannot be hosed down (except for health and safety reasons);
- application to Gippsland Water is required before filling a pool, dam or tank from empty if it is designed to hold more than 2,000 litres.

Other areas addressed in the PWSP include the installation of recirculating water fountains, use of high pressure trigger-nozzle hoses to clean vehicles, and fitting trigger nozzles to hoses used in commercial gardening operations and the construction industry. The new rules also guide the operation of watering systems for sporting grounds.

Promotion and further information regarding the PWSP has been made available in local media, the Gippsland Water website, through customer mailouts and via the Gippsland Water Service Centre.

# Environmental performance

## Environmental Management System

The Gippsland Water Environmental Management System (EMS) continued to be reviewed and improved during the reporting year. Focus for 2005–06 has been on the following activities:

- Gippsland Water's Environment Policy has been reviewed by the Board SHE Sub-committee, updated and reissued.
- Environment Improvement Plans have developed for six wastewater treatment plants, to identify longer-term asset improvement requirements prior to the scoping of the next Water Plan.
- Gippsland Water has participated in the Environment Protection Authority (EPA) National Pollutant Inventory (NPI) Greenhouse Gas Emissions Reporting and Disclosure Project.
- Environmental auditing of EPA licensed facilities has continued, with opportunities for improved operation being identified.
- Document control procedures have been reviewed to improve version control and revision procedures for critical operational documents relating to environmental management activities.

An audit of the EMS was also performed by Accumen Alliance. Recommendations for improvement have been accepted, and incorporated into the EMS improvement program for 2006–07.

## 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 28% of the total revenue earned. Gippsland Water's major clients account for 24% of Victoria's total trade waste.

Gippsland Water's major clients include Australian Paper, Latrobe Valley's power generators (Loy Yang Power, Edison Mission, International Power Hazelwood and Energy Brix), Esso Australia and three large dairy 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. This necessitates a high security of supply and specific systems to treat and dispose of large volumes of trade waste.

Other significant major clients include hospitals, large commercial laundries, a correctional centre and sale yards. These customers receive services embedded within normal town reticulation systems.

Gippsland Water has received 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 have also received Victorian Government approval for development projects, expanding not only their operations but the service requirements from Gippsland Water. These developments demonstrate the value of our region and our dedication to the efficient management of our precious resources.

# part 4

## Environmental incidents

Gippsland Water managed two environmental incidents during the reporting year. These incidents occurred at Dutson Downs and the Moe Wastewater Treatment Plant.

### ***Dutson Downs***

Investigations were undertaken between July and September 2005 to determine the impacts on treatment capacity of reducing the flow path of No. 2 Storage. Breaches of EPA licence limits for water quality were observed in September, prompting closure of the ocean outfall until water quality within the storage was again within licence limits.

### ***Moe Wastewater Treatment Plant***

The incident involved an air control valve which failed and remained open over a weekend in February 2006, causing highly turbid treated water to be discharged to Moe River. Alarm and control systems have been upgraded onsite to ensure that similar events in the future will result in a shutdown of plant discharge and immediate notification.

# part 4

## Environmental performance

### Case study

#### Resource sustainability: Moondarra bushfires

The Moondarra fires in January 2006 had a considerable impact on Gippsland Water's operations, both throughout the incident and in recovery efforts. Water supply to Erica and Rawson townships was maintained but impacted through a disinfection failure. 235 hectares of Gippsland Water's pine plantations were destroyed and there was damage to a section of the supply main from Moondarra Reservoir.

Gippsland Water's response to the incident was immediate. Key staff were involved in effective liaison with relevant parties to ensure critical assets were protected and service to customers continued. A Bushfire Incident Management Team was established to observe the status of the fire and to identify current and prospective issues. Gippsland Water's Emergency Management Coordinator worked with the Municipal Emergency Control Centre and the Department of Sustainability and Environment Incident Control Centre to ensure the organisation's issues were identified and addressed throughout the incident.

One such event occurred a week into the fire, as the blaze passed through the Tyers Gorge from the north-west. A roving helicopter spotted water gushing from an area relatively close to the transfer main from Moondarra Reservoir. On investigation, it was found that an air release pipe had been damaged by a falling tree, causing the constant outpour of water. The repair required the immediate fabrication of a part to close the pipe and a team to undertake the repair while being protected from the surrounding blaze by a fire truck and crew.

As the severity of the bushfire diminished, a Bushfire Recovery Team was established to identify resource requirements to recover from the fire's impact. Areas of focus were the health of the Tyers River catchment, the water quality within the reservoir and the operation of critical infrastructure downstream of the dam wall. Advice was sought from agencies who dealt with significant fires from Victoria's north-east and Canberra in early 2003. Dr Peter Kanowski from the Australian National University travelled to Gippsland to assess the impact from the fires and to pass on his knowledge and experience. Gippsland Water staff also visited regions of Canberra's water catchment to learn from their approach to rehabilitation works.

Local assistance has been sought from the West Gippsland Catchment Management Authority to identify areas of the catchment considered at high risk of sediment movement. Excavators were then able to treat tracks throughout burnt areas to reduce the potential of sediment and ash being deposited into the reservoir. Where machinery was not able to access certain areas, silt fencing was installed to capture material. A fabricated curtain 100 metres long was also installed across a section of the Tyers River, allowing material that did reach the reservoir to drop out before reaching the downstream off-take.

Vegetation is currently responding well, with eucalypts regrowing nicely and a lush covering of bracken ferns and grasses spreading throughout the understorey. Regrowth will provide a barrier against rain sweeping sediment into the reservoir during intense rainfall. It will also provide native animals with nourishment and shelter as populations return to their previous numbers.

Water quality within the reservoir was an ongoing concern throughout the incident and arrangements were implemented to manage the variety of expected conditions. To date, water quality remains within normal limits.

Gippsland Water will continue to monitor the health of the catchment surrounding Moondarra, as well as the water quality from the reservoir and respective treatment plants. Measures are also being developed to prepare the organisation for any similar significant incident that may occur in the future.



Figure 1: Days after fire passed through the Moondarra Catchment



Figure 2: Silt Boom in place across the Tyers River



Figure 3: Three months after the fire the affected areas are thriving



## Greenhouse gas and energy management

The water industry (including wastewater treatment) accounts for 0.5% of greenhouse gas emissions in Australia. This impact is primarily due to methane and nitrous oxide emissions and electricity consumption during waste treatment processes, as well as energy consumption in the pumping of large volumes of water.

Using Australian Greenhouse Office guidelines, Gippsland Water undertook a review of greenhouse gas emission sources and energy consumption in its operations in 2005–06. The relative greenhouse gas impacts, standardised as equivalent tonnes of carbon dioxide gas emitted, are summarised in the table below.

Activity	CO <sub>2</sub> -equivalent (tonnes/year)	
	2004–05	2005–06
Waste treatment <sup>1</sup>	28,727	28,287
Water treatment <sup>2</sup>	11,301	11,629
Traralgon office operations <sup>3</sup>	1,230	1,344
Fuel use <sup>4</sup>	1,262	1,350
Livestock <sup>5</sup>	4,074	5,216
<b>Sub-total</b>	<b>46,594</b>	<b>47,826</b>
Offsets <sup>6</sup>	-	(408)
<b>Total</b>	<b>46,594</b>	<b>47,418</b>

1 Methane and nitrous oxide gas emissions, electricity.

2 Electricity, soda ash consumption.

3 Electricity.

4 Petrol, diesel, gas.

5 Methane and nitrous oxide from cattle and sheep.

6 Tree planting.

The greenhouse gas impacts of Gippsland Water's operations in the current reporting period were similar to 2004–05. Of the categories reported, the largest increase in emissions was due to livestock management. Gippsland Water increased the number of head of beef cattle during the reporting period, as well as managing sheep at Dutson Downs for a period of time.

Gippsland Water subscribed to Greenfleet in 2005–06. The role of Greenfleet is to plant trees to absorb sufficient carbon dioxide to offset the annual emissions of a subscribing organisation's vehicle fleet. Greenfleet planted 1,615 native trees at Dutson Downs, to offset 408 tonnes of carbon dioxide emissions from Gippsland Water's car fleet.

Gippsland Water own and manage several hundred hectares of plantations. The carbon sequestration of these plantations has not been included in the previous table.

# 4 part 4

## Environmental performance

### Waste minimisation and cleaner production

Gippsland Water is committed to exploring options that will reduce waste produced at its sites, including office and administration facilities.

One initiative implemented during the reporting year involved the introduction of dosing controls called Streaming Current Detectors. These were installed at a number of Gippsland Water's water treatment plants to improve the efficiency of coagulant use. Chemical coagulation is used at water treatment plants to remove colour and other contaminants from water, prior to distribution to customers. 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. Cost savings of at least \$50,000 per annum are expected from this initiative.

At Gippsland Water's Traralgon head office, a tender evaluation for the replacement of photocopiers included consideration of energy demand, paper use and efficiency of consumables. Improved features of the new photocopiers include the copying of print jobs to an electronic mailbox prior to printing, reducing occurrence of errors in final print jobs. Improved scanning options available on the copiers reduce the need to produce hardcopy printed documents. Office copy paper was also changed to 50% recycled content Reflex paper. Selection of this product improved the use of recycled content goods, while supporting a locally produced product.

In addition to these initiatives, Gippsland Water, the EPA and four industry partners have also entered into Cleaner Production Partnerships, which took place in November 2005. This partnership will examine processes used by businesses in a bid to reduce the amount of wastewater discharged by industry.

Four Latrobe Valley industries that have agreed to be part of the initiative are:

- Australian Paper
- National Foods

- Warragul Linen Service
- Baw Baw Livestock Exchange

As part of the agreement, the parties will aim to improve the quality of wastewater and look at ways to reuse water as well as reduce the volume of wastewater discharged.

Gippsland Water and the EPA will both contribute \$50,000 to launch the partnership, which will work with a variety of businesses over the next three years, with a major focus on contaminants that reduce the ability to reuse water.

Since November 2005, significant progress has been made on the partnership, particularly with Warragul Linen Service and Baw Baw Livestock Exchange where projects to achieve agreed objectives have been identified. Industry experts are currently being sourced to assist with process reviews and to identify waste minimisation and reuse opportunities.

### Performance of ocean outfalls

Gippsland Water operates two ocean outfalls: the Regional Outfall Sewer (ROS) to Delray Beach and the Saline Wastewater Outfall Pipeline (SWOP) to McGaurans Beach.

The operational performance of the SWOP continued to meet EPA licence compliance requirements, with no reportable incidents of below-compliance water quality occurring in the reporting period.

Investigations undertaken at Dutson Downs between July and September 2005 analysed the impacts on treatment capacity from reducing the flow path of No. 2 Storage. Short-term elevation in the values of some water quality monitoring parameters were observed in September, prompting closure of the ocean outfall. Discharge was recommenced when water quality in the storage was again within required limits. Compliance was achieved with EPA licence water quality limits upon completion of the 2005–06 monitoring period.





Underwater inspections were performed on both outfalls, with no evidence of significant damage to either outfall pipeline. Video footage taken at the time indicated healthy marine activity, both attached to and swimming around the pipelines. Where possible, abandoned fishing netting was removed where found to be entangled around the pipeline.

## Environment Improvement Plan

Gippsland Water's Environment Improvement Plan was developed as a key component to continuous environmental improvement. The plan aims to ensure that key environmental risks associated with Gippsland Water operations are managed appropriately and that initiatives are developed to improve performance.

A risk ranking of the Environment Improvement Plan action items identified the following six actions to mitigate potential risks:

- 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 RRF facilities at Dutson Downs.
- 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 to the Board.

## Beneficial reuse of treated wastewater and biosolids

The State Environment Protection Policy – Waters of Victoria (SEPP – WoV), states: 'It is important that the reuse and recycling of wastewater is sustainable and

does not pose an environmental risk to the beneficial uses of surface waters and ground waters. To enable this, wastewater reuse and recycling needs to be consistent with guidance from the Environment Protection Authority (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 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.

# part 4

## Environmental performance

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

The 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.

In addition, the Gippsland Water Factory project will see high quality, treated wastewater made available for use by industrial customers such as Australian Paper. Further details about this project are available on page 48.

The following table shows the proportion of wastewater treated in 2005–06, compared with 2004–05. 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.



Treatment system	Final fate of treated water	Volume reused (ML)		Volume discharged (ML)		Compliance with EPA Water Quality Limits	
		2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
Drouin	Irrigation to pasture or discharge to Shillinglaw Creek	209	204	328	390	100%	100%
Heyfield	Irrigation to pasture	96	54	0	0	100%	100%
Maffra	Irrigation to pasture and sporting field	279	203	0	0	100%	100%
Mirboo North	Irrigation to pasture and sporting field	64	31	0	0	100%	100%
Morwell	Supplement flow to wetlands	672	620	0	0	100%	98.6% <sup>4</sup>
Stratford	Irrigation to pasture	135	88	0	0	100%	100%
Willow Grove	Willow Irrigation to pasture	24	10	0	0	100%	100%
Neerim South	Discharge to Red Hill Creek	0	0	55	50	100%	88.9% <sup>5</sup>
Rawson	Discharge to Coopers Creek	0	0	40	33	100%	100%
Warragul	Discharge to Hazel Creek	0	0	1,630	1,436	89%	100%
Moe	Discharge to Moe River	0	0	2,056	2,054	100%	100%
<b>Sub-total</b>		<b>1,479</b>	<b>1,210</b>	<b>4,109</b>	<b>3,963</b>		
% reuse <sup>1</sup>		26.5%	30.5%				
ROS <sup>2</sup>	Discharge to Bass Strait (Delray Beach)	0	0	11,629	8,398	100%	100%
SWOP <sup>2</sup>	Discharge to Bass Strait (McGaurans Beach)	0	0	7,456	7,434	100%	100%
<b>Total</b>		<b>1,479</b>	<b>1,210</b>	<b>23,194</b>	<b>19,795</b>		
% reuse <sup>3</sup>		6.0%	6.1%				

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 Mechanical failure of an aerator caused the discharge of a high concentration of ammonium nitrogen.

5 Problems with biomass health caused a period of poor biological removal of phosphorus.

# part 4

## Environmental performance

### Biosolids management

At the majority of wastewater treatment plants managed by Gippsland Water, sewage sludge is stabilised in dedicated treatment lagoons. Biosolids are therefore only generated when the lagoons require sludge removal every 10 to 20 years. No sludge removal activities took place during this reporting period.

Sludge from Neerim South Wastewater Treatment Plant is transported and combined with Warragul Wastewater Treatment Plant sludge, prior to partial dewatering and transport to Dutson Downs for stabilisation by composting with green waste, and beneficial reuse on the site. During the reporting period, approximately 2,500 tonnes of dewatered sludge from the two plants was transported to Dutson Downs to stabilise as biosolids.

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. In-vessel composting of biosolids will be adopted with the construction and commissioning of the Soil and Organic Recycling Facility.

Gippsland Water participated in the VicWater/CSIRO/Department of Primary Industry 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

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

As input into Gippsland Water's Water Supply and Demand Strategy, Gippsland Water has developed a

comprehensive targeted Water Conservation Strategy for each water supply system. The Water Conservation Strategy has been developed to ensure a 50-year whole-of-cycle approach towards managing supply and demand and includes activities and initiatives to reduce consumption and minimise water losses for:

- the catchment and bulk water supply system;
- the water treatment process;
- the reticulation system; and
- domestic and industrial customers.

The strategy will be reviewed in line with Gippsland Water's Water Supply and Demand Strategy every five years.

Gippsland Water has worked very closely with schools to build on and increase awareness of water conservation. In addition to this, Gippsland Water was fortunate to implement the Victorian Government Schools Water Efficiency Pilot Program within the Latrobe Valley where expert auditors assessed 13 schools and identified significant potential water reductions of up to 35%.

After monitoring water consumption at Gippsland Water's Traralgon office and depot facilities during the period July 2005 to February 2006, results have indicated that water consumption has reduced by approximately 2,690,000 litres, or approximately 50%. Further water efficiency initiatives are due to be implemented during June| 2006, which includes the trial of the Enviro-fresh Sani-sleeve waterless urinal, which is anticipated to further reduce water consumption within the facilities.

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

### Drought Response Management Plan

The drought response plan is an integrated action plan containing detailed information needed to respond to conditions leading to or causing a drought, whether this is based locally or across a broad area.



The action plan covers the means by which the onset of drought is managed corporately. This includes the operational response as well as the communication strategy to keep the community well informed. A key component of the response plan is the water restriction regime, which is covered by Gippsland Water's By-Law No. 10. This by-law provides the details of the four levels of water restriction deemed necessary to reduce water use. If a particular water restriction level becomes insufficient to head off a drought, higher levels of water restrictions are imposed on all users until the maximum restriction (level four) is reached.

If these water restrictions prove insufficient then the Minister for Water may declare a drought, and water reallocation provisions may be used as is provided for under the terms of the *Water Act 1989*.

Gippsland Water's Drought Response Management Plan is currently being reviewed as part of the statewide change to uniform water restrictions. Water supply and demand strategies are being developed for each town system. This 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.

## Research

### **Odours**

Investigations continue with chemical dosing for odour control along the ROS. Orica and Gippsland Water are currently negotiating the trialing of mobile MgOH dosing stations to address odour 'hot spots' where they occur along the open channel.

### **Lake Coleman**

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

Gippsland Water and the Gippsland Coastal Board have commissioned the Monash University Water Studies Centre to undertake a study over two years to determine the circumstances under which a nutrient release could occur, and the likely impact of such a release on the ecosystem health of the lake. 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. Monash University Water Studies Centre has completed its investigations into biogeochemical cycling of nutrients in Lake Coleman. No evidence of permanent damage from past discharge into the lake is evident.

### **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:

- undertaking a series of composting trials, to improve recovery and reuse of organic material from a range of biodegradable wastes;
- investigating the validity and accuracy of utilising Methylene Blue Active Substances as an indicator for anionic surfactant concentration in the water of No. 2 Storage lagoon, Dutson Downs; and
- investigating the seepage potential from the ROS channel, following a change in the nature of the waste stream with the future commissioning of the Gippsland Water Factory.

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.

# part 4

## Environmental performance

### ***CRC for water quality and treatment,***

on Gippsland Water commenced participate in the Cooperative Research Centre for Water Quality and Treatment Wastewater Program. Key activities of the program include a risk assessment for pathogens and organic contaminants in biosolids, development of indicators and rapid detection techniques for monitoring recycled water, and direct toxicity assessment for determining presence of chemicals of concern in wastewater treatment plant discharges. A workshop was held in April to present outcomes of research to date, and plan future research priorities.

### **Status of major projects**

#### ***Gippsland Water Factory***

Gippsland Water proposes to construct a new wastewater treatment facility, the Gippsland Water Factory, at its existing property located in Maryvale near Morwell. The Gippsland Water Factory is an upgrade of the existing wastewater treatment facilities currently servicing industrial and domestic customers within the Central Gippsland region. High quality, treated wastewater will also be available for use by industrial customers such as Australian Paper.

The Gippsland Water Factory has been proposed as a solution to reducing odours generated by the existing asset known as the Regional Outfall Sewer (ROS). This will consist of a technically advanced wastewater treatment plant at Maryvale that will process 35 million litres per day of domestic and industrial wastewater. Approximately 8 million litres per day (3 gigalitres per annum) of wastewater will undergo further treatment and be made available for reuse by Australian Paper. The remaining high quality treated wastewater will be discharged to the ocean at Delray Beach via the ROS.

The 2005–06 financial year saw the Gippsland Water Factory project secure a \$50 million Victorian Government contribution: \$25 million from the Regional Infrastructure Development Fund and \$25 million from the Victorian Water Trust.

This welcome financial injection enabled Gippsland Water to continue its journey to deliver a positive environmental and economic return on investment for the region, and create a facility that will be well positioned to meet growing water demand from industry expansion.

Gippsland Water appointed and mobilised an alliance to assist it deliver on this eagerly-awaited project. The alliance comprises Gippsland Water, Parsons Brinckerhoff, CH2M Hill and Transfield Services – world leaders and innovators in

engineering, water recycling and environmental management.

The alliance embarked on a six-month-long process of optioneering, designing, costing, value-engineering and refining to create a final report detailing the project in its entirety. The Gippsland Water Factory is aiming to deliver community benefits and act as a community resource. Community ownership and endorsement is therefore critical to the success of the project. The alliance developed and implemented a communication strategy to raise project awareness and encourage community support for the project. A website was launched to enable readers to keep informed of the progress of the project (<http://www.gippslandwaterfactory.com.au>).

Over the coming year, the Gippsland Water Factory will continue to gain momentum and achieve significant milestones with the submission of a works approval application to EPA and commencement of the construction works.

#### ***Soil and Organic Recycling Facility***

Gippsland Water has been progressing with the proposal for a Soil and Organic Recycling Facility (SORF), which offers an innovative solution to management of organic waste and contaminated soil for Gippsland.

On 20 July 2005 Gippsland Water submitted a works approval application to the Environment Protection Authority (EPA) seeking approval to construct the SORF at Dutson Downs.

The works approval application was advertised inviting community and stakeholder feedback on the proposal. Gippsland Water undertook extensive community consultation during this time, which included presentations to community groups, displays at the Sale shopping centre, briefings to stakeholder groups including Wellington Shire Council and presentations to the West Gippsland Catchment Management Authority's Customer Consultative Committees and Gippsland Water's Consultative Committees.

On 22 November 2005, EPA issued a works approval that permitted the construction of the SORF. However, this approval did not come into effect due to an appeal lodged in the Victorian Civil and Administrative Tribunal by a third party. This appeal was subsequently withdrawn in April 2006 and Gippsland Water was granted approval to proceed with the construction of the SORF.



The SORF will provide local capability to compost organic solid and liquid waste streams, and organic contaminated soil (excluding soil contaminated with chlorinated compounds). The composted material will then be used as a soil conditioner at Dutson Downs.

The SORF will provide the region with a best practice organic recycling facility. It will assist in the recycling and processing of waste currently treated in a lagoon based Bioremediation Pond, thus allowing for the decommissioning of the Bioremediation Pond.

Construction of the SORF will commence in late 2006 and it is envisaged that the facility will be operational in mid 2007.

## 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 2005–06. Chemical loads to the environment above the threshold limits are recorded below. Data for 2004–05 are included for comparison.

Facility	Sulphide to air (kg-S/yr)		Ammonia to air (kg-N/yr)		Ammonia in effluent (kg-N/yr)		Total nitrogen in effluent (kg-N/yr)		Total phosphorus in effluent (kg-P/yr)	
Reporting threshold	10,000		10,000 <sup>1</sup>		10,000 <sup>1</sup>		15,000		3,000	
Period	2004–05	2005–06	2004–05	2005–06	2004–05	2005–06	2004–05	2005–06	2004–05	2005–06
Drouin WWTP	-	-	15,563	13,282	2,508	2,607	-	-	-	-
Moe WWTP	-	-	725	642	1,617	1,542	-	-	-	-
Morwell WWTP	-	-	1,811	1,161	325	344	-	-	-	-
Warragul WWTP	-	-	2,478	3,247	484	376	-	-	-	-
Dutson Downs	271,985	54,659	55,531	50,474	89,348	45,881	139,286	86,946	27,245	23,302

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

Results for the current reporting period are generally similar to or better than those in the previous period. Increased ammonia nitrogen concentrations to air at Warragul were due to increased ammonium concentrations in the waste received at the treatment plant over the reporting period.



# part 4

## Environmental performance

### Customer committees

Gippsland Water facilitates three ongoing consultative committees comprising a range of community and industry representatives. These committees are the Environment and Customer Consultative Committee, Coastal Advisory Committee and Dutson Downs Advisory Committee. The committees are managed in addition to a range of other community consultation initiatives such as focus groups, shopping centre displays, and presentations to community groups.

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

Each committee is independently chaired by a member elected from within the committee. Each chairperson has appropriate communication channels to the Board and management of Gippsland Water.

#### **Environment and Customer Consultative Committee**

The Environment and Customer Consultative Committee provides a representative consultative forum for Gippsland Water to liaise with its customers. It assists with the development of policies and strategies to address specific issues and provides advice on community concerns, expectations and needs relating to environmental issues relative to Gippsland Water's operations.

The committee met four times throughout the year and focused on issues such as the development of water conservation targets, the new Permanent Water Saving Rules, Gippsland Water's Customer Charter and Gippsland Water's Water Supply and Demand Strategies. The committee also reviewed information on the implementation of the savewater!™ efficiency service, water quality monitoring, the Gippsland Water Factory proposal and the Soil and Organic Recycling Facility. The committee participated in site tours of the Maffra water and wastewater treatment facilities, and the Gippsland Water Factory pilot plant located at Maryvale.

As at 30 June 2006, the Environment and Customer Committee comprised:

- Des Sinnott (Chairperson) – Boisdale
- Don Blackley – Drouin
- Malcolm Boyce – Drouin

- Tammy Dawson – Waterwatch
- Jane Gurling – Nambrok
- Jodie Halliwell – West Gippsland Catchment Management Authority
- Peter Smolenaars – Sale
- Francois Vallette – Maffra
- Simon Vanderzalm – Churchill

#### **Coastal Advisory Committee**

The Coastal Advisory Committee provides a forum for Gippsland Water to consult with the community on environmental issues related to the operation of the SWOP and Delray Beach Ocean Outfalls and associated treatment and transfer systems.

The committee met four times throughout the year and focused on issues such as the proposed Gippsland Water Factory, site visits to the SWOP and the Gippsland Water Factory Pilot Plant, and impacts of flow paths alterations within the No 2 storage at Dutson Downs.

As at 30 June 2006, the Coastal Advisory Committee comprised:

- Mr Neil Terrill (Chairperson) – Churchill
- Cr Peter Garlick (Deputy Chairperson) – Stradbroke, Wellington Shire Council
- Mr Mark Duthie – Sale, Esso
- Mr Alan Eagle – Morwell, Australian Paper
- Ms Fiona Fullard – Morwell, Latrobe City
- Mr Frank Johns – Golden Beach
- Ms Susan Lloyd – Traralgon, Environment Protection Authority
- Mr Peter Marwood – Traralgon
- Mr Brett Millington – Bairnsdale, Coastal Advisory Committee
- Mr Jeff North – Lakes Entrance, Lakes Entrance Fishermen's Co-operative
- Mr Russell Pentland – Traralgon, Loy Yang Power
- Cr Bob Wenger – Robertsons Beach, Wellington Shire





### ***Dutson Downs Advisory Committee***

The Dutson Downs Advisory Committee has been established to respond to the concerns of the community by providing an opportunity for community advice. It has participated in the development of an Environment Improvement Plan for the Resource Recovery Facility and assists with monitoring the performance of the Dutson Downs facility against the performance criteria developed in the statutory planning process.

The committee met four times throughout the reporting year and focused on issues such as the Lake Coleman recovery project and the proposal for the Soil and Organic Recycling Facility (Stages 1, 2 and 3). It provided advice regarding the EPA works approval process and reviewed information from the Environment Protection, Biodiversity and Conservation Referral. It also provided advice and feedback on community consultation and publications developed to assist in communicating the project to the community.

As at 30 June 2006, the Dutson Downs Advisory Committee comprised:

- Cr Peter Garlick (Chairperson) – Wellington Shire Council
- 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
- Neville Hirth – Rosedale Leather
- Susan Lloyd – Environment Protection Authority
- Cr Darren McCubbin – Wellington Shire Council
- Dr Jo McCubbin – Wellington Residents Against Toxic Hazards (WRATH)
- David Mackenzie – Environment Protection Authority
- Peter Merritt – Department of Sustainability and Environment
- John Steel – Community Representative

### ***Environment Protection and Biodiversity Conservation Act 1999***

Gippsland Water made one referral to the Commonwealth Department of the Environment and Heritage (DEH) for consideration under the Commonwealth *Environment*

*Protection and Biodiversity Conservation Act 1999* (EPBC Act). The referral was in regard to the proposed Soil and Organic Recycling Facility at Dutson Downs.

DEH declared that the proposed project was not a controlled action under the EPBC Act, so long as the project was undertaken in accordance with a number of specified provisions outlined in the EPA works approval submission provided with the referral.

### ***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.

The following activities were undertaken during the reporting period:

- A population of Wellington Mint-bush (*Prostanthera galbraithiae*) has been rediscovered at Dutson Downs. One population of 30 plants is likely to have regenerated from a previously known population, and a second population (250–300 plants) was discovered in a new location.
- A survey of New Holland Mouse (*Pseudomys novaehollandiae*) populations found 22 individuals, including some at previously unrecorded locations.
- Gippsland Water has joined the West Gippsland Threatened Flora Network, to assist in coordinating management activities. Apart from fencing, management activities will include ongoing surveys of population health and ecological burning to aid regeneration.

# part 4

## Environmental performance

- Greenfleet has undertaken tree planting to balance greenhouse gas emissions from Gippsland Water's vehicle fleet. Two and a half kilometres of fencing has been established, to reserve 18 hectares of land for vegetation. To date, 12,000 trees have been planted.
- The National Biosolids Research Program (DPI/CSIRO) field trials have finished, with four crop cycles completed over four seasons. A final report on the impacts of biosolids application rates on crop yield and metals mobility is being prepared.
- Weed control of Spiny Rush (*Juncus acutus*) has continued, with 210 additional hectares cleared by physical removal, and burning to destroy seed stock.
- The 'Indigenous Plantations for the Gippsland Plains' project is continuing. Approximately one-third of plantings has failed due to continued dry conditions. Replantings have taken place, with another replanting proposed for next spring.
- developing and implementing Permanent Water Saving Rules;
- working with local government as part of the Victorian Government's initiative to develop Sustainable Water Use Plans for local councils;
- working with VicWater to develop uniform statewide water restrictions guidelines for drought response;
- working with industry and commercial customers, and the Environment Protection Authority (EPA), to develop a Cleaner Production Partnership agreement; and
- contributing to a framework being developed jointly by DHS and EPA to support alternative urban water supplies for end users, which include recycled water, grey water, stormwater and rainwater.

### Regional Catchment Management Strategy

The West Gippsland Catchment Management Authority (WGCMA) officially launched its 2004–2009 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 water and groundwater;
- 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; and
- fostering communication and education about and awareness of natural resource and heritage assets.

Gippsland Water, the WGCMA, various management agencies and the community work together to identify and implement solutions to catchment issues of common concern.

### Water for the future

The Victorian Government's 'Water for the Future' initiative was 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 draft Water Supply and Demand Strategy, to identify the best mix of demand measures and supply options for each of our water supply systems;
- implementing water conservation targets, to include in the Water Supply and Demand Strategy;
- contributing to the draft Central Region Sustainable Water Strategy;
- improving communication with the community, to provide details of water conservation measures and targets;
- developing the Gippsland Water Factory;
- seeking safe and sustainable opportunities to 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;



## 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.

In planning projects, Gippsland Water works 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, agreements are reached to establish and maintain biodiversity offsets of similar ecosystems locally.

## Victorian River Health Strategy

The Victorian Government developed the Victorian River Health Strategy (VRHS) 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: the implementation of a sewerage scheme for Seaspray. Action on this item is underway.

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.

## Victorian Greenhouse Strategy

The Victorian Government adopted the Victorian Greenhouse Strategy 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 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.

Gippsland Water participated in the Greenhouse Gas Emissions Reporting and Disclosure Pilot Project, coordinated by the Environment Protection Authority. This project trialed the public reporting of greenhouse gas emissions by industry, with a critical focus on the issues associated with using the National Pollutant Inventory as a greenhouse gas emissions reporting and public disclosure mechanism.



# Economic performance

## Essential Services Commission

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

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 focused on ensuring the long-term sustainability of Victoria's water resources and the environment.

The *Essential Services Commission Act 2001* outlines the objectives the ESC must consider 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; and
- 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 regulatory period;
- 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; and
- 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 (initially established as a three-year period from 1 July 2005). The WIRO sets out the process and regulatory principles that will guide the ESC in deciding whether to approve the prices proposed within the Water Plan.

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

# part 5

## 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 Victorian 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 the costs related to the impacts associated with providing 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 Victorian Government.

		2005-06	2006-07
Water	Service charge	\$79.20 pa	\$81.56 pa
Water	Volumetric charge	\$0.9159 per KL	\$0.9432 per KL
Wastewater	Service charge	\$307.30 pa	\$348.43 pa

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

The ESC, as the price and quality regulator of the whole 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 2005-06 included:

- \$5.5m for water and wastewater asset renewals across Gippsland Water;
- \$10.8m for Stage 1 of the Gippsland Water Factory;
- \$2.8m for the additional treatment module at Tyers Water Treatment Plant;
- \$2.0m for the upgrade of primary treatment filters at the Traralgon Water Treatment Plant;
- \$1.7m for upgrading at the Drouin Wastewater Treatment Plant; and
- \$1.3m for Hopetoun Road Drouin Pump Station.

# part 5

## Economic performance

### Case study

#### Customers, stakeholders and community: Capital improvements at Traralgon Water Treatment Plant

To enable better management of water quality risks, it was resolved in January 2004 to install an additional step in the primary treatment process at Gippsland Water's Traralgon Water Treatment Plant. The form of additional treatment chosen was a Dissolved Air Floatation (DAF) system.

DAF systems are used in the water treatment process as a primary step to remove solids from the raw water. In general, microscopic air bubbles are injected into the water stream which attach to the solid particles causing them to float to the surface, where they can be readily and continuously removed. This system will assist the water treatment plant to better maintain high water quality standards, regardless of the raw water quality. The increased removal of solid particles also improves the removal of disease causing organisms such as *Cryptosporidium* from the water.

The \$1.989 million upgrade of the primary treatment system took place between August 2005 and June 2006. The upgrade saw the renovation of the existing flocculation tanks and installation of a pair of new DAF cells within the confines of the existing structure and building. Work also involved large modifications to the water treatment plant's sludge (waste) handling system to manage the additional treatment system.

This additional treatment process is particularly important during periods when the raw water quality deteriorates, following long or heavy rainfall events in the catchment. The improved water treatment process will also ensure that the plant continues to produce treated water compliant with the *Safe Drinking Water Act*.

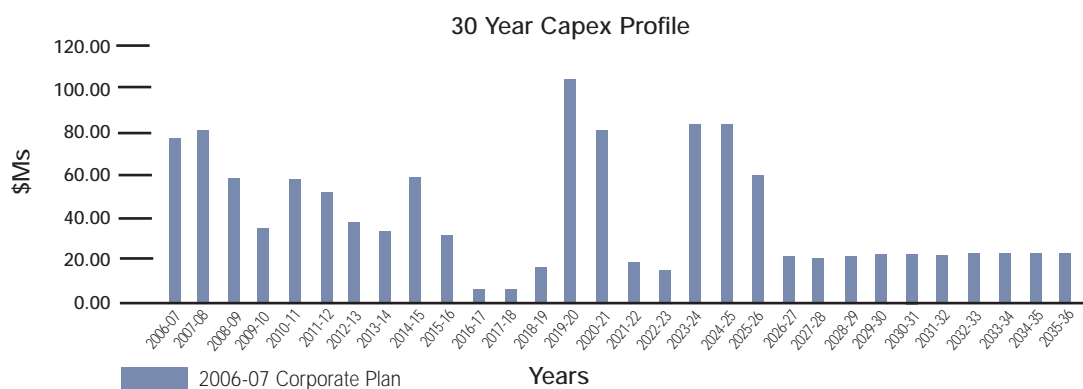
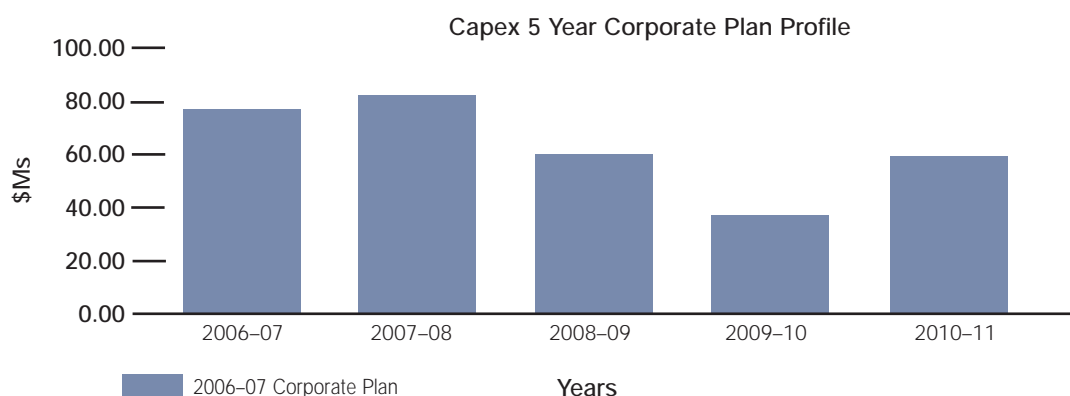


## Future capital investment

Gippsland Water's expenditure program for the next five years is projected to total \$302 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; and
- 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 (\$122m), Seaspray Sewerage Scheme (\$8.1m), Loch Sport water and wastewater (\$20.3m), Honeysuckles wastewater (\$6.6m), Moondarra Bypass (\$7.9m), Warragul Wastewater Pump Station and Rising Main upgrade (\$6.3m) and the Soil and Organic Recycling Facility (\$4.5m).





# part 5

## 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 Central Gippsland, including Loy Yang Power, Edison Mission, International Power Hazelwood and Energy Brix power stations, and Australian Paper. 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, Yinnar, Hazelwood North, Traralgon South, 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 Central Gippsland. 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 (16 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 Environment Protection Authority (EPA) licensed ocean outfalls, the Regional Outfall Sewer and the Saline Waste Outfall Pipeline.

#### **Water services**

Gippsland Water provides potable water to 61,392 customers across 17 water supply systems. 16 of the water supply systems have dedicated water treatment plants for the removal of unwanted material from the water supply; one system provides only disinfected raw water to customers. To achieve an acceptable outcome for

customers, each system requires its own specialist technology and skill from various workgroups due to the quality of the initial supply and the treatment plant configuration. These water supply systems consist of 1,913 kilometres of water mains, 65 treated water storages and 48 water pump stations.

In total, there are 16 sources of supply for Gippsland Water: Blue Rock Lake, Moondarra Reservoir, Lake Glenmaggie, Tarago Reservoir, Cowwarr Weir, two aquifers and nine direct stream off-takes. Some of these supplies can degenerate quite rapidly to virtually no capacity in extremely dry conditions; yet a unique characteristic of all the region's supplies is the speed at which they can be regenerated to full capacity.

#### **Wastewater services**

Gippsland Water provides wastewater services to 52,422 customers across 13 wastewater supply systems. These wastewater supply systems consist of 1,343 kilometres of sewer mains and 172 pump stations. Five of the 12 EPA licensed wastewater treatment systems treat to tertiary level. Six plants discharge to inland waterways; one plant provides beneficial reuse of water for supplementing a reclaimed wetland; one plant discharges to the ocean via an extended outfall; and six of the plants provide reclaimed water for irrigation of farmland and sporting grounds.

In line with our strategic objectives, we are trying to achieve the highest possible environmental standards throughout the waste collection, treatment and final disposal of treated wastewater. Many issues are being addressed simultaneously, including cleaner production and waste minimisation at the source, spill minimisation, reduction in contaminant loads, reticulation and treatment system performance and water reuse.

#### **Resource Recovery Facility**

At its Dutson Downs site, Gippsland Water 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 400 ha zone, within the 8,000 ha Dutson Downs property.

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

Significant work has been completed in extracting, dewatering and composting sewage treatment plant sludges. A series of composting trials has been





successfully undertaken and a high quality compost product meeting the Australian standard has been produced. Trials are being undertaken to test the compost as a soil conditioner suitable for agricultural and landscaping applications.

The initial success of these composting trials has encouraged our consideration of a wider range of composted products made from organic waste streams already accepted at Dutson Downs. The addition of 'green waste' with other organic wastes such as sewage treatment plant biosolids, grease trap waste, dairy waste, tannery waste and some industrial wastes has been successfully implemented elsewhere.

It is Gippsland Water's intention to replace the current Bioremediation Pond (commonly known as the Cardboard Pond) with liquids separation and composting. This is consistent with the EPA's preferred hierarchy of waste handling, as much of the material presently accepted into this pond could successfully be reused after composting.

To aid replacement of the Bioremediation Pond and to provide Victoria with a soil treatment facility, Gippsland Water has received approval to develop a Soil and Organic Recycling Facility. This facility will not only treat and recycle wastes for beneficial reuse but will also provide the materials for the rehabilitation of the Bioremediation Pond.

Decommissioning and rehabilitation of the Bioremediation Pond will result in a significant decrease in the odour generated from the site. Operation of the Soil and Organic Recycling Facility is expected to commence in mid 2007.

### **Agribusiness**

Gippsland Water's Agribusiness operates across 10 broadacre land assets (10,000 ha) owned or vested in the authority. These lands support a large mixed farming enterprise, which encompasses livestock, plantation, grain and fodder. These form integrated components of the land management business, with each enterprise supporting Gippsland Water in the provision of sustainable water and wastewater services to the region.

The Agribusiness has grown considerably in recent years and is well placed to profit from forthcoming capital investment in Gippsland Water infrastructure, notably the Soil and Organic Recycling Facility at Dutson Downs and the Gippsland Water Factory project. These projects will deliver a powerful combination of agronomic (compost and irrigation) benefits, which in turn promises to facilitate meaningful expansion of agribusiness within Gippsland.

Gippsland Water's Agribusiness continues to help provide sustainable water and wastewater services, as well as delivering a positive financial return to the authority.

## **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 that 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.

**Regional Outfall Sewer (ROS):** The ROS is the major pipeline and channel that transports approximately 50% of Central Gippsland's wastewater to Dutson Downs wastewater treatment facility.

**Saline Wastewater Outfall Pipeline:** Pipeline used to transfer saline wastewater from the Loy Yang Ash Pond to Bass Strait. The SWOP is owned and operated by (SWOP) Gippsland Water.

**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

# part 6

## Financial performance

SUMMARY OF FINANCIAL RESULTS AS AT 30 JUNE 2006

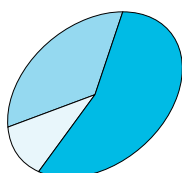
**Summary of Financial Results**

	2005-06 \$'000	2004-05 \$'000	2003-04 \$'000	2002-03 \$'000	2001-02 \$'000	2000-01 \$'000	1999-00 \$'000	1998-99 \$'000	1997-98 \$'000
Core Business Revenue	56,171	53,169	45,841	41,449	38,459	37,011	36,505	35,444	38,670
Interest Revenue	688	983	1,000	858	768	1,317	1,539	2,129	1,848
Government Contributions	1,306	-	-	-	-	28	-	18	-
Non Government Contributions	6,063	9,463	6,459	3,753	5,261	1,383	2,048	1,605	2,733
Other Revenue (Farm & Gross Proceeds)	2,123	828	1,478	1,384	2,038	1,937	2,024	1,819	1,389
	<b>66,351</b>	<b>64,443</b>	<b>54,778</b>	<b>47,444</b>	<b>46,526</b>	<b>41,676</b>	<b>42,116</b>	<b>41,015</b>	<b>44,640</b>
Operations & Maintenance Expense	27,461	28,377	25,309	26,136	24,082	22,491	21,188	17,546	14,303
Depreciation Expenses	17,777	17,154	16,201	15,763	14,743	14,969	14,672	15,285	14,536
Administration Expenses	13,305	10,003	7,526	6,949	6,750	8,100	8,643	9,313	9,006
Finance Expenses	101	-	-	-	-	-	1	485	1,529
	<b>58,645</b>	<b>55,534</b>	<b>49,036</b>	<b>48,848</b>	<b>45,575</b>	<b>45,560</b>	<b>44,504</b>	<b>42,629</b>	<b>39,374</b>
Net Operating Result	<b>7,706</b>	<b>8,909</b>	<b>5,743</b>	<b>(1,404)</b>	<b>951</b>	<b>(3,884)</b>	<b>(2,388)</b>	<b>(1,614)</b>	<b>5,266</b>

Note Gross Proceeds have been netted off between revenue and expense  
Changes made to 2004/05 for AIFRS adjustments

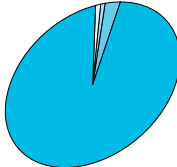
# FINANCIAL PERFORMANCE INDICATORS AS AT 30 JUNE 2006

## Water Income from Tariffs & Charges



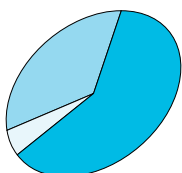
	2006 \$'000
Urban Residential	15,225
Urban Non Residential	2,562
Major Clients	9,414
<b>TOTAL</b>	<b>27,231</b>

## Liabilities & Equity



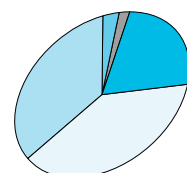
	2006 \$'000
Equity	530,229
Creditors & Accruals	5,214
Provisions	4,508
Other	15,982
<b>TOTAL</b>	<b>555,933</b>

## Wastewater Income from Tariffs & Charges



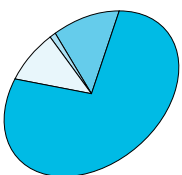
	2006 \$'000
Urban Residential	15,080
Urban Non Residential	1,449
Major Clients	7,898
<b>TOTAL</b>	<b>24,427</b>

## Business Stream Revenue



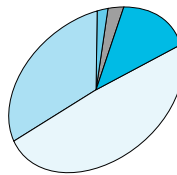
	2006 %
Bulk	23%
Water	38%
Waste	34%
RRF	3%
Agriculture	2%
<b>TOTAL</b>	<b>100%</b>

## Total Income from All Sources



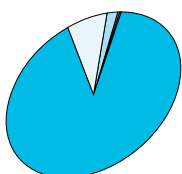
	2006 \$'000
Tariffs & Charges	51,659
Development Contributions	6,063
Finance	688
Other	7,941
<b>TOTAL</b>	<b>66,350</b>

## Business Stream Expenses



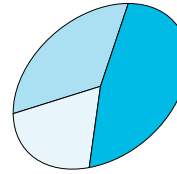
	2006 %
Bulk	16%
Water	49%
Waste	31%
RRF	2%
Agriculture	3%
<b>TOTAL</b>	<b>100%</b>

## Total Assets



	2006 \$'000
Fixed	500,759
Cash & Investments	40,383
Debtors & Receivables	11,202
Inventories	1,818
Other	1,771
<b>TOTAL</b>	<b>555,933</b>

## Total Expenses



	2006 \$'000
Operations & Maintenance	27,461
Administration	13,305
Depreciation	17,777
<b>TOTAL</b>	<b>58,543</b>

# part 6

## Financial performance

OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$'000	2005 \$'000
<b>Revenues from Operating Activities</b>			
Service Charges – Domestic	1(b) 3(a)	19,843	16,040
Service Charges – Commercial	1(b) 3(a)	12,375	13,117
Volumetric Charges – Domestic	1(b) 3(a)	10,492	11,208
Volumetric Charges – Commercial	1(b) 3(a)	9,118	8,367
Income for Capital Purposes	1(b) 3(a)	6,063	9,463
Government Contributions	1(b) 3(a)	1,306	-
<b>Total Operating Revenue</b>		<b>59,197</b>	<b>58,195</b>
<b>Revenue from Non-Operating Activities</b>			
Investment Income	1(b)	688	983
Other Revenue	1(b)	6,466	5,267
<b>Total Non-Operating Revenue</b>		<b>7,154</b>	<b>6,250</b>
<b>Total Revenue from Ordinary Activities</b>		<b>66,351</b>	<b>64,445</b>
<b>Expenses from Ordinary Activities</b>			
Employee Benefits	1(k)	15,515	14,565
Suppliers	1(j)	22,600	21,775
Depreciation	1(e) 3(b)	17,297	16,676
Amortisation	1(e)	480	478
Net Loss from Disposal of Assets	1(d) 3(b)	622	522
Environmental Contributions	1(p) 3(c)	2,030	1,520
Other		101	-
<b>Total Expenses from Ordinary Activities</b>		<b>58,645</b>	<b>55,536</b>
<b>Surplus/(Deficit) from Ordinary Activities before Tax</b>		<b>7,706</b>	<b>8,909</b>
Income Tax Expense	4	-	-
<b>Net Result for Operating Period</b>	20	<b>7,706</b>	<b>8,909</b>
The above operating statement should be read in conjunction with the accompanying notes.			

# BALANCE SHEET AS AT 30 JUNE 2006

	Note	2006 \$'000	2005 \$'000
<b>Assets</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	1(g) 5	40,383	10,641
Receivables	1(h) 6	11,202	12,627
Prepayments	6	614	470
Inventories	1(i) 7	765	641
Biological Assets	11	1,053	937
Other	8	1,142	886
		55,159	26,201
Non-Current Assets classified as held for sale	13	15	-
<b>Total Current Assets</b>		<b>55,174</b>	<b>26,201</b>
<b>Non Current Assets</b>			
Other Financial Assets	1(l) 9	1,000	1,046
Property, Plant and Equipment	1(d) 10	459,641	449,487
Capital Work in Progress	10	36,384	17,632
Biological Assets	11	1,694	1,603
Intangible Assets	1(t) 12	2,014	2,266
Inventories	1(i) 7	-	-
Other Non-Current Assets	8	26	49
<b>Total Non Current Assets</b>		<b>500,759</b>	<b>472,083</b>
<b>TOTAL ASSETS</b>		<b>555,933</b>	<b>498,284</b>
<b>Current Liabilities</b>			
Payables	1(k) 14	7,196	7,838
Interest Bearing Liabilities	1(u) 15	4,500	-
Employee Benefits	1(k) 16	3,692	3,473
Short-term Provisions	1(v) 17	-	117
<b>Total Current Liabilities</b>		<b>15,388</b>	<b>11,428</b>
<b>Non Current Liabilities</b>			
Interest Bearing Liabilities	1(u) 15	9,500	-
Employee Benefits	1(k) 16	316	396
Long-term Provisions	1(l) 1(v) 17	500	1,203
<b>Total Non Current Liabilities</b>		<b>10,316</b>	<b>1,599</b>
<b>TOTAL LIABILITIES</b>		<b>25,704</b>	<b>13,027</b>
<b>NET ASSETS</b>		<b>530,229</b>	<b>485,257</b>
<b>Equity</b>			
Contributed Capital	1(w) 18	228,650	191,385
Reserves	19	10,418	10,418
Accumulated Funds	20	291,160	283,454
<b>TOTAL EQUITY</b>		<b>530,229</b>	<b>485,257</b>

The above balance sheet should be read in conjunction with the accompanying notes.

# part 6

## Financial performance

CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$'000	2005 \$'000
<b>Cash Flows from Operating Activities Receipts</b>			
Rates, Tariffs, Fees and Charges		67,845	50,887
Interest Received		747	976
		<b>68,592</b>	<b>51,863</b>
<b>Payments</b>			
Payments to Suppliers		(28,912)	(22,683)
Payments to Employees		(16,554)	(14,367)
Interest and Other Costs of Finance Paid		(101)	-
Environmental Contributions		(2,030)	(1,520)
		<b>(47,597)</b>	<b>(38,570)</b>
<b>Net Cash Provided By Operating Activities</b>	27	<b>20,995</b>	<b>13,293</b>
<b>Cash Flows from Investing Activities</b>			
Payments for Property, Plant and Equipment		(44,824)	(25,579)
Proceeds from Sale of Property, Plant and Equipment		691	920
Income for Capital Purposes		1,618	4,076
		<b>(42,515)</b>	<b>(20,583)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from Contributed Capital by State Government	18	37,216	-
Other		14,046	-
<b>Net Cash Provided By Financing Activities</b>		<b>51,262</b>	<b>-</b>
<b>Net Increase / (Decrease) in Cash Held</b>		<b>29,742</b>	<b>(7,291)</b>
Cash and Cash Equivalents at Beginning of Year		10,641	17,931
<b>Cash Held End of Year</b>	5	<b>40,383</b>	<b>10,641</b>
The above cash flow statement should be read in conjunction with the accompanying notes.			

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$'000	2005 \$'000
Adjustment on adoption of AASB 132 and AASB 139, net of tax, to:			
Accumulated Funds	-	-	266,527
Reserves	-	-	(266,735)
Gain / (Loss) on Property Revaluation, net of tax	-	-	(206)
Other - Income for a specific purpose			
Gippsland Water Factory	34,022	-	-
Country Town Water & Sewerage Program - Seaspray Stage 1	2,541	-	-
Country Town Water & Sewerage Program - Concept Studies	702	-	-
<b>Net income recognised directly in equity</b>		<b>37,265</b>	<b>(414)</b>
Net result for the period		7,706	8,909
<b>Total recognised income and expense for the period</b>		<b>44,971</b>	<b>8,495</b>

# part 6

## Financial performance

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#### Auditor General's Report



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 2006.

## 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 an Operating Statement, Balance Sheet, Statement of Changes in Equity, Cashflow Statement 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(d).

#### *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.

#### *Application of AASB 1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards*

These financial statements are the first the authority has prepared in accordance with AIFRSs. AASB 1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of the authority until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing 30 June 2006 financial statements, management has amended certain accounting, valuation and consolidated methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 30 June 2005 were restated to reflect these adjustments.

The authority has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 January 2005.

Reconciliations and descriptions of the effect of transition from previous

AGAAP to AIFRSs on the entity's equity and its net income are in Note 30.

#### *Early adoption of standard*

The authority has elected to apply AASB 119 Employee Benefits (issued in December 2004) to the reporting period beginning 1 July 2005. This includes applying AASB 119 to the comparatives in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets, certain classes of property, plant and equipment and investment property.

#### *Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies.

### (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 2005/06 financial year the authority estimated the outstanding revenue in respect of meters which had not been read at balance date (\$1,649,258), by multiplying the number of days since the last reading by each customer's average service usage.

#### *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 on receipt or when an entitlement is established whichever is the sooner.

#### *Developer contributions - 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 is the sooner is, and disclosed in the Operating Statement 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*. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the authority

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the operating statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the operating statement on a straight line basis over the expected lives of the related assets.

Under *AASB1004 Contributions*, a not-for-profit entity accounts for the receipt of non-taxable government grants as income rather than as deferred income when those grants are controlled by the authority. As such, a temporary difference does not arise. AASB1004 is only applicable to not-for-profit entities.

### *Non-current Assets (or disposal groups) Held for Sale*

A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction. Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

### *Interest and rents*

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

### **(c) Borrowing Costs**

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as a qualifying asset constructed by the authority. The weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised during the year. No borrowing costs have been capitalised during the year.

### **(d) Recognition and Measurement of Assets**

#### *Acquisition*

The purchase method of accounting is used for all acquisitions of assets (including business combinations), regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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

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

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

#### *Repairs and maintenance*

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

#### *Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the operating statement on a straight-line basis over the period of the lease, in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

Lease income from operating leases is recognised as income on a straight-line basis over the lease term.

#### *Leasehold improvements*

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

#### *Non-Current Physical Assets*

Land and buildings are measured at the amounts for which assets could be exchanged between knowledgeable, willing parties, in an arm's length transaction.

Cultural depreciated assets and collections, heritage assets and other non-current physical assets that the entity intends to preserve because of their unique historical, cultural or environmental attributes are measured at the cost of replacing the asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Plant, equipment and vehicles are measured at cost.

In accordance with FRD 103 *Non-Current Physical Assets*, water infrastructure assets are to be measured at cost less any accumulated depreciation and any accumulated impairment losses. Such assets may comprise substructures or underlying systems held by water entities to facilitate the harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage and drainage systems.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the operating statement. When revalued assets are sold, it is the Authorities' policy to transfer the amounts included in other reserves in respect of those assets to accumulated funds.

All assets must be tested for impairment on an annual basis. Such assets are tested to ascertain whether the carrying amounts exceed their recoverable amounts.

#### Revaluations

Assets other than those that are carried at cost are revalued with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value. This revaluation process normally occurs every three to four years for assets with useful lives of less than 30 years or six to eight years for assets with useful lives of 30 or greater years. Revaluation increments or decrements arise from differences between an asset's depreciated cost or deemed cost and fair value.

Revaluation increments are credited directly to equity in the revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as expense in determining the net result, the increment is recognised as revenue in determining the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the revaluation reserve in respect of the same class of assets, they are debited to the revaluation reserve.

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

Revaluation reserves are not transferred to accumulated funds on derecognition of the relevant asset.

#### Impairment of Assets

Goodwill and intangible assets with indefinite useful lives are tested annually as to whether their carrying value exceeds their recoverable amount. All other assets are assessed annually for indicators of impairment, except for:

- Inventories;
- Assets arising from construction contracts;
- Financial instrument assets;
- Certain biological assets related to agricultural activity;
- Non-current assets held for sale.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying amount exceeds its recoverable amount, the difference is written-off by a charge to the operating statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

An impairment loss on a revalued asset is recognised directly against any revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation reserve for that same class of asset.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation reserve. However, to the extent that an impairment loss on the same class of asset was previously recognised in profit or loss, a reversal of that impairment loss is also recognised in profit or loss.

#### (e) Depreciation and Amortisation of Non-Current Assets

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

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, commencing from the time the asset is held ready for use. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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
Infrastructure	
Water	
- Storages	150 years
- Distribution Networks	40 - 100 years
- Treatment Plants	25 - 50 years
Wastewater	
- Storages	65 - 80 years
- Distribution Networks	60 - 100 years
- Treatment Plants	15 - 50 years
Other Assets	
Plant & Equipment	10 - 20 years
Motor Vehicles	8 years
Furniture & Computers	3 - 10 years

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## Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

### (f) Biological 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 is recognised as an asset.

Sam Paton & Associates Pty, Ltd, Certified Practicing Valuers completed an independent valuation of plantations as at 30 June 2006.

Refer to Biological Assets Note 11 for the value and physical quantity of commercial trees in plantations at balance date.

The major change to the treetop resource description from 30 June 2005 is the change arising in the Moondarra plantations, which were largely destroyed by wild fire in January 2006.

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

#### *Crops*

Crops refer to cereal, forage and legumes stored on site at the authority's various farming properties.

Sam Paton & Associates Pty, Ltd, Certified Practicing Valuers completed an independent valuation of crops as at 30 June 2006.

Refer to Biological Assets Note 11 for the value and physical quantity of crops in storage at balance date.

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, bulls and wether lambs, located at the authority's various farming properties.

Chris Stanley Livestock of Woori Yallock completed an independent valuation of livestock as at 30 June 2006.

Refer to Biological Assets Note 11 for the value and physical quantity of livestock at balance date.

A visual appraisal of livestock was performed in undertaking this valuation with the condition, quality, age of the stock, current and projected market and seasonal conditions plus breeding values of

cows and heifers was taken into consideration in calculating their net market value.

### (g) Cash and Cash Equivalent Assets

For the purposes of the Cash Flow Statement, cash and cash equivalents 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.

### (h) Receivables

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the authority will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the operating statement.

### (i) 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.

### (j) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the authority prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### (k) Employee Benefits

#### *(i) Employee Benefits*

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values, using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at their present value of the estimated future cash outflows to be made by the authority, in respect of services provided by employees up to the reporting date.

**(ii) Superannuation, in accordance with FRD 112A**

A liability or asset in respect of defined benefit superannuation is recognised in the provision for employee benefits, and is measured as the difference between the present value of employees' accrued benefits at the reporting date and the net market value of the superannuation plan's assets at that date. The present value of accrued benefits is based on expected future payments which arise from membership of the plans to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using rates of national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The amount charged to the operating statement in respect of superannuation represents the contributions made to the superannuation plan, adjusted by the movement in the defined benefit plan liability or surplus.

**(iii) Employee Benefit On-Costs**

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

**(iv) Performance Payments**

Performance payments for the authority's Executive Officers are based on a percentage of the annual salary package provided under their contract(s) of employment. A liability is recognised and is measured as the aggregate of the amounts accrued under the term of the contracts to balance date.

**(l) RRF Environmental Bond & Bioremediation Pond Rehabilitation**

In respect of the Bioremediation Pond (cardboard pond) at Dutton 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. This assurance takes the form of a \$1M cash deposit with TCV.

In addition, as all the conditions of AASB137 are met, the authority will need to recognise the liability for rehabilitation of this site through a provision account. AASB137 requires that the provision be revalued each year to ensure that it is of sufficient value to cover the actual cost associated with the final rehabilitation of the pond.

The authority has provided an amount of \$500,000 in the 2004/05 financial year, for the rehabilitation of the bioremediation pond in accordance with Accounting Standard AASB137.

**(m) Changes in Accounting Policy**

The accounting policies are consistent with those of the previous year, unless stated otherwise.

**(n) Taxation**

The authority became subject to the National Tax Equivalent Regime (NTER) from 1 July 2002. The NTER is administered by the Australian Taxation Office (ATO). The authority has determined a tax expense for the financial year of \$2,476,922, (2004/05 \$2,706,695) but the tax expense is not payable due to prior year tax losses being recouped. There has been no impact in the year ended 30 June 2006 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 AASB 112.

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 2006 in respect of tax losses not brought to account is \$33,625,678 (2004/05 \$27,486,482).

**(o) Dividend Policy**

The authority is required to pay a dividend in accordance with a determination of the Treasurer of Victoria under the Public Authorities (Dividend) Act 1983, based on a prescribed percentage of the previous years' adjusted net 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 2005/06 financial year based on operating income from 2004/05 year. It is anticipated that the authority will be required to pay a dividend on the 2005/06 net profit as it has met the Dividend Policy determination (Note 3d).

**(p) 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



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

to promote the sustainable management of water or address adverse water related initiatives. The environmental contributions are disclosed separately within the expenses.

### **(q) Goods and Services Tax**

Revenues, expenses and assets are recognised net of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the 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 Balance Sheet.

Cash flows arising from operating activities are disclosed in the Cash Flow Statement on a gross basis – i.e. inclusive of GST. The GST component of cashflows arising from investing and financing activities which is recoverable or payable to the ATO is classified as operating cash flows.

### **(r) Financial Instruments**

#### *Recognition*

Financial instruments are initially measured at fair value, plus in the case of a financial asset or financial liability not at fair value through the operating statement, transaction costs that are directly attributable to the acquisition or the issue of the financial asset or liability. Subsequent to initial recognition, the financial instruments are measured as set out below.

#### *Financial assets at fair value through the operating statement*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirement of AASB 139: Recognition and Measurement of Financial Instruments.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

#### *Held-to-maturity investments*

These investments have fixed maturities and it is the authority's intention to hold these investments to maturity. Any held-to-maturity investments held by the authority are stated at amortised cost using the effective interest rate method.

#### *Financial Liabilities*

Non-derivative financial liabilities are recognised at amortised costs, comprising original debt less principal payments and amortisation.

#### *Derivative instruments*

There are no derivative instruments.

#### *Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length

transactions, reference to similar instruments and option pricing models.

### **Impairment**

At each reporting date, the authority assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the operating statement.

### **(s) Fair Value Estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the authority is the current bid price; the appropriate quoted market price for financial liabilities is the current risk price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The authority uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the authority for similar financial instruments.

### **(t) Intangibles**

Intangible assets represent identifiable non-monetary assets without physical substance.

Intangible assets are recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the authority.

Amortisation is allocated to intangible assets with finite useful lives on a systematic basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is

impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

A summary of the policies applied to the authority's intangible assets is as follows:

	Software Costs
Useful Lives	Finite
Method Used	5 years – straight line
Internally generated / acquired	Acquired
Impairment Test / Recoverable Amount Test	Annually and where an indicator of impairment exists

#### (u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the operating statement over the period of the borrowings, using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in equity, net of income tax effects.

Borrowings are classified as current liabilities unless the authority has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### (v) Provisions

Provisions for legal claims and service warranties are recognised when the authority has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

#### (w) Contributed Capital

Ordinary shares are classified as equity. Mandatory redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

#### (x) Comparative Amounts

Under A-IFRS standard AASB116 software has been reclassified from Property, Plant and Equipment to an Intangible Asset. Comparative amounts from the 2004/05 financial year have also been adjusted.

Under A-IFRS standard AASB116 major inventory spares have been

reclassified from Inventory to Non Current Property, Plant and Equipment. Comparative amounts from the 2004/05 financial year have also been adjusted.

#### (y) Website Costs

Costs in relation to web sites controlled by the authority are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefits. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs incurred in building or enhancing a website, to the extent that they represent probable future economic benefits controlled by the entity that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits, which vary from three to five years.

#### NOTE 2: FINANCIAL RISK MANAGEMENT

The authority's activities expose it to a variety of financial risks, and they are as follows:

##### (a) Credit risk

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 Balance Sheet.

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.

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## Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$'000	2005 \$'000
<b>NOTE 3: OPERATING STATEMENT - DISCLOSURES</b>		
<b>(a) Revenue</b>		
<u>Service Charges</u>		
- Sewerage Charges	24,427	21,401
- Trade Waste Charges	169	149
- Water Service Charges	27,232	27,182
	<b>51,828</b>	<b>48,732</b>
<u>Government Contributions</u>		
- Operating	-	-
- Non Operating	1,306	-
	<b>1,306</b>	<b>-</b>
<u>Developer Contributions</u>		
- Fees Paid by Developers	1,618	4,076
- Assets Received from Developers	4,445	5,387
	<b>6,063</b>	<b>9,463</b>
<b>(b) Net Gains and Expenses</b>		
The surplus (deficit) from ordinary activities includes the following specific net gains and expenses		
<u>Net Gain (Loss) on Disposal of Property, Plant &amp; Equipment</u>		
- Proceeds from Sale of Assets	691	920
- WDV of Assets Sold	(1,313)	(1,442)
	<b>(622)</b>	<b>(522)</b>
<u>Expenses</u>		
Depreciation		
- Buildings	329	307
- Water Infrastructure	7,523	7,281
- Wastewater Infrastructure	7,998	7,707
- Plant & Equipment	1,103	865
- Motor Vehicles	362	516
Less Depreciation Capitalised	(18)	-
Total Depreciation	<b>17,297</b>	<b>16,676</b>
Bad & Doubtful Debts	109	74
Superannuation Contributions	1,462	1,246
Gross Profit from Livestock	1,125	573
Auditors Remuneration		
Auditor General for Audit of Financial Statements	47	46



	2006 \$'000	2005 \$'000
<b>NOTE 3: OPERATING STATEMENT - DISCLOSURES (CONTINUED)</b>		
<b>(c) Individually Significant Items (Note 1(q))</b>		
- Environmental Contribution	2,030	1,520
<b>(d) Dividend Policy</b>		
(% of Operating Surplus)		
Revenue from Operating Activities	59,197	58,195
Revenue from Non-Operating Activities	7,154	6,250
Less Income for Capital Purposes & Government Contributions	7,368	9,463
Total Revenue from Ordinary Activities (Excl Income for Capital Purposes)	<b>58,982</b>	<b>54,983</b>
Less Expenses from Ordinary Activities	58,645	55,536
Operating Surplus / (Deficit)	<b>338</b>	<b>(555)</b>
Expected Dividend Payable @ 65% Operating Surplus	220	-
<b>NOTE 4: INCOME TAX</b>		
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	7,706	8,909
Income Tax calculated at 30%	2,312	2,673
Tax Effect of Permanent Differences:		
Accounting Depreciation on Non Tax depreciable items	-	-
Capital Expenditure - non deductible	-	-
Adjustments Relating to Prior Years	161	-
Non Assessable Income	-	(13)
Non Deductible Sundry Expenses	4	47
Income Tax Adjusted for permanent differences	2,477	2,707
Benefit of Tax Losses from Prior years Recouped	2,477	2,707
Aggregate Income Tax Expense	-	-

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## Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$'000	2005 \$'000
<b>NOTE 5: CASH AND CASH EQUIVALENT ASSETS</b>		
<b>Current</b>		
Cash on Hand	2	2
Cash at Bank	40,381	3,081
Deposits at Call	-	2,233
Investments	-	5,325
	<b>40,383</b>	<b>10,641</b>
(a) Reconciliation to cash at the end of year		
The above figures are reconciled to cash at the end of the financial year as shown in the Cash Flow Statement, as follows:		
Balances as above	40,383	10,641
Balances as per Cash Flow Statement	<b>40,383</b>	<b>10,641</b>
(b) Deposits at call		
No deposits are bearing floating interest rates for 2006 (2005: 5.5%)	-	2,233
	<b>-</b>	<b>2,233</b>
<b>NOTE 6: RECEIVABLES</b>		
<b>Current</b>		
Trade Receivables	9,285	10,287
Allowance for Doubtful Debts	(80)	(60)
Prepayments	614	470
Other Receivables	1,997	2,400
	<b>11,816</b>	<b>13,097</b>
<b>NOTE 7: INVENTORIES</b>		
<b>Current</b>		
Stores and Consumables - at Cost	765	641
Total Inventories	<b>765</b>	<b>641</b>
<b>NOTE 8: OTHER CURRENT ASSETS</b>		
<b>Current</b>		
Private Schemes Unmatured Capital	26	24
Goods & Services Taxation Refund Due	1,095	839
Other	21	23
Total	<b>1,142</b>	<b>886</b>
<b>Non Current</b>		
Private Schemes Unmatured Capital	26	49
	<b>26</b>	<b>49</b>
<b>NOTE 9: OTHER FINANCIAL ASSETS</b>		
<b>Non Current</b>		
Government Securities - Inscribed Stock	-	6
Loans Other	-	40
Long Term Investments	1,000	1,000
Total Other Financial Assets	<b>1,000</b>	<b>1,046</b>

	2006 \$'000	2005 \$'000
<b>NOTE 10: PROPERTY, PLANT &amp; EQUIPMENT</b>		
a) Classes of property, plant and equipment		
<i>Land</i>		
At Fair Value (as at 30 June 2004)	13,263	12,968
	13,263	12,968
<i>Buildings</i>		
At Fair Value (as at 30 June 2004)	8,640	7,557
Less: Accumulated Depreciation	(634)	(305)
	8,006	7,252
<i>Water Infrastructure</i>		
At Cost Value	226,929	214,103
Less: Accumulated Depreciation	(14,745)	(7,305)
	212,184	206,798
<i>Wastewater Infrastructure</i>		
At Cost Value	232,939	222,377
Less: Accumulated Depreciation	(15,718)	(7,752)
	217,221	214,625
<i>Equipment</i>		
At Cost	11,094	9,242
Less: Accumulated Depreciation	(4,860)	(3,833)
	6,234	5,409
<i>Motor Vehicles</i>		
At Cost	3,097	2,720
Less: Accumulated Depreciation	(364)	(285)
	2,733	2,435
Under Construction (Work In Progress) (i)	36,384	17,632
	36,384	17,632
Total	496,025	467,119

Infrastructure assets are held at cost in accordance with FRD 103. Land and Buildings were valued at 30 June 2004 by an independent valuer DTZ. There has been no material movements in Land and Building values since 30 June 2004.

(i) Capital works 'Under Construction' have increased during the year predominately due to the expenditure on the Gippsland Water Factory Project.

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## Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Opening WDV	Additions	Disposals	Assets Held For Sale	Depreciation	Closing WDV
<b>NOTE 10: PROPERTY, PLANT &amp; EQUIPMENT (CONTINUED)</b>						
<b>b) Movements during the reporting period 2005/2006</b>						
<i>Land</i>						
At Cost	36	314	(4)	(15)	-	331
At Independent Valuation	12,932	-	-	-	-	12,932
	12,968	314	(4)	(15)	-	13,263
<i>Buildings</i>						
At Cost	188	1,084	-	-	(25)	1,247
At Independent Valuation	7,064	-	(1)	-	(304)	6,759
	7,252	1,084	(1)	-	(329)	8,006
<i>Water Infrastructure</i>						
At Cost	206,798	13,086	(177)	-	(7,523)	212,184
At Deprival Value	-	-	-	-	-	-
	206,798	13,086	(177)	-	(7,523)	212,184
<i>Wastewater Infrastructure</i>						
At Cost	214,624	10,773	(178)	-	(7,998)	217,221
At Deprival Value	-	-	-	-	-	-
	214,624	10,773	(178)	-	(7,998)	217,221
<i>Plant &amp; Equipment</i>						
At Cost	5,410	1,934	(7)	-	(1,103)	6,234
	5,410	1,934	(7)	-	(1,103)	6,234
<i>Motor Vehicles</i>						
At Cost	2,435	1,607	(947)	-	(362)	2,733
	2,435	1,607	(947)	-	(362)	2,733
Under Construction	17,632	43,148	(24,395)	-	-	36,384
	17,632	43,148	(24,395)	-	-	36,384
Total Property, Plant & Equipment	467,119	71,946	(25,709)	(15)	(17,315)	496,025

	Opening WDV	Additions	Disposals	Depreciation	Other	Closing WDV
<b>NOTE 10: PROPERTY, PLANT &amp; EQUIPMENT (CONTINUED)</b>						
<b>b) Movements during the reporting period 2004/2005</b>						
<i>Land</i>						
At Cost	-	17	-	-	18	36
At Independent Valuation	12,838	-	(2)	-	96	12,932
	12,838	17	(2)	-	114	12,968
<i>Buildings</i>						
At Cost	-	189	-	(1)	-	188
At Independent Valuation	7,508	-	(24)	(306)	(114)	7,064
	7,508	189	(24)	(307)	(114)	7,252
<i>Water Infrastructure</i>						
At Cost	204,204	10,162	(286)	(7,281)	-	206,798
	204,204	10,162	(286)	(7,281)	-	206,798
<i>Wastewater Infrastructure</i>						
At Cost	214,725	7,650	(44)	(7,706)	-	214,624
	214,725	7,650	(44)	(7,706)	-	214,624
<i>Plant &amp; Equipment</i>						
At Cost	4,066	1,408	(8)	(865)	809	5,410
	4,066	1,408	(8)	(865)	809	5,410
<i>Motor Vehicles</i>						
At Cost	3,048	1,791	(1,079)	(516)	(809)	2,435
	3,048	1,791	(1,079)	(516)	(809)	2,435
Under Construction	10,485	24,767	(17,620)	-	-	17,632
	10,485	24,767	(17,620)	-	-	17,632
Total Property, Plant & Equipment	456,874	45,984	(19,063)	(16,675)	-	467,119

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## Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$'000	2005 \$'000
<b>NOTE 11: BIOLOGICAL ASSETS</b>		
<b>(a) Plants</b>		
<b>Consumable Assets</b>		
<b>Immature Assets</b>		
Silage - stored in bales	-	32
Feed Barley	15	-
Total Consumable Assets	<u>15</u>	<u>32</u>
<b>Non-Bearer Assets</b>		
<b>Mature Assets</b>		
Softwood Pinus Radiata	623	956
Total Non-Bearer Assets	<u>623</u>	<u>956</u>
	<b>2006 Qty</b>	<b>2005 Qty</b>
<b>Quantities</b>		
Silage (bales)	-	730
Feed Barley (tonnes)	75	-
Softwood Pinus Radiata (Ha)	388	596
	<b>2006 \$'000</b>	<b>2005 \$'000</b>
<b>b) Animals</b>		
<b>Consumable Assets</b>		
<b>Immature Assets</b>		
Weaners and Heifers	990	905
Lambs	47	-
Total Consumable Assets	<u>1,038</u>	<u>905</u>
<b>Bearer Assets</b>		
<b>Mature Assets</b>		
Cows & Bulls	1,071	647
Total Bearer Assets	<u>1,071</u>	<u>647</u>

	2006 QTY	2005 QTY
<b>NOTE 11: BIOLOGICAL ASSETS (CONTINUED)</b>		
<b>Quantities</b>		
Weaners and Heifers	1,750	1,709
Lambs	1,184	
Cows & Bulls	1,037	910
	<b>3,971</b>	<b>2,619</b>
<b>Output</b>		
Calves Natural Increase	1192	940
	<b>2006 \$'000</b>	<b>2005 \$'000</b>
Fair value of output was determined at closing market value		
Natural Increase	477	188
Carrying amount at 1 July	2,540	2,276
Increases due to:		
Purchases	78	52
Natural Increase	477	188
New Crops	15	32
Market Value increase - Livestock & Plantations	722	580
Decreases attributable to :		
Sales	(646)	(553)
Deaths	(17)	(35)
Fire Damage	(390)	-
Fed out to Livestock	(32)	-
Carrying amount at 30 June	<b>2,747</b>	<b>2,540</b>

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## Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	SOFTWARE COSTS \$'000	TOTAL \$'000
<b>NOTE 12: INTANGIBLE ASSETS</b>		
<b>Year ended 30 June 2006</b>		
At 1 July 2005, net of accumulated depreciation	2,266	2,266
Additions	228	228
Amortisation	(480)	(480)
At 30 June 2006, net of accumulated depreciation	<b>2,014</b>	<b>2,014</b>
<b>At 1 July 2005</b>		
Cost (gross carrying amount)	5,305	5,305
Accumulated Amortisation & Impairment	(3,039)	(3,039)
Net Carrying Amount	<b>2,266</b>	<b>2,266</b>
<b>At 30 June 2006</b>		
Cost (gross carrying amount)	5,533	5,533
Accumulated Amortisation & Impairment	(3,519)	(3,519)
Net Carrying Amount	<b>2,014</b>	<b>2,014</b>
<b>Year ended 30 June 2005</b>		
At 1 July 2004, net of accumulated depreciation	684	684
Additions	2,060	2,060
Amortisation	(478)	(478)
At 30 June 2005, net of accumulated depreciation	<b>2,266</b>	<b>2,266</b>
<b>At 1 July 2004</b>		
Cost (gross carrying amount)	3,245	3,245
Accumulated Amortisation & Impairment	(2,561)	(2,561)
Net Carrying Amount	<b>684</b>	<b>684</b>
<b>At 30 June 2005</b>		
Cost (gross carrying amount)	5,305	5,305
Accumulated Amortisation & Impairment	(3,039)	(3,039)
Net Carrying Amount	<b>2,266</b>	<b>2,266</b>



	2006 \$'000	2005 \$'000
<b>NOTE 13: NON-CURRENT ASSETS HELD FOR SALE</b>		
Freehold Land Held for Sale	15	-
	<b>15</b>	<b>-</b>
<p>The authority intends to dispose of freehold it no longer utilises in the next 6 months. The land was previously vacant land used as a storage site. A search is underway for a buyer. No impairment loss was recognised on reclassification of the freehold land as held for sale or at reporting date.</p>		
<b>NOTE 14: CURRENT AND NON-CURRENT LIABILITIES - PAYABLES</b>		
<b>Current Payables</b>		
Trade payables	2,894	4,583
Accrued expenses	2,320	1,879
Other		
Salary Sacrifice	20	9
Security Deposits	915	849
Retentions	413	192
Overpaid Rates & Charges	532	255
Unclaimed Monies	75	1
Other	27	70
Total Current Payables	<b>7,196</b>	<b>7,838</b>
Total Payables	<b>7,196</b>	<b>7,838</b>
<b>NOTE 15: CURRENT LIABILITIES - INTEREST BEARING LIABILITIES</b>		
<b>Current</b>		
Secured		
TCV Loan	4,500	-
Total Current Secured Interest Bearing Liabilities	<b>4,500</b>	<b>-</b>
Total Current Interest Bearing Liabilities	<b>4,500</b>	<b>-</b>
<b>Non-Current</b>		
Secured		
TCV Loan	9,500	-
Total Non-Current Secured Interest Bearing Liabilities	<b>9,500</b>	<b>-</b>
Total Non-Current Interest Bearing Liabilities	<b>9,500</b>	<b>-</b>
Total Interest Bearing Liabilities	<b>14,000</b>	<b>-</b>

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## Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

**NOTE 15: CURRENT LIABILITIES - INTEREST BEARING LIABILITIES (CONTINUED)****Interest Rate Risk Exposures**

The following table sets out the authority's exposure to interest rate risk including the contractual repricing dates and the effective weighted average interest rate by maturity periods. Exposures arise predominantly from liabilities bearing variable interest rates as the authority intends to hold fixed rate liabilities to maturity.

2006	Floating Interest Rate \$'000	1 Year or Less \$'000	Over 1 to 2 Years \$'000	Over 2 to 3 Years \$'000	Over 3 to 4 Years \$'000	Over 4 to 5 Years \$'000	Over 5 Years \$'000	Total
TCV Loans	4,500	-	-	9,500	-	-	-	14,000
	4,500	-	-	9,500	-	-	-	14,000
Weighted Average Interest Rate	5.91%	0.00%	0.00%	6.10%	0.00%	0.00%	0.00%	6.04%

2005	Floating Interest Rate \$'000	1 Year or Less \$'000	Over 1 to 2 Years \$'000	Over 2 to 3 Years \$'000	Over 3 to 4 Years \$'000	Over 4 to 5 Years \$'000	Over 5 Years \$'000	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
TCV Loans	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Weighted Average Interest Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Fair Value**

The carrying amounts and fair values of interest bearing liabilities at balance date are:

	2006		2005	
ON BALANCE SHEET	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Non-traded financial liabilities				
TCV Loans	14,000	14,000	-	-
	<b>14,000</b>	<b>14,000</b>	<b>-</b>	<b>-</b>

Other than those classes of interest bearing liabilities denoted as "traded", none of the classes are readily traded or organised markets in standardised form. Fair value is inclusive of costs which would be incurred on settlement of a liability.

	2006 \$'000	2005 \$'000
<b>NOTE 16: CURRENT AND NON-CURRENT LIABILITIES - EMPLOYEE BENEFITS</b>		
<b>Current</b>		
Annual Leave [Note 16(a)]	1,537	1,677
Long Service Leave [Note 16(a)]	2,080	1,786
Sick Leave	56	7
Employee Bonus	19	3
Total Current	<b>3,692</b>	<b>3,473</b>
<b>Non-Current</b>		
Long Service Leave [Note 16(a)]	316	396
Total Non-Current	<b>316</b>	<b>396</b>
<b>Aggregate Carrying Amount</b>		
Current	3,692	3,473
Non-Current	316	396
Total Employee Benefits	<b>4,008</b>	<b>3,869</b>
Employee numbers at end of financial year (FTE)	204	193
<b>NOTE 16(a): EMPLOYEE BENEFITS</b>		
<b>Current</b>		
All annual leave and LSL entitlements representing 7+ years of continuous service		
- Short-term employee benefits, that fall due within 12 months after the end of the period measured at nominal value	3,417	3,241
- Other long-term employee benefits that do not fall due within 12 months after the end of the period measured at present value	200	222
	<b>3,617</b>	<b>3,463</b>
<b>Non Current</b>		
LSL representing less than 7 years of continuous service measured at present value	316	396
The following assumptions were adopted in measuring the present value of long service leave and retirement gratuity entitlements:		
Weighted average increase in employee costs	5.75%	5.50%
Weighted average discount rates	5.68 - 5.74%	4.75 - 5.51%
Weighted average settlement period	13	13

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## Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$'000	2005 \$'000
<b>NOTE 17: CURRENT AND NON-CURRENT LIABILITIES - PROVISIONS</b>		
<b>Current</b>		
Unfunded Superannuation	-	117
Total Current	-	117
<b>Non-Current</b>		
Bio Remediation Pond	500	500
Unfunded Superannuation	-	703
Total Non-Current	500	1,203
<b>Aggregate Carrying Amount</b>		
Current	-	117
Non-Current	500	1,203
Total Provisions	500	1,320

**Movements in Provisions**

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Bioremediation Pond \$'000	Unfunded Superannuation \$'000	Total \$'000
Carrying amount at start of year	500	820	1,320
Payments or other sacrifices of economic benefits	-	(820)	(820)
Carrying amount at end of year	500	-	500

	2006 \$'000	2005 \$'000
<b>NOTE 18: CONTRIBUTED CAPITAL</b>		
Balance at beginning of reporting period	191,385	191,385
Capital contributions in the year	37,265	-
Balance at the end of reporting period	<b>228,650</b>	<b>191,385</b>
<b>NOTE 19: RESERVES</b>		
Asset Revaluation Reserve	10,418	10,418
	<b>10,418</b>	<b>10,418</b>
<b>Movements in Reserves</b>		
Asset Revaluation Reserve		
Balance 1 July	10,418	10,418
Balance 30 June	<b>10,418</b>	<b>10,418</b>
<b>NOTE 20: ACCUMULATED FUNDS</b>		
Accumulated surplus at beginning of reporting period	283,454	7,801
Net effect of adoption of new standard or UIG interpretation	-	266,538
Transfer to contributed capital	-	206
Net Surplus	7,706	8,909
Accumulated surplus at end of reporting period	<b>291,160</b>	<b>283,454</b>
<b>NOTE 21: COMMITMENTS</b>		
Lease Commitments		
At 30 June, the authority had finance lease commitments due for payment as follows:		
- within one year	71	65
- later than one year but not later than five years	302	272
- later than five years	247	220
Minimum Lease Payment	<b>620</b>	<b>557</b>
Less: Future interest charge provided for in the accounts		
Represented by:		
Current Liability	71	65
Non Current Liability	549	492
	<b>620</b>	<b>557</b>
<b>Capital Commitments</b>		
At 30 June, the authority had the following capital commitments:	4,446	4,233
	<b>4,446</b>	<b>4,233</b>
<b>Other</b>		
On 20 December 2005 Gippsland Water entered into an Alliance Agreement to design and construct a new wastewater treatment facility, known as the Gippsland Water Factory. In January 2006 the Alliance mobilised to develop the final project estimate which was submitted to the Gippsland Water Board in July 2006. Gippsland Water is now awaiting final approval from the Victorian Government for the project to proceed.		
<b>NOTE 22: CONTINGENT LIABILITIES AND CONTINGENT ASSETS</b>		
There are no known Contingent Liabilities to the authority at balance date.		

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## Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Wholesale Operations		Retail Operations	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>NOTE 23: SEGMENT INFORMATION - WHOLESALE / RETAIL</b>				
<b>OPERATING STATEMENT</b>				
<b>Revenue from Ordinary Activities</b>				
Bulk Water Sales - Urban Retail	2,544	2,248	-	-
Retail Service Charges	-	-	31,965	28,943
Retail Usage Charges	-	-	17,168	17,476
Other Revenue	-	-	15,364	16,695
<b>Total Revenue from Ordinary Activities</b>	<b>2,544</b>	<b>2,248</b>	<b>64,497</b>	<b>63,115</b>
<b>Expenses from Ordinary Activities</b>				
Operations & Maintenance	1,123	990	26,337	28,306
Administration	812	860	11,546	8,145
Depreciation	522	338	16,965	16,295
Environmental Contribution	88	61	1,942	1,459
<b>Total Expenses from Ordinary Activities</b>	<b>2,544</b>	<b>2,248</b>	<b>56,791</b>	<b>54,205</b>
<b>Net Operating Deficit from Ordinary Activities</b>	<b>-</b>	<b>-</b>	<b>7,706</b>	<b>8,909</b>
<b>Surplus/(Deficit) from Ordinary Activities before Tax</b>	<b>-</b>	<b>-</b>	<b>7,706</b>	<b>8,909</b>
<b>BALANCE SHEET</b>				
<b>ASSETS</b>				
Cash Assets	3,676	3,098	36,707	7,543
Other Financial Assets	-	-	1,000	1,046
Property, Plant & Equipment	25,578	25,920	470,447	443,143
Other Assets	1,697	1,012	16,828	16,521
<b>TOTAL ASSETS</b>	<b>30,951</b>	<b>30,031</b>	<b>524,982</b>	<b>468,253</b>
<b>LIABILITIES</b>				
Provisions & Payables	467	486	11,237	12,541
Interest Bearing Liabilities	-	-	14,000	-
<b>TOTAL LIABILITIES</b>	<b>467</b>	<b>486</b>	<b>25,237</b>	<b>12,541</b>
<b>CASHFLOW STATEMENT</b>				
Capital Flows from Investing Activities	(429)	(30)	(42,086)	(19,830)
Capital Flows from Financing Activities	-	-	51,262	-
Intersegment transactions totalling \$2,543,960 have been eliminated upon preparing the consolidated annual financial statements of the authority.				

**NOTE 24: 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	
	2006 \$000's	2005 \$000's	2006 \$000's	2005 \$000's	2006 \$000's	2005 \$000's	2006 \$000's	2005 \$000's	2006 \$000's	2005 \$000's
<b>Revenue</b>										
Sales - External	24,705	25,018	-	-	24,427	21,401	15,364	16,695	64,497	63,115
<b>Total Revenue</b>	24,705	25,018	-	-	24,427	21,401	15,364	16,695	<b>64,497</b>	<b>63,115</b>
<b>Service Result</b>	12,869	13,729	-	-	11,989	11,873	(17,152)	(16,693)	<b>7,706</b>	<b>8,909</b>
Add: Unallocated Revenue									-	-
Less: Unallocated Expenses									-	-
<b>Operating Surplus / (Deficiency) from Retail Operations</b>									<b>7,706</b>	<b>8,909</b>

# part 6

## Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

**NOTE 25: SUPERANNUATION**

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

Vision Super Defined Benefit Plan  
 Equip Super Fund  
 Tesslatf The ARAR  
 D & P Keating  
 DJ & LJ Young Super Fund  
 Health Super  
 D Tylee (Lasec) Superannuation  
 Hamblewood Investments  
 REST Superannuation  
 Asgard Superannuation  
 CBUS Superannuation  
 Hostplus Superannuation  
 VIC Super  
 BT Superwrap

Contribution details are shown in the following table:

	Type of Scheme	Contribution Rate	2006 \$'000	2005 \$'000
Vision Super - Defined Benefits (Employer)	Defined Benefit	9.25-15.25%	305	301
Vision Super - Defined Benefits (Employer Salary Sacrifice)	Defined Benefit	Various	77	76
Vision Super - Supersaver (Employer)	Accumulation	9%	741	667
Vision Super - Supersaver (Employer Salary Sacrifice)	Accumulation	Various	239	192
Equip Super Fund	Accumulation	9%	36	4
Equip Super Fund (Employer Salary Sacrifice)	Accumulation	Various	18	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	1
D Tylee (Lasec) Superannuation	Accumulation	9%	5	1
Hamblewood Investments	Accumulation	9%	11	-
Hamblewood Investments (Employer Salary Sacrifice)	Accumulation	Various	12	-
REST Superannuation	Accumulation	9%	2	-
Asgard Superannuation	Accumulation	9%	5	-
CBUS Superannuation	Accumulation	9%	2	-
Hostplus Superannuation	Accumulation	9%	1	-
VIC Super	Accumulation	9%	1	-
BT Superwrap	Accumulation	9%	1	-
BT Superwrap (Employer Salary Sacrifice)	Accumulation	Various	2	-
			<b>1,462</b>	<b>1,246</b>

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 authority to any of the above funds. The authority is not liable for any unfunded liability in respect of the above.



# NOTE 26: RESPONSIBLE PERSON'S RELATED DISCLOSURES

## (a) Responsible Persons

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

The Hon. John Thwaites MP - Minister for Environment and Minister for Water (1 July 2005 - 30 June 2006)

John Mitchell - Chief Executive Officer

## Board Members

Richard Elkington (Chairman)

Jay Bonnington

Pamela Keating

Leah Young

Alan Seale

Anthony Flynn

Keith Hamilton

## 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).

2006 \$'000	2005 \$'000
109	109
<b>109</b>	<b>109</b>

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

Income Band (\$'s)	Total Remuneration		Base Remuneration	
	2006 No.	2005 No.	2006 No.	2005 No.
0 - 9,999	-	2	-	2
10,000 - 19,999	6	5	6	5
20,000 - 29,999	-	-	-	-
30,000 - 39,999	1	1	1	1
180,000 - 189,999	-	-	-	-
190,000 - 199,999	-	-	-	1
200,000 - 209,999	-	-	-	-
210,000 - 219,999	-	-	1	-
220,000 - 229,999	-	1	-	-
230,000 - 239,999	1	-	-	-
Total Numbers	<b>8</b>	<b>9</b>	<b>8</b>	<b>9</b>

# part 6

## Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

**NOTE 26: RESPONSIBLE PERSON'S RELATED DISCLOSURES (CONTINUED)****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:

2006 \$'000	2005 \$'000
-	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**

The Chairman, Mr Richard Elkington is the General Manager, Power & Environment, Loy Yang Power Ltd. Gippsland Water provides water and wastewater services to Loy Yang Power Ltd under existing long term contracts which are based upon normal terms and conditions, consistent with similar customers.

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	
	2006 No.	2005 No.	2006 No.	2005 No.
100,000 - 109,999	7	6	9	8
110,000 - 119,999	6	4	3	1
120,000 - 129,999	1	-	-	-
130,000 - 139,999	1	-	1	2
140,000 - 149,999	1	-	2	-
150,000 - 159,999	-	2	-	1
160,000 - 169,999	-	-	1	-
170,000 - 179,999	1	1	-	-
180,000 - 190,000	1	-	-	-
Total Numbers	18	13	16	12
Total remuneration for the reporting period of executive officers included above amounted to (\$'000's):	2,191	1,590	2,060	1,268

**NOTE 27: RECONCILIATION OF OPERATING RESULT FOR THE PERIOD AFTER RELATED INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES**

	2006 \$'000	2005 \$'000
<b>Net Result for Operating Period</b>	<b>7,706</b>	<b>8,909</b>
<b>Add / (Less) Non-Cash Flows in operating activities</b>		
Loss on Sale of Fixed Assets	622	522
Depreciation & Amortisation	17,777	17,154
Income for Capital Purposes	(6,063)	(9,463)
Plantations Revenue non-cash	333	(159)
<b>Net Cash provided by Operating Activities before change in Assets and Liabilities</b>	<b>20,375</b>	<b>16,963</b>
<b>Changes in Operating Assets and Liabilities</b>		
(Increase)/Decrease in Debtors	1,153	(6,957)
(Increase)/Decrease in Other Assets	(124)	116
(Increase)/Decrease in Doubtful Debts	20	-
(Increase)/Decrease in Inventory and Livestock	(679)	(22)
(Decrease)/Increase in Creditors and Provisions	250	3,193
<b>Net Cash Provided By Operating Activities</b>	<b>20,995</b>	<b>13,293</b>

**NOTE 28: DIVIDENDS**

The process to determine the 2006 dividend has not yet been completed at the reporting date. The Board's preliminary estimate for this period is \$220,000.

**NOTE 29: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the authority, the results of those operations, or the state of affairs of the authority in future financial years.

# part 6

## Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
<b>NOTE 30: EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs</b>				
<i>(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)</i>				
<b>(a) At the date of transition to AIFRS: 1 July 2004</b>				
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents		17,931	-	17,931
Receivables		5,841	-	5,841
Inventories	1	2,363	(160)	2,203
Other Current Assets		1,304	260	1,564
<b>Total Current Assets</b>		<b>27,439</b>	<b>100</b>	<b>27,539</b>
<b>Non Current assets</b>				
Other Financial Assets		1,046	-	1,046
Property, Plant and Equipment	1, 2, 3	446,914	(785)	446,129
Capital Work in Progress		10,485	-	10,485
Other Intangible Assets	3	-	685	685
Other		843	-	843
<b>Total Non Current Assets</b>		<b>459,288</b>	<b>(100)</b>	<b>459,188</b>
<b>Total Assets</b>		<b>486,727</b>	<b>-</b>	<b>486,727</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables		6,288	-	6,288
Employee Benefits	4	1,437	8	1,445
<b>Total Current Liabilities</b>		<b>7,725</b>	<b>8</b>	<b>7,733</b>
<b>Non Current Liabilities</b>				
Payables		937	-	937
Employee Benefits	4	1,520	188	1,708
<b>Total Non-Current Liabilities</b>		<b>2,457</b>	<b>188</b>	<b>2,645</b>
<b>Total Liabilities</b>		<b>10,182</b>	<b>196</b>	<b>10,378</b>
<b>Net Assets</b>		<b>476,545</b>	<b>(196)</b>	<b>476,349</b>
<b>EQUITY</b>				
Contributed Capital		191,385	-	191,385
Reserves	5	277,359	(266,920)	10,439
Accumulated Funds	4, 5	7,801	266,724	274,525
<b>Total Equity</b>		<b>476,545</b>	<b>(196)</b>	<b>476,349</b>

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
<b>NOTE 30: EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONTINUED)</b>				
<i>(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)</i>				
<b>(b) At the end of the last reporting period under previous AGAAP: 30 June 2005</b>				
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash & Cash Equivalents		10,641	-	10,641
Receivables		12,627	-	12,627
Inventories	1	2,545	(321)	2,224
Other Current Assets		1,356	-	1,356
<b>Total Current Assets</b>		<b>27,169</b>	<b>(321)</b>	<b>26,848</b>
<b>Non Current Assets</b>				
Property, Plant and Equipment	1, 2, 3	451,432	(1,945)	449,487
Capital Work in Progress		17,632	-	17,632
Other Intangible Assets	3	-	2,266	2,266
Other Financial Assets		2,051	-	2,051
<b>Total Non Current Assets</b>		<b>471,115</b>	<b>321</b>	<b>471,436</b>
<b>Total Assets</b>		<b>498,284</b>	<b>-</b>	<b>498,284</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables		7,955	-	7,955
Employee Benefits	4	3,487	(14)	3,473
<b>Total Current Liabilities</b>		<b>11,442</b>	<b>(14)</b>	<b>11,428</b>
<b>Non Current Liabilities</b>				
Payables		1,203	-	1,203
Employee Benefits	4	174	222	396
<b>Total Non Current Liabilities</b>		<b>1,377</b>	<b>222</b>	<b>1,599</b>
<b>Total Liabilities</b>		<b>12,819</b>	<b>208</b>	<b>13,027</b>
<b>Net Assets</b>		<b>485,465</b>	<b>(208)</b>	<b>485,257</b>
<b>EQUITY</b>				
Contributed Capital		191,385	-	191,385
Reserves	5	277,153	(266,735)	10,418
Accumulated Funds	4, 5	16,927	266,527	283,454
<b>Total Equity</b>		<b>485,465</b>	<b>(208)</b>	<b>485,257</b>

# part 6

## Financial performance

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
<b>NOTE 30: EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSS (CONTINUED)</b>				
<i>(2) Reconciliation of profit for the year ended 30 June 2005</i>				
<b>(b) At the end of the last reporting period under previous AGAAP: 30 June 2005</b>				
<b>REVENUE</b>				
Other income	6	65,363	(920)	64,443
Changes in inventories of finished goods and WIP		-	-	-
Raw materials and consumables used		-	-	-
Employee benefits expense	4	(14,553)	(12)	(14,565)
Depreciation and amortisation expense		(17,154)	-	(17,154)
Finance costs - net		-	-	-
Other expenses	6	(24,735)	920	(23,815)
<b>Surplus/(Deficit) from Ordinary Activities before Tax</b>		<b>8,921</b>	<b>(12)</b>	<b>8,909</b>
Income tax expense		-	-	-
Profit from continuing operations		-	-	-
Profit from discontinued operations		-	-	-
<b>Net Result for Operating Period</b>		<b>8,921</b>	<b>(12)</b>	<b>8,909</b>

*(3) Reconciliation of cash flow statement for the year ended 30 June 2005*

There are no material differences between the cash flow statement presented under Australian equivalents to IFRSS and the cash flow statement presented under previous AGAAP

*(4) Notes to the reconciliation*

1 AASB116 - Reclassification of Bulk System Major Inventory Spares to Non-Current PPE

2 AASB116 - Water Infrastructure Assets are to be measured at cost as determined by DTF in FRD103.  
AASB116 - Restate all infrastructure assets and accumulated depreciation from "at valuation" to "at cost"

3 AASB138 - DTF / DSE confirmed that "purchased" software is now classified as an Intangible Asset. All software has been transferred from PPE to Intangible Assets

4 AASB119 - Provision for Employee Bonuses and Sick Leave Entitlements as required under A-IFRS  
AASB119 - Annual Leave Entitlement to be separated into Current and Non-Current Provisions

5 AASB116 - As infrastructure assets are required to be held "at cost" the ARR balance relating to these assets becomes redundant. The remaining balance relates to Land and Building assets

6 AASB118 - Proceeds from disposal of assets are required to be shown at "Net" rather than "Gross" Amounts  
This has adjusted operating revenue and expenses.

## CENTRAL GIPPSLAND REGION WATER AUTHORITY

We certify that the financial statements of the Central Gippsland Region Water Authority for the period ended 30 June 2006 have been prepared in accordance with the provisions of the Financial Management Act 1994.

In our opinion, the Operating Statement, Balance Sheet, Statement of Cash Flows and notes to the financial statements present fairly the financial transactions for the period 1 July 2005 to 30 June 2006 and the financial position of the Authority as at 30 June 2006.

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



Richard Elkington  
Chairman  
Central Gippsland Region Water Authority



John Mitchell  
Accountable Officer  
Central Gippsland Region Water Authority

Dated the 11th day of September 2006



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 Central Gippsland Region Water Authority

#### Scope

##### The Financial Report

The accompanying financial report for the year ended 30 June 2006 of Central Gippsland Region Water Authority consists of operating statement, balance sheet, statement of changes in equity, cash flow statement, notes to and forming part of the financial report, and the certification by the Chairman and Accountable Officer of Central Gippsland Region Water Authority.

##### Members' Responsibility

The Members of the Board of 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 my understanding of the Authority's financial position, and its financial performance and cash flows.

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



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 and responsibilities 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 Central Gippsland Region Water Authority as at 30 June 2006 and its financial performance and cash flows for the year then ended.

MELBOURNE  
11 September 2006



JW CAMERON  
Auditor-General

# part 7

## Performance report

### Significant changes in financial position during the year

There have been no significant changes in the financial position of Gippsland Water during the year apart from a capital contribution for the Gippsland Water Factory Project.

### Major changes or factors affecting performance

There have been no major changes or factors affecting the performance of Gippsland Water during the year.

### Subsequent events which will affect operations in future years

Please refer to "Note 29: Events occurring after the balance date" of Gippsland Water's Annual Accounts for 2005/06. No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect operations of the authority, the results of those operations, or the state of affairs of the authority in future financial years.

Performance Indicator	2005/2006 Target	2005/2006 Result	% Variance	Notes
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#### PART 1 - FINANCIAL PERFORMANCE INDICATORS

<b>Long-term profitability (return on assets)</b>				
<u>Earnings before interest and tax and after abnormals x 100</u>	7.1%	1.3%	-82%	(1)
Average total assets				
<b>Owner's investment (return on equity)</b>				
<u>Operating profit after tax x 100</u>	7.6%	1.2%	-85%	(1)
Average total equity				
<b>Long-term financial viability (debt to equity)</b>				
<u>Debt x 100</u>	2.4%	2.4%		
Total equity				
<b>Liquidity and debt servicing (interest cover)</b>				
<u>Earnings before interest and tax and after abnormals x 100</u>	0%	0%		
Gross interest expense				
<b>Immediate liquidity and debt servicing</b>				
<u>Cash flow from operations before net interest</u>	0%	0%		
Net interest expense				

#### 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	73	79	9.15%
Water supply reticulation	395	420	6.33%
Water supply treatment	313	317	1.37%
Sewerage reticulation	326	322	-1.51%
Sewerage treatment	193	197	2.03%

#### NOTES

(1) Government contribution (\$34M) for the Gippsland Water Factory was originally budgeted as income for capital purposes. A direction from the DSE has been to treat this as an equity contribution.



Performance Indicator	2005/2006 Target	2005/2006 Result	% Variance	Notes
<b>SERVICE &amp; ENVIRONMENTAL PERFORMANCE INDICATORS</b>				
<b>Water supply interruptions</b>				
Number of customers experiencing more than 5 unplanned water supply interruptions in the year (number)	0	0	0%	
<b>Interruption time indicators</b>				
Average duration of unplanned water supply interruptions (minutes)	118.70	86.43	72.81%	(1)
Average duration of planned water supply interruptions (minutes)	130.80	131.91	-0.84%	
<b>Restoration of water supply</b>				
Unplanned water supply interruptions restored within 5 hours (%)	97.80	99.17%	1.01%	
<b>Reliability of sewerage collection services indicators</b>				
Sewerage spills from reticulation and branch sewers (priority 1 and 2)	107	56	52.34%	(2)
Sewerage spilt from emergency relief structures and pumping stations (% of volume transported)	N/A	N/A		
<b>Containment of sewer spillages</b>				
Spills contained within 5 hours (%)	98%	100%	2.0%	
<b>Customer complaints indicators per 1000 customers</b>				
Water quality complaints	3	1.69	43.67%	(3)
Water supply reliability	1	0.78	22.00%	(3)
Sewerage service quality and reliability	22	11.00	50.00%	(4)
Affordability	1.3	0.85	34.62%	(3)
Other	0.13	0.80	515%	(5)

#### NOTES

- (1) For the 2005/06 financial year, the duration of unplanned water supply interruptions was a lot lower than in previous years due to an improved maintenance program in conjunction with the continuation of the annual reticulation main replacement program. To further reduce the time of interruptions all maintenance vehicles have all the necessary equipment and spares to rectify any problems at the time they are identified.
- (2) The continuation of the sewer preventative maintenance program has shown a large reduction in the number of overflows within all the systems and this program has now been extended for a further two years.
- (3) The 2005/06 year has seen a reduction in the number of complaints that Gippsland Water has received in terms of water quality, supply reliability and affordability.
- (4) Reduction due to the authority's ongoing sewer preventative maintenance program.
- (5) Other complaints received during the year covered a variety of issues ranging from:
- Odour complaints (3);
  - Water pressure (1);
  - Billing (58) – the implementation of the Customer Information and Billing System caused some delays to the billing cycle, resulting in increased enquiries, longer call queues and subsequently an increased number of complaints; and
  - Other (31) – these complaints covered a variety of issues.

# part 7

## Performance report

Performance Indicator	2005/2006 Target	2005/2006 Result	% Variance	Notes
<b>SERVICE &amp; ENVIRONMENTAL PERFORMANCE INDICATORS</b>				
<b>Reuse indicators</b>				
<b>Effluent reused</b>				
$\frac{\text{Volume of effluent reused} \times 100}{\text{Total volume of effluent produced}}$				
Drouin	30%	52.31%	74%	(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%	-	
<b>Biosolids reused</b>				
$\frac{\text{Volume of sludge reused/recycled} \times 100}{\text{Total volume of sludge produced}}$				
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%	-	

**NOTES**

(1) During the 2005/06 financial year, weather conditions in the Warragul/ Drouin area were drier than in previous years which enabled Gippsland Water to irrigate for an extended period of time at the Drouin WWTP compared to previous years.

Performance Indicator	2005/2006 Target	2005/2006 Result	% Variance	Notes
<b>SERVICE &amp; ENVIRONMENTAL PERFORMANCE INDICATORS</b>				
<b>Sewerage treatment standards (by treatment or disposal facility)</b>				
Number of analyses complying with licence agreements as % of samples				
Dutson Downs	100%	100%	-	
Heyfield	100%	100%	-	
Maffra (Domestic)	100%	100%	-	
Mirboo North	100%	100%	-	
Moe	100%	100%	-	
Morwell	100%	91.7%	-8.3%	(1)
Neerim South	100%	33.3%	-67%	(2)
Rawson	100%	100%	-	
Saline Waste Outfall Pipeline	100%	100%	-	
Stratford	100%	100%	-	
Warragul	100%	100%	-	
Willow Grove	100%	100%	-	

#### NOTES

- (1) Morwell WWTP - During February 2006 a failure of the aerator in the North Basin resulted in all influent being directed to the South Basin. The South Basin was unable to cope with the extra load which led to final effluent being discharged with an ammonium nitrogen concentration greater than the EPA Licence maximum of 5 mg/L. The North Basin was taken off line to allow repairs to be carried out on the aerators. Once the problem with ammonium nitrogen concentration in the South Plant effluent was identified, the effluent flow was diverted to Lagoon 5. South Plant's Basin was aerated heavily to re-establish nitrification, then the aeration was turned down until sufficient denitrification was taking place. The North Plant's Basin has been reseeded using biomass from the South Basin and is being brought up to full capability. The effluent from the North and South Plants continued to go to Lagoon 5 during this time. Discharging recommenced on the 10 March 2006 when both plants became compliant with the licence. The operation of both the North and South basins has been optimised and they are now producing effluent that is well within the median requirements of the EPA licence.
- (2) Neerim South WWTP - In October 2005 total phosphorus results were above the median value of 0.5 mg/L. Poor biomass health and anaerobic conditions in the buffer tank reduced the efficiency of phosphorus removal. Sulphide generated had preferential bound with the PFS coagulant added to remove phosphorus. The buffer tank was taken off-line to restore the health of the biomass in the bioreactor and return treatment efficiency. PFS dosing was gradually increased to improve phosphorus removal without impacting on restoration of biomass health. The buffer tank will be brought back on-line with revised operating set points to prevent anaerobic conditions, once the median total phosphorus target is reached. This will allow the plant to cope with wet weather events. An inline chemical mixer has been installed to allow more effective phosphorus removal.

# part 7

## Performance report

### CENTRAL GIPPSLAND REGION WATER AUTHORITY PERFORMANCE STATEMENT FOR 2005/06

In our opinion, the accompanying Statement of Performance of Central Gippsland Region Water Authority, in respect of 2005/06 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 particulars in the Statement to be misleading or inaccurate.



Richard Elkington  
Chairman  
Central Gippsland Region Water Authority



John Mitchell  
Accountable Officer  
Central Gippsland Region Water

Dated 11 September 2006



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 Central Gippsland Region Water Authority

#### Scope

##### The Statement of Performance

The accompanying statement of performance for the year ended 30 June 2006 of Central Gippsland Region Water Authority consists of the statement, the related notes and the supporting declaration.

##### Members' Responsibility

The Members of the Board of 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 and responsibilities 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 Central Gippsland Region Water Authority in respect of the 2006 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

MELBOURNE  
11 September 2006



JW CAMERON  
Auditor-General

Victorian Auditor-General's Office Level 34, 140 William Street, Melbourne Victoria 3000  
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Auditing in the Public Interest

# part 8

## Disclosure index

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

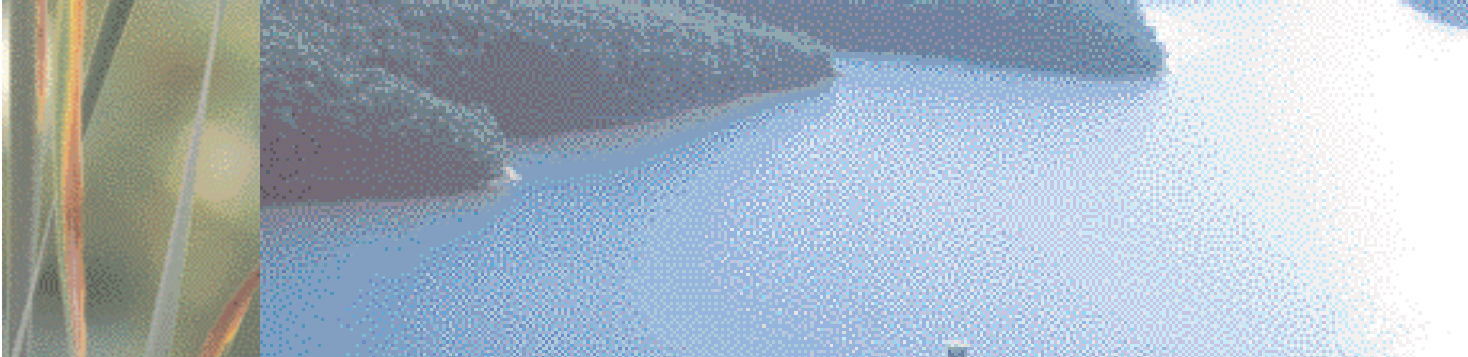
Legislation	Requirement	Page Reference
<b>MINISTERIAL DIRECTIONS</b>		
<b>Report of Operations</b>		
<b><i>Charter and Purpose</i></b>		
FRD 22	Manner of establishment and the relevant ministers	2
FRD 22	Objectives, functions, powers and duties	2-11
FRD 22	Nature and range of services provided	3
<b><i>Management and Structure</i></b>		
FRD 22	Organisational structure	20
FRD 22	Names of board members	14-16
<b><i>Financial and Other Information</i></b>		
FRD 22	Statement of workforce data for current and previous financial year	24
FRD 22	Merit and equity	17-19
FRD 22	Five year summary of the financial results	60
FRD 22	Significant changes in financial position during the year	98
FRD 22	Operational and budgetary objectives and performance against objectives	8-13
FRD 22	Major changes or factors affecting performance	98
FRD 22	Subsequent events which will affect operations in future years	98
FRD 22	Application and operation of the <i>Freedom of Information Act 1982</i>	17
FRD 22	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	17
FRD 22	Statement on National Competition Policy	17
FRD 22	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	18
FRD 22	Details of consultancies over \$100,000	18
FRD 22	Details of consultancies under \$100,000	18
FRD 12	Disclosure of major contracts	18
FRD 22	Statement of availability of other information	17
FRD 22	Occupational health and safety	25
FRD 15	Executive officer disclosures	27 & elsewhere
FRD 10	Disclosure index	103
FRD 24	Reporting of office-based environmental impacts	41
FRD 25	Victorian Industry Participation Policy disclosures	18
<b>Financial Statements</b>		
<b><i>Financial statements required under Part 7 of the Financial Management Act 1994</i></b>		
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	67
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SD 4.2(d)	Rounding of amounts	67
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SD 4.2(b)	Income statement	61
SD 4.2(b)	Balance sheet	63
SD 4.2(b)	Cash flow statement	64
<b><i>Other disclosures in notes to the financial statements</i></b>		
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FRD 11	Disclosure of ex-gratia payments	n/a
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FRD 23	Superannuation liabilities and disclosure	90
<b>LEGISLATION</b>		
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	<i>Building Act 1993</i>	17
	<i>Whistleblowers Protection Act 2001</i>	18
	<i>Victorian Industry Participation Policy Act 2003</i>	18
	<i>Financial Management Act 1994</i>	17

## Appendix 1

## Bulk water entitlements reporting

	Boolarra	Central Gippsland Region Water Authority - Blue Rock	Erica	Mirboo North	Moe - Narracan Creek	Moondarra Reservoir	Noojee	Thomson/Macalister Urbans	Thorpdale	Seaspray
The approval, amendment and implementation of programs under clauses 9 and 10	Implemented		Implemented	Implemented			Implemented		Implemented	Implemented
The annual amount of water taken under this entitlement	93.2 ML	1883.6 ML	108.4 ML	171.0 ML	2697.0 ML	53607.0 ML	0 ML	2172.5 ML	26.2 ML	40.3 ML
Any temporary or permanent transfer of all or part of this bulk entitlement	None	None	None	None	None	None	None	None	None	None
Any bulk entitlement or license in respect of the waterway temporarily or permanently transferred to the authority with respect to the water supply system	8 ML (Five year temporary transfer starting February 2003) - No water extracted over 2005/06	None	None	None	None	None	None	None	None	None
Any amendment to this bulk entitlement	None	None	None	None	None	None	None	None	None	None
Any new bulk entitlement granted to the authority with respect to the water supply system	None	None	None	None	None	None	None	None	None	None
Any failure by the authority to comply with any provision of this bulk entitlement	None	None	None	None	None	None	None	None	None	None
Any difficulties experienced or anticipated by the authority in complying with this bulk entitlement and any remedial action taken or proposed	None	None	None	None	None	None	None	None	None	None
The approval, amendment and implementation of programs and proposals under clauses 8, 9 and 10					Implemented					
The location and annual amounts of water taken pursuant to clause 10		None								
The implementation of programs approved under sub-clause 12.3		Implemented								
The approval, amendment and implementation of programs under clauses 12 and 13						Implemented				
Any credits granted under clause 11								None		
The amount and location of water taken under this entitlement at any other works of the authority								None		
The approval, amendment and implementation of the metering program approved under sub-clause 12.2								None		
Any change made to the reliability of supply and the annual entitlement under sub-clause 2.3 of Schedule 2 of the Bulk Entitlement (Thomson/Macalister - Southern Rural Water) Conversion Order 2001								None		
Any period of restriction and the degree of restriction on supplies of the annual entitlement								None		

Note: Shaded areas indicate non-applicable information for that system or information not required under the Bulk Water Entitlement Conversion Orders.



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