



ANNUAL REPORT 2006-07 GIPPSLAND WATER



Gippsland Water

Operating Area



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PART I

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. During the reporting period the responsible Minister for Gippsland Water was the Honourable John Thwaites, Minister for Water, Environment and Climate Change (formerly Minister for Water).

Gippsland Water provides water and wastewater services to customers in a manner which ensures social, environmental and economic benefits for Central Gippsland. Our 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 over 62,000 water customers and over 53,000 wastewater customers. Gippsland Water's customers also include local industries, seven of which are of state and national significance.

Gippsland Water is the second largest regional water authority in Victoria in terms of revenues earned and is the largest 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 supplies solid and liquid waste recovery services at its Resource Recovery Facility located at Dutson Downs, meeting the demands for 66% of the prescribed waste produced within the region.

Gippsland Water is also responsible for a successful agribusiness enterprise, producing quality beef, feed crops and plantation timber.

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

GIPPSLAND WATER AT A GLANCE — AS AT 30 JUNE 2007

Water

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

The water services include:

- 62,456 customers serviced (connected and non connected)
- 61,705 megalitres of water supplied
- 2,001 kilometres of water mains

Wastewater

Gippsland Water manages 13 wastewater disposal sites, consisting of 11 wastewater treatment plants and two ocean outfalls - one of which is Environment Protection Authority (EPA) accredited.

The wastewater services include:

- 53,352 customers serviced
- 25,698 megalitres of wastewater collected
- 1,404 kilometres of sewer mains
- Receives 25% of Victoria's trade waste

Waste materials

Gippsland Water manages the Resource Recovery Facility (RRF) at Dutson Downs which was originally established in 1985 and operates under an approved EPA licence.

The wastes managed at the RRF include:

- 54,043 tonnes of liquid waste
- 4,071 tonnes of solid waste

Agribusiness

Gippsland Water manages a successful agribusiness at a range of broad-acre holdings across the region, the largest being an 8,000ha property at Dutson Downs.

Operations on the Dutson Downs site include:

- 2,873 cattle
- 1,150 sheep
- 1,062 cattle sold
- 1,756 sheep sold
- 827 tonnes fodder sold



PART I

INTRODUCTION AND OVERVIEW



HIGHLIGHTS OF THE YEAR

The 2006-07 financial year has been a significant one for Gippsland Water. Challenges such as bushfires, floods and drought conditions contributed to significant water quality issues that resulted in the diversion of operational activities to maintain all provision of services to the region.

Despite these challenges our organisation has maintained excellent customer service and high standards of compliance. We have also delivered on significant capital works and extensive long-term planning programs, securing water supplies for Gippsland.

Some of the key highlights of the year included:

Area of strategic focus

Business achievement

Resource Sustainability

Active participation in the development of the government's Central Region Sustainable Water Strategy, a long-term water management strategy.

Construction commenced on the Gippsland Water Factory project with an expected completion date of December 2008.

Construction commenced on the Soil and Organic Recycling Facility at Dutson Downs.

Implementation of the new Permanent Water Saving Rules across Gippsland Water's service area, in response to the biggest drought on record.

Water restrictions introduced across the service area saw a water saving of 2,000 megalitres between October 2006 and April 2007.

Gippsland Water worked with Australian Paper and Energy Brix Australia to secure two significant water-saving projects, which will save 4.38GL per annum. The organisation also worked with all major customers to ensure water efficiency.

The Narracan Creek Catchment Report was prepared and the Narracan Interagency Catchment Committee work continued.

Gippsland Water, in conjunction with the Environment Protection Authority, undertook four cleaner production initiatives with major commercial customers.

Biodiversity surveys were performed at the Dutson Downs site, which included general fauna assessments, New Holland Mouse and Wellington Mint-bush surveys.

Gippsland Water participated in Tarago Reservoir catchment management plan activities.

Work started on the Baw Baw Water Supply Protection Policy with involvement and input from multiple agencies.

Gippsland Water developed and released its own long-term water supply management tool, the Water Supply Demand Strategy, which recognises the expected impacts of climate change.

Customers, Stakeholders and Community

The combined impacts of drought and bushfires caused low volumes of poor quality water in a number of drinking water catchments. Through a combination of water treatment plant enhancements, operator diligence, sourcing of alternative water supplies, and agency and community cooperation, Gippsland Water maintained services to all its customers in compliance with regulatory standards.

Work began on the Seaspray Sewerage Scheme project.

The Erica and Rawson Water Treatment Plant which will supply high quality drinking water to the residents of Erica and Rawson was commissioned and publicly launched.

Gippsland Water assisted the fire-ravaged township of Licola to overcome its water quality issues following the December 2006 bushfires. This included setting up a temporary treatment plant in the town's swimming pool.

Several plumber and developer information nights were conducted. These sessions were used to inform plumbers and developers about key changes in the water industry that may affect them.

\$1.3 million was spent on sewer pump station upgrades across Sale in Foster Street, Raglan Street and Jackson Avenue.

Gippsland Water worked closely and effectively with government agencies and the community during the largest bushfires in Victoria's history during the 2006-07 summer.

The organisation hosted the official recognition ceremony for the Gippsland schools that participated in the Schools Water Efficiency Program.

A free stage show was held for 26 primary schools from across the service area as part of National Water Week.

Gippsland Water hosted the Ministerial launch of the Victorian Government's Showerhead Exchange Program.

A Rwandan engineer worked with Gippsland Water for five weeks to learn about water supply and treatment technologies used in Australia.

Gippsland Water's first membrane water treatment plant was commissioned at Tyers.

Significant upgrades to the Traralgon and Tyers water treatment plants were undertaken. These investments will provide significantly improved water quality and availability to Traralgon and surrounding districts, as well as the Tyers and Rosedale townships. The total costs of the upgrades were in excess of \$10 million.

Toongabbie and Cowwarr received treated water for the first time. All towns in our service area now receive treated water.

Governance

Preparation of the draft 2008-2013 Water Plan, Gippsland Water's five-year operational and capital works plan that covers the regulation period from 2008-2013 commenced.

Fluoride was introduced to the Morwell, Warragul, Moe, Sale and Traralgon water supply systems in accordance with regulatory requirements.

Gippsland Water participated in the Water Services Association Australia's mechanical and electrical and customer service benchmarking exercises with other Australian and international water authorities.

The Dutson Downs Biodiversity Technical Reference Group was established.

The Coastal Advisory Committee celebrated its 20th anniversary.

The Gippsland Water Factory (GWF) Alliance Leadership Team was established to oversee and govern the GWF Stage One project.

The Authority undertook a significant, organisation-wide, risk management review.

Gippsland Water achieved exemplary compliance against the *Safe Drinking Water Act* in relation to potable water.

Organisational Sustainability

Gippsland Water was recognised for its Work Life Balance innovations in several industry publications.

Only one lost time injury was recorded for the 2006-07 financial year.

The organisation commenced its Enterprise Agreement negotiation process.

Gippsland Water implemented its revised Leadership Development Program.

As part of drought response, Gippsland Water commenced assessment of the Water Security Strategy for the Latrobe System, water trading and meetings with major clients to manage water demands.



PART I

INTRODUCTION AND OVERVIEW



JOINT MESSAGE FROM THE CHAIRMAN AND CEO

The Board and staff at Gippsland Water are pleased to present this year's annual report to our customers, stakeholders and community.

We are particularly pleased with our achievements this year, as they were realised in the face of very adverse climatic conditions that severely impacted and indeed challenged our business. We had a year consumed with drought, fire and flood - all of which effected Gippsland Water's day-to-day operations and presented challenging catchment conditions.

The ongoing drought has created a water crisis across Australia and its impact is severe in social, environmental and economic terms. This year Gippsland experienced water inflow reductions of up to 50 per cent in our catchment systems, and witnessed our lowest water levels on record.

We have known for some time that the challenges facing the water industry are increasing and becoming more complex. As a custodian of Central Gippsland's residential and industrial water supplies, Gippsland Water's role has been to secure these resources in both the short and long-term for future generations.

Gippsland Water developed contingency plans and worked with government agencies, local councils, the community and industry to effectively manage water inflow reductions. This work entailed a high level of advocacy, and we sought to represent the best interests of Gippslanders.

Together with other water resource managers we assisted our customers put in place responsible and sustainable water management practices that will assist the region to better cope with water inflow variability, droughts and growth.

Planning was one of the core focuses of the year with several long-term and forward-looking plans being developed. The draft Water Plan 2008-2013 - Gippsland Water's proposed pricing submission, service outcome and operational and capital expenditure plan for the five year period - was developed. This Water Plan is a positive step towards long-term security of water supplies for Gippsland Water's customers, improving the quality and reliability of our services.

Gippsland Water also released its Water Supply Demand Strategy during the year which presents a series of actions to sustainably manage and meet the water needs of the region serviced by Gippsland Water over the next 50 years. It will seek to achieve five key aims including forecasting the expected long-term water demand for the Gippsland Water region, identifying a range of

potential water supply-demand options and assessing these against social, economic and environmental criteria and analysing water supply and demand scenarios based on medium climate change and step-change reductions. This is a long-term strategy, for our future, and we have committed to formally reviewing it with our community every five years.

The Central Region Sustainable Water Strategy was created and released by the Victorian Government in 2006-07. This key document outlined a range of actions that Gippsland Water and other agencies will undertake with a view to securing water supplies and protect our waterways well into the future.

This year presented two very significant project milestones for Gippsland Water:

Firstly, the Gippsland Water Factory, the region's most significant water recycling project, began construction in February 2007.

This advanced wastewater treatment plant will treat 35 million litres of wastewater per day, and produce eight megalitres of high quality recycled water daily for use by local industry.

A distinguishing feature of the Gippsland Water Factory is the project alliance delivery method that has been used, which is a somewhat unique concept for public sector projects in Victoria. This successful alliance arrangement has challenged a series of design, construction, procurement and delivery paradigms for the organisation and the public sector alike. It has also challenged the organisation to deliver a major project whilst maintaining a high level of customer service on its day-to-day business, and to continue to plan strategically for the future.

And secondly, stage one of the new Soil and Organic Recycling Facility, located at Dutson Downs, also commenced construction during the 2006-07 year. This facility is expected to be complete and operational by October 2007.

This facility will introduce a new waste management ethic for Gippsland Water by reducing the amount of waste sent to landfill and also a reduction in greenhouse gases emitted from liquid waste and soil treatment processes. The facility will produce compost material meeting Australian standards which will be suitable for agricultural and other uses.

The Gippsland Water Factory and the Soil and Organic Recycling Facility projects are key initiatives in assisting Gippsland to become more sustainable.

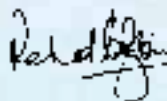
We encourage you to read through the 'Highlights of the Year' section in this report which outlines our accomplishments throughout 2006-07. These highlights and achievements are only made possible by the efforts of our people. Without their commitment and work, none of these outcomes would have been possible. We are appreciative of the involvement and support of our Board of Directors who worked together extremely well during the year on a series of complex projects, issues and challenges. We sincerely thank all our staff for their ongoing professionalism and dedication to delivering all our customer and business obligations.

This year has again seen excellent compliance on the organisation's KPIs; an outcome even more commendable due to extreme drought, fire and flood events – all of which place additional pressures on everyone in the business. Our people have taken these impacts in their stride and have risen to the challenge, and naturally make us proud of what we have been able to deliver to our customers, stakeholders and community.

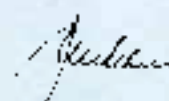
Our team has also embraced and worked on the introduction of Gippsland Water's newly adopted Corporate Social Responsibility (CSR) Policy. This policy provides a new framework for Gippsland Water to get involved with its communities and key stakeholders and support opportunities for involvement, leadership and knowledge development in the community. The organisation is now working on a five-year corporate social responsibility plan that will outline the CSR activities to take place over this period.

The 2006-07 year was a significant one for Gippsland Water, marked by significant operational challenges caused by natural disasters occurring across our catchment. We also experienced the realisation of two of the most major projects in Gippsland Water's history following a long planning period.

All of this activity has enabled the organisation to be refreshed with the attraction and retention of highly skilled staff, who have made an invaluable contribution to Gippsland Water delivering its essential services to our customers.



Robert Gifford
Chairman



John Gifford
Chief Executive Officer



PART 2

STRATEGIC DIRECTION



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.

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 focuses 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.

“Our stakeholders and the wider community expect that we will sustain and improve our natural capital in the interests of future generations...”



PART 2

STRATEGIC DIRECTION



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 2006-07

Gippsland Water continued to report against a set of established key performance indicators (KPIs) throughout the reporting period. These KPIs are reviewed annually to ensure relevance and the provision of a basis for improved performance.


In 2006-07 Gippsland Water reported against 29 key indicators that measure performance for water, wastewater, customer service, safety and employee availability. These indicators are directly linked to Gippsland Water's Strategic Plan and are aligned with the service standards reported to the Essential Services Commission (ESC). The indicators are reported to Gippsland Water's Board on a monthly basis, and to the ESC both quarterly and annually.


The overall results for the 2006-07 reporting period are summarised as follows:

KPI no.	Key performance indicator	Unit of measure	2006 -2007 target	2006 -2007 achievement	Historical performance (Actual/Compliance)			
					2002 -2003	2003 -2004	2004 -2005	2005 -2006
Water								
1	Unplanned water supply interruptions	per 100 km	55.00	19.94	46.00	54.00	58.06	12.57
2	Average time taken to attend bursts and leaks (priority 1)	minutes	40.00	27.92	35.00	35.00	79.98	28.70
3	Average time taken to attend bursts and leaks (priority 2)	minutes	150.00	71.39	115.00	120.00	423.79	85.83
4	Unplanned water supply interruptions restored within five hours	per cent	97.80	100%	98.28	99.23	77.90	99.29
5	Planned water supply interruptions restored within five hours	per cent	87.00	99.48%	N/A	N/A	72.00	92.85
6	Average unplanned customer minutes off water supply	minutes	8.00	14.09	12.09	6.32	14.37	5.95
7	Average planned customer minutes off water supply	minutes	65.40	7.56	N/A	N/A	23.85	15.4
8	Average frequency of unplanned water supply interruptions	number	0.07	0.14	0.08	0.06	0.13	0.07
9	Average frequency of planned water supply interruptions	number	0.50	0.67	N/A	N/A	0.11	0.114
10	Average duration of unplanned water supply interruptions	minutes	118.70	103.57	144	101	110.79	85.10
11	Average duration of planned water supply interruptions	minutes	130.80	112.95	144	N/A	214.09	131.8
12	Number of customers experiencing more than five unplanned water supply interruptions in the year	number	0.00	0.00	N/A	N/A	0.00	0.00
13	Unaccounted for water	per cent	15.00	7.70	18.20	16.90	19.65	14.5



KPI no.	Key performance indicator	Unit of measure	2006-07 target	2006-2007 achievement	Historical performance (Actual/Compliance)			
					2002 -2003	2003 -2004	2004 -2005	2005 -2006
Wastewater								
14	Sewerage blockages	per 100 km	25.00	19.80	27.00	28.00	24.00	17.01
15	Average time to attend sewer spills and blockages	minutes	35.00	29.37	40.00	30.00	Not reported	35.00
16	Average time to rectify a sewer blockage	minutes	130.00	80.38	114.00	117.00	Not reported	86.58
17	Spills contained within five hours	per cent	98.00	100%	96.00	99.58	100.00	100.00
18	Customers receiving more than three sewer blockages in the year	number	0.00	0.00	NA	NA	Not reported	0.00
Customer service								
19	Complaints to Energy and Water Ombudsman of Victoria	per 1,000 customers	0.07	0.11	0.90	0.60	0.1	0.1172
20	Telephone calls answered within 30 seconds	per cent	80.00	84.30%	73.00	80.00	Not reported	84.90
Additional service standards								
21	Average time taken to attend bursts and leaks (priority 3)	minutes	2300.00	1,136.53	2760	3535	Not reported	1204.64
22	Population receiving water meeting E. coli standards	per cent	100.00	100%	99.36	99.81	99.99	100.00
23	Population receiving water meeting disinfection by-products standards	per cent	100.00	99.82%	100.00	100.00	99.88	99.57
24	EPA Discharge Quality Licence compliance	per cent	100.00	100%	96.60	99.60	99.11	99.20
25	Population receiving water meeting turbidity standards	per cent	100.00	100%	100.00	100.00	100.00	100.00
Our people								
26	Number of days lost due to lost-time injuries (LTIs)	number	0.00	5.00	NA	NA	0.00	76.00
27	Injury frequency rate	number	35.00	17.06	NA	NA	0.00	3.23
28	OH&S leading index	number	21.00	26.00	NA	NA	42.00	26.42
29	Employee availability	number	34 annual per employee	30.75	NA	NA	45.10	2.23

 = On target

 = Did not meet target

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

Details of the KPIs that have not achieved the planned target for are 2006-07:

KPI 6 – Average unplanned customer minutes off water supply

KPI 8 – Average frequency of unplanned water supply interruptions

Reason why KPIs were not met:

As with recent years, there has been a continued above average increase in the number of water main bursts and leaks during this reporting period. A key contributing factor is the continuing dry weather experienced as part of the region's ongoing drought. Notably, although the number of bursts and leaks has increased, the number of resultant customer supply interruptions decreased during the reporting period.

Planned corrective action:

Gippsland Water carries out a water main replacement program that aims to reduce old or faulty mains from causing repeat interruptions to our customers. Investigations into installing more valves in problem areas throughout each reticulation are being undertaken. With shut off valves at more frequent intervals on long sections of mains, the number of properties interrupted in order to repair a fault will be reduced.

KPI 23 – Population receiving water meeting disinfection by-products

Reason why KPI was not met:

The Erica/Rawson water supply is a disinfected raw water system. One incident of elevated Trihalomethanes (THMs) was recorded during 2006-07. Investigations indicate that chlorine dosing concentrations were at expected levels, but higher than normal levels of organic material were experienced resulting in higher THM levels.

Planned corrective action:

The commissioning of the Erica Rawson Water Treatment Plant has significantly reduced the organic load currently experienced in the reticulation water supply, and also reduced the chlorine demand and potential for high concentrations of disinfection by-products. Since the plant was commissioned in December 2006, no incidents have been detected.

KPI 26 - The number of days lost due to lost time injuries

Reason why KPI was not met:

On 11 May 2007 an operator was injured in an incident involving a scat excavator. The excavator was working on an embankment next to the Tyers Walhalla Road when it rolled onto its side, falling onto an electric wire fence and water valve marker. The operator was initially trapped under the machine and received facial lacerations which required medical treatment at the Latrobe Regional Hospital. The operator returned to work on 21 May 2007.

Planned corrective action:

All operational employees have undertaken plant competency assessments. Risk assessments are being undertaken on mobile and small plant. Pre-start checklists for mobile plant are also in the developmental stage. A Job Safety Environmental Analysis system has been implemented for operations staff, resulting in the Worksafe Improvement Notice being removed.



PART 2

STRATEGIC DIRECTION



Richard Elkington

Pam Keating

Leah Young

Alan Seale

Tony Flynn

Keith Hamilton

Peter Wilson

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 more than 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, the Environment Victoria Board and the Metropolitan Waste Management Group Board. Pam 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 & Consultancy Services, a well-respected waste and environment management consultancy, and Sustainable Learning Australasia, an innovative education and training company.

Leah Young

BBus, GradDipBus, FAICD, AIMM

Business management and strategic planning are Leah's key areas of contribution to the Board. Leah has held the position of Business Manager at St Paul's Anglican Grammar School since 1996. 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. Leah is a keen traveller and mother of two young children. Leah is currently Director of the Westernport Water Authority and has lived in Gippsland all of her life.

Alan Seale

Eng (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.

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 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.

DIRECTOR ATTENDANCES AT BOARD AND COMMITTEE MEETINGS

Director	Board meetings eligible	Attendance	Safety, Health and Environment Sub-Committee eligible	Attendance	Audit Committee eligible	Attendance	Executive Remuneration Committee eligible	Attendance
Richard Elkington	12	11	4	0	4	0	3	3
Pam Keating	12	11	4	4	0	0	3	3
Leah Young	12	11	0	0	4	3	3	3
Tony Flynn	12	11	0	0	3	2	3	3
Alan Seale	12	11	4	4	0	0	3	3
Keith Hamilton	12	10	4	2	0	0	3	3
Peter Wilson	8	7	2	1	0	0	2	2
Jay Bonnington	4	3	0	0	1	1	1	1

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 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.

Peter Wilson AM

Peter Wilson is the National President and Chairman of the Australian Human Resources Institute.

Until last year, Peter was the Executive General Manager of Human Resources and Operating Risk Management with AMCOR, a position he held for seven years. Before this role, Peter was a member of the ANZ Group Executive for 10 years, reporting to CEO Don Mercer in a number of portfolio areas. He was also CEO and MD of the Energy 21 Group for two years, before it was acquired by Origin Energy. Peter has held senior positions with the Commonwealth and Victorian public services, including Director General of the Department of Industry, Technology and Resources. In 2003, Peter became a Member in the Order of Australia (AM) for services to workplace safety and community service.

Peter is also a member of the Board of Yarra Valley Water Limited, and Deputy Chairman of the Inquiry into the Rural Rail System within Victoria.

Peter joined the Gippsland Water Board in October 2006.

Jay Bonnington

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

Jay Bonnington has more than 30 years' experience in international accounting and finance in New Zealand, Europe, South Africa and Australia. Commencing as a chartered accountant, Jay has 20 years in management and executive roles internationally, including 10 years with the large construction/engineering group Transfield, and two years as CFO/Finance Director with browncoal generator Yallourn Energy Ltd. Jay has also held roles as a National Director of CPA Australia, and the CEO of the Make-A-Wish Foundation Australia.

Over a period of 10 years Jay has been a Non Executive Director of a variety of organisations, including Health Super Funds Ltd, SECV, Melbourne Exhibition & Convention Centre, Gippsland Water, and the Warrnambool Co-Operative Society. Jay fulfilled the role of Chairperson of Dental Health Services Victoria for seven years.

Jay has also served and continues to serve on a variety of not for profit Boards, including Save The Children Victoria, Prince Henry Medical Institute, The Queens Fund and Community Housing Ltd.

Jay served on the Gippsland Water Board until September 2006.



PART 2

STRATEGIC DIRECTION



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 controls, and risk management systems along with the internal and external audit functions.

The responsibilities and the scope of activities of the Audit Committee include:

- ensuring Gippsland Water's accounting policies and procedures are in accordance with its stated financial reporting framework;
- ensuring 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 external audits.

Audit Committee members for 2006-07:

Victoria Mavros, Independent Chairperson

(In her final year as an independent member. Attended all meetings during the reporting year).

Since 1968, Victoria has worked in the auditing and accounting field and was appointed to the Audit Committee in 1997. While living in Zimbabwe, she qualified as a chartered accountant and became an audit manager in 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 a trained secondary school teacher, and on her arrival in Sale assisted as a voluntary literacy tutor. Victoria continues to contribute to the community by volunteering her financial skills on a number of committees.

Richard McDowell, Independent member

(Attended all meetings during reporting year).

Richard is a chartered accountant involved with a number of Gippsland companies. Richard holds a Diploma of Business Studies (Accounting) FCA, FTIA; and is a Registered Tax Agent and Registered Company Auditor. Most notably he is a Director of Duesburys Gippsland Accountants.

Audit Committee members for 2006-07:

Leah Young – Board member

Tony Flynn – Board member from November 2006

Jay Bonnington – Board member until September 2006

BOARD SAFETY, HEALTH AND ENVIRONMENT SUB-COMMITTEE

The Board Safety, Health and Environment (SHE) Sub-Committee considers OH&S issues including changes in legislation and other policy issues, as well as monitoring Gippsland Water's performance against the OH&S Management Plan and the OH&S Performance Index. The Board SHE Sub-Committee also monitors Environmental Management and Emergency Management System issues as they impact on Safety and Health at Gippsland Water.

The Board SHE Sub-Committee is responsible for:

- reviewing and approving the Gippsland Water Occupational Health and Safety (OH&S) Policy and the Environmental Policy, which is 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 Management System to ensure that appropriate progress is being achieved with the environmental improvement themes; and
- reviewing the OH&S Management Plan and the OH&S Performance Index.

SHE Sub-Committee members for 2006-07:

Keith Hamilton – Board member

Pam Keating – Board member

Alan Seale – Board member

Peter Wilson – Board member from February 2007

EXECUTIVE REMUNERATION COMMITTEE

The Executive Remuneration Committee is responsible for implementing the Gippsland Water Executive Remuneration Policy. The Committee ensures 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

Gippsland Water has an established Technical Review Committee (TRC) to ensure it uses the best technical advice and innovation in its operations.

The objectives of this Committee are:

- to provide advice to Gippsland Water's Board and its staff on strategies for innovative problem solving in the technical, social and environmental aspects of the business;
- to identify emerging technical, social and environmental issues for future consideration;
- to identify and discuss potential regulatory and resource planning matters that may need attention;
- to provide comment and observation on policy matters that impact on Gippsland Water's business; and

- to provide comment and observations on Gippsland Water's water and waste management activities based on a national and international perspective.

The TRC met twice during the year; in Melbourne during August 2006 and in Gippsland during February 2007.

The August meeting focused on the Moondarra fire recovery plan, the technical challenge of removing organic colour from industrial wastewater; the further development of a Land Use Management Plan for the Dutson Downs property, and an examination of the potential use of wind energy across Gippsland Water's operational region.

The February meeting included a site inspection of key assets and projects while technical discussions concentrated on the chemical and biological process design for the Gippsland Water Factory (GWF), the Soil and Organics Recycling Facility, and the underlining technical assumptions in our Water Supply Demand Strategy.

The TRC also presented its annual report to the Gippsland Water Board in February. The report summarised the Committee's key achievements in relation to:

- the GWF;
- our sustainable water strategies;
- the Dutson Downs Land Use Management Plan;
- strategic wastewater technical matters;
- endocrine disrupters;
- biosolids;
- climate change matters;
- greenhouse gas reduction; and
- alternative energy options.



PART 3

RESOURCE SUSTAINABILITY



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.

ENVIRONMENTAL MANAGEMENT SYSTEM

Gippsland Water further developed its Environmental Management System (EMS) to reflect the requirements of the international standard for environmental management, ISO14001:2004. Progress has included the development of a new EMS manual which describes Gippsland Water's approach to managing its environmental activities. Associated with the manual has been a review and update of the key documents supporting the EMS.

Additional activities associated with Gippsland Water's EMS included:

- purchase of software to capture environmental risks associated with Gippsland Water's activities, products or services;
- environmental audits of six Environment Protection Authority licensed facilities to identify operation improvement opportunities;
- development of environmental management processes at the Dutson Downs Resource Recovery Facility, to seek external accreditation of the EMS relating to the site; and
- completion of action items included as part of the 2006 Accumen Alliance EMS audit.

WORKING WITH MAJOR CLIENTS

Gippsland Water worked closely with its major clients during the year to identify water saving initiatives. All major clients responded creditably through water efficiency measures or water saving projects and in particular on-site water recycling initiatives. There are examples of industries reusing the same water up to seven times.

Gippsland Water assisted two major clients, Australian Paper and Energy Brix, receive substantial grants from the Regional Infrastructure Development Fund to contribute to major on-site water recycling projects. These projects are expected to save around 12ML per day (4.38GL per annum), water that would have otherwise been drawn from the Moondarra Reservoir. This water saving increases the security of supply for all industrial and domestic customers supplied from the Moondarra Reservoir.

MAJOR CLIENT CONSUMPTION (NON-RESIDENTIAL WATER USE)

Customers by volume range

Volume range – MI per year

No customers

Equal to or greater than 50MI and less than 100MI	4
Equal to or greater than 100MI and less than 200MI	2
Equal to or greater than 200MI and less than 300MI	2
Equal to or greater than 300MI and less than 400MI	Nil
Equal to or greater than 400MI and less than 500MI	Nil
Equal to or greater than 500MI and less than 750MI	1
Equal to or greater than 750MI and less than 1000MI	Nil
Greater than 1000MI	5
Total no. customers	14

WATER CONSERVATION PROGRAM PARTICIPATION (CUSTOMERS USING MORE THAN 50ML PER ANNUM)

Name of customer

Customers' participation in water conservation program initiatives

Carter Holt Harvey Wood Products Australia Morwell Sawmill	Undertaking audit as part of Gippsland Water's savewater efficiency service.
Warragul Linen Services	Initiated many water efficiency and conservation activities which have resulted in the saving of around 70MI in 2006-07.
TRUenergy Australia Pty Ltd (Yallourn W)	Undertook a water audit of the power station, and implemented recycling initiatives and other projects resulting in water savings.
Murray Goulburn (Maffra)	Water Management Plan developed to reduce town water use. Total water balance for site shows more water returned to system than is taken as town water.
National Foods Limited	Undertook water balance of site as part of a Cleaner Production Partnership with Gippsland Water and the Environment Protection Authority (EPA).
Fonterra Australia Pty Ltd	Initiated water recycling initiatives on site to achieve best practice in water use.
The Geo Group Australia P/L (Fulham Correctional Centre)	Undertaken audit and implementing retrofit of water efficient appliances as part of Gippsland Water's savewater efficiency service.
Australian Paper (Maryvale Mill)	Identified and undertook two major water saving projects. Preparing a water balance across the site to seek further water saving opportunities.
Gippsland Base Hospital	Undertook water audit and implementing retrofit of water efficient appliances as part of Gippsland Water's savewater efficiency service.
Loy Yang Power (Loy Yang A)	Identified and implemented water saving initiatives. Working with Gippsland Water and the EPA to evaluate a potential water saving project.
IPM Operation & Maintenance (Loy Yang B)	Established considerable water savings during 2006-07 and developing in-house water conservation initiatives through collaborative workplace arrangements. Water audit performed as part of Gippsland Water's savewater efficiency service.
Energy Brix Australia (EBAC)	Undertook water saving projects, reducing water use by more than 30%.
International Power Hazelwood (Hazelwood)	Initiatives resulted in a short term reduction in water consumption of around 25%. Investigating water saving options to potentially consolidate reduced water consumption.
Australian Char	Manages water in accordance with its environmental management system. Considering reuse programs to reduce water demand and minimise waste discharge to sewer



PART 3

RESOURCE SUSTAINABILITY



ENVIRONMENTAL INCIDENTS

Gippsland Water managed five environmental incidents during the reporting year.

Saline Wastewater Outfall Pipeline (SWOP), Giffard

Pooled water was observed on the ground near the buried SWOP pipeline at Giffard in July 2006. Exposure of the pipeline revealed a series of small holes in the base of the pipeline. Sections of pipeline with holes identified were removed and replaced, and camera inspection confirmed the integrity of the pipeline.

Gippsland Water is continuing to investigate the likely cause of holes, and to identify solutions to prevent the further formation of holes in the pipeline.

Churchill branch line, Regional Outfall Sewer, Maryvale

In September 2006 a contractor removed a manhole lid on the pressurised Churchill branch line of the Regional Outfall Sewer, Maryvale, causing sewage to spill onto the surrounding land. Embankments were constructed to contain the sewage to prevent it reaching a local waterway. Spilled sewage was removed and the land reinstated following the event. Greater controls were placed on contractor access to Gippsland Water assets following the incident.

Yallourn Rising Main, Yallourn North

Gippsland Water was notified of a sewage spill from the Yallourn Rising Main to Anderson Creek, Yallourn North in February 2007. It was estimated that the spill may have occurred for approximately 10 days. The sewer pipeline was repaired and water pools in Anderson Creek were pumped out to prevent the spill impact from spreading downstream. The pipeline break was due to movement of hardened soil following a long period without rain.

Sensors and alarms were installed to provide early warning of loss of flow from the section of pipeline.

Regional Outfall Sewer (ROS), Rosedale-Longford Road

A local resident reported a flow from the ROS onto a farming property in February 2007. The flow was contained and pooled sewage removed prior to impact on a farm dam. Soil was scraped and removed, and drainage reinstated following the event.

The flow from the sewer was caused by a wombat burrowing through the clay embankment wall of the open channel. The burrow was obscured by native vegetation established at the base of the channel. Evidence of burrowing will be sought during regular inspections of the open channel section of the ROS.

Regional Outfall Sewer (ROS), Maryvale

Pipeline construction activities in May 2007 resulted in a pipeline break of the ROS causing wastewater to spill into a nearby pine plantation. The wastewater was contained and removed. No flow entered local waterways. Construction activities were altered to prevent further damage to the pipeline by heavy equipment.

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 maintaining the required level of service.

An independent review of energy use throughout Gippsland Water was performed as part of a memorandum of understanding between Sustainability Victoria and VicWater. The report confirmed that a number of activities had already been undertaken to improve energy use efficiency. Potential projects characterised as having high initial capital cost and long pay-back periods will be considered for future implementation.

Using Australian Greenhouse Office guidelines, Gippsland Water undertook a review of greenhouse gas emission sources and



energy consumption in its operations in 2006-07. The relative greenhouse gas impacts, standardised as equivalent tonnes of carbon dioxide gas emitted, are summarised in the table below.

Activity	CO ₂ -equivalent (tonnes/year)	
	2005 -2006	2006 -2007
Waste treatment ¹	62,349	54,338
Water treatment ²	11,629	11,087
Traralgon office operations ³	1,344	1,421
Fuel use ⁴	1,350	1,594
Livestock ⁵	5,216	5,420
Total	81,888⁶	73,860

¹Methane and nitrous oxide gas emissions, electricity.

²Electricity, soda ash consumption.

³Electricity.

⁴Petrol, diesel, gas.

⁵Methane and nitrous oxide from cattle and sheep.

⁶Australian Greenhouse Office modified the calculation method for methane from wastewater in 2006. The total for 2005-06 has therefore been recalculated to allow comparison with the 2006-07 data.

The calculated total greenhouse gas emissions have decreased from the previous reporting year, primarily due to reduced flows to wastewater treatment plants during the drier periods. This results in lower methane emissions and energy consumption in the reticulation and treatment of the wastewater.

WASTE MINIMISATION AND CLEANER PRODUCTION

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

Preliminary trials were performed on the incorporation of water treatment plant sludges into organic compost. Results show the sludges are beneficial to the growth of test plants.

Ferric salt dosing is used at Morwell Wastewater Treatment Plant to chemically precipitate phosphorus. Trials were performed to identify the optimum dosing stage in the treatment process to maximise phosphorus removal efficiency. Preliminary results suggest split dosing enhances phosphorus removal in the treatment process.

A permanent magnesium hydroxide liquid dosing facility was installed at Rosedale to improve dosing efficiency for odour control on the Regional Outfall Sewer. It is to trial mobile dosing units to optimise chemical dosing for odour control, particularly at odour "hot spots".

The Traralgon Water Treatment Plant upgrade includes the return of supernatant water for re-treatment to potable standard, and the reduction of backwash water volumes produced. Daily water savings of 200,000 litres are expected with these process improvements.

The Environment Protection Authority, Gippsland Water and four local industries entered into a Cleaner Production Partnership. The partnership aims to identify opportunities for cost-effective reduction of water and energy consumption and waste to sewer. A key benefit of the partnership is the improved communication and relationships between all partners.

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 and Delray Beach Ocean Outfalls continued to meet Environment Protection Authority licence compliance requirements, with no reportable incidents of below-compliance water quality occurring in the reporting period.



PART 3

RESOURCE SUSTAINABILITY



ENVIRONMENTAL IMPROVEMENT PLAN

Gippsland Water manages environment improvement plans for each of its wastewater treatment facilities and the Resource Recovery Facility (RRF) at Dutson Downs. These plans have been developed in accordance with requirements of the licences issued by the Environment Protection Authority (EPA) and provide an overview of each facility as well as actions to improve the overall environmental performance of each facility.

A program of review of the environment improvement plans has continued during 2006-07 with actions for environmental improvements updated and incorporated into works programs. These actions were identified from internal environmental audits undertaken at each facility, and through discussions with key operational staff.

The environment improvement plan for the RRF was reviewed and amended in conjunction with the Dutson Downs Advisory Committee. All the environment improvement plans have been submitted to the EPA for approval.

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 on a site is subject to factors such as seasonality of rainfall and temperature, discharge rate, storage capacity and quality of treated wastewater.

Pasture irrigation is the major treated wastewater reuse option for Gippsland Water. The climate in our 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 200mm to 400mm across the region. This irrigation demand is low when compared with typical values of 500mm to 1,000mm north of the Great Dividing Range.

Gippsland Water operates a number of irrigation facilities and 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.

Reclaimed water is stored during the wetter months and used for pasture irrigation during drier periods at Maffra, Heyfield, Stratford and Mirboo North. Irrigation is also undertaken at Drouin, although excess volumes of reclaimed water may be discharged to Shillinglaw Creek during wetter months to ensure adequate storage capacity is maintained.

Reclaimed water 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 reclaimed water.

The SEPP – WoV allows reclaimed water to be used for the environment or beneficial uses other than irrigation. The Morwell River Wetlands is an example, where treated water from the Morwell Wastewater Treatment Plant is used to sustain a permanent wetland system.

The use of high quality reclaimed water for industrial, environmental or other purposes is likely to become more attractive in the future. Water scarcity, subsequent increase in water value, competing land uses and urban expansion provide additional opportunities for the beneficial reuse of water. This can only take place following the implementation of stringent controls on water quality required by both the EPA and the Department of Human Services.

The Gippsland Water Factory project will provide high quality reclaimed water for use by industrial customers such as Australian Paper. Further details about this project are available on page 28.

The following table shows the proportion of wastewater treated in 2006-07, compared with 2005-06. The table specifies volumes of reclaimed water beneficially reused, and volumes discharged to external waterways. The two ocean outfalls operated by Gippsland Water, Regional Outfall Sewer (ROS) and Saline Wastewater Outfall Pipeline (SWOP) dispose of large volumes of highly saline treated wastewater, currently unsuitable for beneficial reuse. The proportion of reclaimed water that is beneficially reused is therefore expressed as a percentage both exclusive and inclusive of the ocean outfall flows.

Proportion of treated wastewater reused, excluding saline water to ocean outfalls

Treatment system	Final fate of treated water	Volume reused (ML)		Volume discharged (ML)		Compliance with EPA Water Quality Limits	
		2005 –2006	2006 –2007	2005 –2006	2006 –2007	2005 –2006	2006 –2007
Drouin	Irrigation to pasture or discharge to Shillinglaw Creek	204	255	186	143	100%	100%
Heyfield	Irrigation to pasture	54	59	0	0	100%	100%
Maffra	Irrigation to pasture and sporting field	203	166	0	0	100%	100%
Mirboo North	Irrigation to pasture and sporting field	31	96	0	0	100%	100%
Morwell	Supplement flow to wetlands	620	556	0	0	98.6% ⁴	100%
Stratford	Irrigation to pasture	88	70	0	0	100%	100%
Willow Grove	Irrigation to pasture	10	8	0	0	100%	100%
Neerim South	Discharge to Red Hill Creek	0	0	50	46	88.9% ⁵	100%
Rawson	Discharge to Coopers Creek	0	0	33	37	100%	100%
Warragul	Discharge to Hazel Creek	0	0	1,436	1,193	100%	100%
Moe	Discharge to Moe River	0	0	2,054	1,550	100%	100%
Sub-total		1,210	1,210	3,759	2,969		
% reuse¹		24.4%	29.0%				

Treated wastewater reused, as a proportion of total wastewater managed

ROS ²	Discharge to Bass Strait (Delray Beach)	0	0	8,398	9,498	100%	100%
SWOP ²	Discharge to Bass Strait (McGaurans Beach)	0	0	7,434	7,957	100%	100%
Total		1,210	1,210	19,795	20,424		
% reuse³		6.1%		5.6%			

¹Percentage of non-saline treated wastewater.

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

³Percentage of total volume of treated wastewater.

⁴Mechanical failure of an aerator caused the discharge of a high concentration of ammonium nitrogen.

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

PART 3

RESOURCE SUSTAINABILITY



BIOSOLIDS MANAGEMENT

At most of our wastewater treatment plants sewage sludge is stabilised in dedicated treatment lagoons. Biosolids are therefore only produced when the lagoons require sludge removal every 10 to 20 years. No sludge removal activities took place during the reporting period.

An exception is where 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 2,538 tonnes of dewatered sludge from the two plants was transported to Dutson Downs to stabilise as biosolids.

Gippsland Water continues 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.

WATER CONSERVATION

Gippsland Water's Water Conservation Policy commits the organisation 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.

Gippsland Water worked closely with schools to build on and increase awareness of water conservation. To date 25 schools have completed the Victorian Government Schools Water Efficiency Program where expert auditors assessed and identified significant potential water reductions of up to 35%.

Gippsland Water continues to work in cooperation with Baw Baw, Latrobe City and Wellington shire councils to develop and implement Water Conservation Plans for council facilities, as part of the Victorian Government's Sustainable Water Use Plans (SWUP) program for local government. All local governments within our service area participated in the SWUP, with many undertaking water efficiency audits as part of Gippsland Water's savewater efficiency service, identifying significant savings in

water consumption within council-owned facilities. This includes the installation of flow control valves within 150 Latrobe City Council facilities including public toilets, preschools and recreation reserve amenities. All local governments have implemented capital improvement works to upgrade to more water efficient practices including replacing irrigation lines, installing rainwater tanks, stormwater reuse for recreation reserves, installing drought tolerant plants and turf.

Gippsland Water has continued to implement the savewater efficiency service to customers who consume in excess of 5MI per annum, with many customers' water savings exceeding 20%.

In addition to focusing on reducing water consumption within council owned facilities, Baw Baw Shire Council and Latrobe City Council are participating in the International Council for Local Environmental Initiatives Water Campaign program to assist members of the community to reduce water consumption by implementing incentives and initiatives to the community. Baw Baw Shire Council is offering an additional rebate to customers within the shire who purchase and install rainwater tanks.

DROUGHT RESPONSE MANAGEMENT PLAN

Gippsland Water's Drought Response Management Plan has been prepared to assist in our response to drought and to sustain the availability of water resources during these periods.

The Plan provides a list of actions for managing through drought, including pre and post-drought activities. This includes the operational response and communication strategy. A key component of the Plan is the water restriction regime, which is covered by Gippsland Water's By-Law No. 13. This By-Law was updated in 2006 as part of the statewide change to uniform water restrictions, and sets out four stages of restrictions on water use.

During 2006-07, with the failure of winter and spring rainfall, water restrictions were imposed. Water restrictions were raised for an initial level of Permanent Water Savings to the maximum Stage Four in the smaller Thorpdale, Boolarra and Seaspray systems, and Stage Three in all other systems. Stage Four Water Restrictions were imposed in the Thomson/Macalister system (excluding Heyfield) due to ongoing water quality issues associated as a direct result of bushfires in the catchment over the 2006-07 summer.

WATER SUPPLY DEMAND STRATEGY

Gippsland Water released its final Water Supply Demand Strategy on 15 June 2007, following an 18-month period of development and community consultation. The strategy presents a series of actions to sustainably manage and meet the water needs of the Gippsland Water region over the next 50 years.

The strategy achieves five key aims:

- builds on actions identified in the Victorian Government's Central Region Sustainable Water Strategy;
- determines the expected available water supply to meet water demand, based on a medium climate change scenario and also a step change reduction in water supplies;
- forecasts the expected long-term water demand for the Gippsland Water region;
- identifies the range of potential water supply-demand options and assesses these against economic, environmental and social criteria; and
- recommends a series of actions to sustainably manage and meet the region's water needs over the next 50 years.

One of the key outcomes of the Water Supply Demand Strategy was the identification of a significant supply shortfall for the Gippsland Water region. Our supply systems can currently supply a total of 68,000ML per year assuming long-term average inflows and 57,000ML per year assuming continued low inflows to supply systems (based on inflows over the past 10 years). Current demand without restrictions in place is estimated to be 66,000ML a year. This demand increases to 81,000ML a year when total contracted industrial volumes are taken into account.

The Water Supply Demand Strategy recommends a series of actions to address the estimated supply shortfall. For the Latrobe system (Moondarra and Blue Rock reservoirs), a detailed assessment was undertaken of six major augmentation options, in the form of the Water Security Strategy for the Latrobe System.

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 Entitlement with other key stakeholders;
- preparing a Water Supply 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 Central Region Sustainable Water Strategy;
- improving communication with the community, to provide details of water conservation measures and targets;
- commenced construction of 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;
- 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 state-wide 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 Department of Human Services and EPA to support alternative urban water supplies for end users, which include recycled water, grey water, stormwater and rainwater.



PART 3

RESOURCE SUSTAINABILITY



WATER CONSUMPTION TARGETS

As part of the Central Region Sustainable Water Strategy (CRSWS), targets have been set for reductions in drinking water consumption. The targets adopted for the Gippsland Water region are summarised below. Targets for residential consumption are based on the mid 1990s consumption of 244 litres per person per

day, with a 25% reduction by 2015 and a 30% reduction by 2020. Total consumption targets (excluding major industry) are consistent with targets for Melbourne.

A 15% reduction on current consumption by 2020 has been adopted for major industry, after consultation with our major customers.

Gippsland Water consumption targets

SYSTEM	CRSWS Action	Current (l/p/d) ¹	2015 (l/p/d)	2020 (l/p/d)
Residential consumption	N/A	233	183	171
Total (non-major industry) consumption	4.42	344	317	296
Major industry consumption	4.43	985	N/A	836

¹Litres per person per day

INITIATIVES IN OUR TRARALGON OFFICE

With the construction of the Traralgon office (wing 8 building), consideration was given to the implementation of an innovative stormwater reuse system. This is to supply the amenities for the flushing of water efficient toilets and urinals during normal seasonal conditions.

This involved the installation of two each 3,000 litre capacity above ground corrugated zinc aluminium tanks to harvest and store the stormwater. The stormwater is then drawn off via an interconnecting electric pressure system to the toilets as required.

During the 2006-07 year, the corporate water consumption was 3,946KL (12.33KL per full time equivalent employee). These figures are based on consumption at Gippsland Water's Traralgon office and Traralgon depot.



Philippa Busch, St Paul's Anglican School - National Water Week Photo Competition entry.

BULK ENTITLEMENT REPORTING

Bulk Entitlement	Source of supply	Bulk Entitlement volume (ML)	Raw water volume taken (ML)	Reporting requirements in accordance with BE clauses
Boolarra	Walkleys Creek/ O'Grady's Creek	145	90	<ul style="list-style-type: none"> ► IIMI/a temporary transfer to Authority (2006-07 - 2010-11); 5.7ML used in 2006-07 ► Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>
CGRWA - Blue Rock ¹	Tanjil River	15,150	8,448 (16,753)	<ul style="list-style-type: none"> ► 5,550ML temporary water purchase from SECV share Blue Rock (transfer between authorities); 0ML used in 2006-07 ► 1,000ML temporary transfer to LYB (transfer between Authorities) ► Location and volume of water taken pursuant to clause 10: <i>None</i> ► Implementation of programs under sub-clauses 12.3: <i>Implemented</i>
Erica - Rawson	Trigger Creek	340	98	<ul style="list-style-type: none"> ► Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>
Mirboo North	Little Morwell River (North Arm)	270	187	<ul style="list-style-type: none"> ► Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>
Moe - Narracan Creek	Narracan Creek	3,884	1,241	<ul style="list-style-type: none"> ► Approval, amendment and implementation of programs under clauses 8, 9 & 10: <i>Implemented</i>
Moondarra ²	Tyers River	62,000	51,425 (50,450)	<ul style="list-style-type: none"> ► Approval, amendment and implementation of programs under clauses 12 & 13: <i>Implemented</i>
Noojee ³	Deep Creek/Loch River	73	0	<ul style="list-style-type: none"> ► Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>
Seaspray	Merrimans Creek	61	33	<ul style="list-style-type: none"> ► Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>
Thomson - Macalister ⁴	Thomson River/ Macalister River	1,868 (2,335)	1,701	<ul style="list-style-type: none"> ► 83.5ML temporary water purchase; 0ML used in 2006-07 ► Restriction of supply under clause 8: progressively increased through year, from initial 65% to final 80% allocation for BE for 2006-07 ► Change to reliability of supply under Schedule 2 of BE (Thomson/Macalister - SRW) Conversion Order 2001: <i>None</i> ► Credits granted under clause 11: <i>None</i> ► Approval, amendment and implementation of programs under clause 12: <i>Implemented</i>
Thorpdale	Easterbrook Creek	80	20	<ul style="list-style-type: none"> ► Qualification of Rights approved ► Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>

¹Bulk Entitlement volume calculated as three year rolling average (figure in brackets is volume for 2006-07).

²Bulk Entitlement volume calculated as two year rolling average (figure in brackets is volume for 2006-07).

³Noojee Bulk Entitlement not currently utilised.

⁴2006-07 Bulk Entitlement Volume restricted to 80%, increased progressively from 65% (figure in brackets is unrestricted Bulk Entitlement volume).

⁵Qualification of Rights approved for Thorpdale (Easterbrook Creek) Bulk Entitlement due to low inflows. However, due to availability of alternative groundwater supply, provisions available in Qualification of Rights were not enacted.

⁶Where Bulk Entitlement clauses are not specifically addressed in these comments, no activities occurred during 2006/07 that triggered reporting requirements.

RESEARCH

Odours

Investigations continue with chemical dosing for odour control along the Regional Outfall Sewer, with a focus on improving magnesium hydroxide liquid dosing control systems, based on online monitoring of hydrogen sulphide concentrations downstream.

Water treatment plant solids

Research was undertaken to find sustainable uses of solids produced in the treatment of drinking water. Geofabric tubes were investigated as a low-energy means of dewatering solids prior to transport. Solids were included in windrow compost piles, to determine if the composting process is affected, or if the quality of compost produced meets the requirements for subsequent agricultural use.

Australian Sustainable Industry Research Centre (ASIRC)

ASIRC has undertaken a number of research projects that benefit Gippsland Water including:

- evaluating the production process of a major client, to improve trade waste management, target and reduce

critical parameters in trade waste discharges, and provide cost effective waste management solutions;

- evaluating a 'synthetic' wastewater consistent with the average outputs of a pulp and paper mill in the future. Development of a synthetic wastewater allows investigation of technologies to improve treatment and resource recovery options; and
- support for the development of the Gippsland Water Factory, by monitoring and enhancing biogas production from anaerobic digestion tanks and analysis of nutrients in the suspended solids from the membrane-bioreactor aeration vessel. Additional work has included understanding the formation of sulphur species within the anaerobic process to mitigate the formation of hydrogen sulphide gas.

Cooperative Research Centre for Water Quality and Treatment

Gippsland Water supports the Cooperative Research Centre for Water Quality and Treatment Wastewater Program. The program's key activities have included 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 the presence of chemicals of concern in wastewater treatment plant discharges.

PART 3

RESOURCE SUSTAINABILITY



STATUS OF MAJOR PROJECTS

GIPPSLAND WATER FACTORY

The Gippsland Water Factory Stage One Project is designed to treat industrial and domestic wastewater by using state of the art membrane treatment technology. The Stage One works has a treatment capacity of up to 35 million litres a day and a portion of the flow will be further treated to a higher standard using reverse osmosis (RO) technology. In a successful first for Victoria, approximately eight million litres a day of high quality recycled water will be purchased by Australia Paper for use at its Maryvale mill. This will reduce its reliance on raw water from the Latrobe River system and, as a consequence, free up the equivalent water for higher value use within Gippsland.

The project includes all pipe work and pump stations necessary to direct wastewater flows to the Gippsland Water Factory site from as far as Rosedale, some 25km to the east. A separate and dedicated pipeline will be built to transfer up to three million litres a day of domestic wastewater from Fulham and Sale to our Dutson Downs lagoon-based facility, for treatment and ultimately irrigation purposes.

The capital cost of Stage One is \$173.9 million which includes funding contributions of \$25 million from the Victoria Water Trust (managed by the Department of Sustainability and Environment), and \$25 million from the Regional Infrastructure Development Fund, (administered by the Department of Industry, Innovation and Regional Development). The balance of the funding will be met by Gippsland Water through charges levied on both industrial customers and residential customers.

An additional \$4.8 million is earmarked for investment in a small biogas power plant and a micro-hydro power plant. This investment will supply up to 20% of the energy needs of the factory and assist in the reduction of the carbon footprint in central Gippsland. An additional \$4.9 million has been identified for the development of a multi-function amenities and operations building.

During the year the bulk earthworks for the treatment plant at Morwell were completed and the preparation pads for the in-situ concrete are well advanced. The detailed design for the main treatment plant reached the 60% complete stage and has been independently reviewed by Gippsland Water's peer review team. Many of the large contract packages have been tendered and some 15km of pipeline has been laid, which is 20% of the total pipeline.

The domestic and industrial wastewater flow generated at Rosedale will be piped back to the Gippsland Water Factory at an additional cost of \$4 million, avoiding a complex treatment plant in a high population area. Overall the project remains on track and total costs are under control.

SEASPRAY SEWERAGE SCHEME

Seaspray is a small coastal resort community consisting of some 300 properties, 220 permanent residents and a 2,000-person caravan park (on land owned by the Department of Sustainability and Environment). During the summer school holidays, tourists expand the population base significantly, creating a peak demand with which the current sewerage system (septic tanks) cannot cope. This manifests itself in unacceptable E.coli levels in Merrimans Creek (a popular swimming location for children) over the holiday period and raw sewerage seepage from the township's sandy soil.

Gippsland Water commenced investigations into alternative wastewater management systems for the township in 2000. Due to high ground water levels and a low permanent residential population, an innovative sewage collection system was selected. The system involves small pump wells at each connection and a pressurised rising main, with final treatment at a lagoon treatment system, with the treated wastewater irrigated onto pasture.

This project is on schedule for completion before the end of 2007-08.



SOIL AND ORGANIC RECYCLING FACILITY

The Soil and Organic Recycling Facility (SORF) will provide local capability to compost organic solid and liquid waste streams, and organic contaminated soil (excluding soil contaminated with chlorinated compounds).

The SORF commenced construction in November 2006 and is designed to treat and recycle organic material using advanced in-vessel composting technology.

The proof-of-process will confirm the relative mixtures of waste materials deemed necessary to ensure that the end-product compost is fully compliant to the Australian standards for a market-suitable soil additive.

The Liquid Waste Processing Facility (LWPF) is designed to treat and recycle organic liquids using in-vessel separation technology. The facility will process grease trap, oily waters, milk and other wastes that are currently discharged into the bioremediation pond at Dutson Downs.

This investment will see Gippsland Water close the current bioremediation pond which does not enable recycling. The LWPF process will allow products of value to be extracted from liquid organic wastes prior to dewatering and composting.

It is forecast the commissioning and proof of processing of the LWFP will commence commensurate with the SORF in October 2007.



PART 3

RESOURCE SUSTAINABILITY



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 was determined for the emissions from 13 wastewater treatment and disposal facilities in 2006-07.

Chemical loads to the environment above the threshold limits

Facility	Sulphide to air (kg-S/yr)		Ammonia to air (kg-N/yr)		Ammonium to water (kg-N/yr)		Total nitrogen to water (kg-N/yr)		Total phosphorus to water (kg-P/yr)	
Reporting threshold	10,000		10,000 ¹		10,000 ¹		15,000		3,000	
Period	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
Drouin WWTP	-	-	13,282	10,121	2,607	35	-	-	-	-
Moe WWTP	-	-	642	601	1,542	1,324	-	-	-	-
Morwell WWTP	-	-	1,161	1,834	344	218	-	-	-	-
Warragul WWTP	-	-	3,247	3,639	376	180	-	-	-	-
Dutson Downs	54,659	196,765	50,474	45,761	45,881	64,106	86,946	101,546	23,302	24,001

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

Significant changes occurred between the 2005-06 and 2006-07 reporting periods in estimations of sulphide emissions to air and ammonium and total nitrogen emissions to water at Dutson Downs. Higher sulphide levels in the inflows to Dutson Downs were due to low flows in the Regional Outfall Sewer during the drought. Whilst total nitrogen and ammonium emissions to water from Dutson Downs increased between the reporting periods, this has returned to more typical levels. Direct comparison with the previous reporting period is not possible due to flow being stopped to the ocean outfall in 2005-06 for a period of time.

CUSTOMER COMMITTEES

There are three ongoing consultative committees comprising a range of community and industry representatives. They are the Environment and Customer Consultative Committee, the Coastal Advisory Committee and the Dutson Downs Advisory Committee. The committees are in addition to a range of other community consultation initiatives used by Gippsland Water including focus groups, market research, and presentations to community groups.

The committees share similar charters: to provide the Gippsland Water Board with a range of customer viewpoints; facilitate communication between the Authority and the community; and 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 to Gippsland Water about community concerns, expectations and needs on environmental issues related to Gippsland Water's operations.

The Committee met four times throughout the year and focused on items including the development of Gippsland Water's 2008-2013 Water Plan, the implementation of water restrictions, the results and actions from the customer satisfaction survey and Gippsland Water's contractor engagement and tendering processes.

The Committee participated in site tours of the Gippsland Water Factory pilot plant and the Gippsland Water Factory construction site at Maryvale.

As at 30 June 2007, the Environment and Customer Consultative Committee comprised:

- Des Sinnott (Chairperson) – Boisdale
- Don Blackley – Drouin
- Malcolm Boyce – Drouin
- Jane Gurling – Nambrook
- Jodie Halliwell – West Gippsland Catchment Management Authority
- Peter Smolenaars – Sale
- Simon Vanderzalm – Warragul

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 Saline Wastewater Outfall Pipeline 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 trends in the monitoring results for the two outfalls, development of the Seaspray sewage reticulation system and the Gippsland Water Factory, and odour control within the Regional Outfall Sewer.

As at 30 June 2007, the Coastal Advisory Committee comprised:

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



PART 3

RESOURCE SUSTAINABILITY



DUTSON DOWNS ADVISORY COMMITTEE

The Dutson Downs Advisory Committee was established to respond to community concerns by providing an opportunity for community advice. The Committee participated in the development of an Environment Improvement Plan for the Resource Recovery Facility (RRF) 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 items including the construction of the Soil and Organic Recycling Facility, remediation activities taking place at the RRF and reviewing the Environment Improvement Plan for the Dutson Downs site.

It also provided advice and feedback on community consultation and publications developed to assist with communicating the project to the community.

As at 30 June 2007, the Dutson Downs Advisory Committee comprised:

- Cr Peter Garlick (Chairperson) – Wellington Shire Council
- Steven Dickson – Wellington Shire Council
- Mark Duthie – Esso BHP Billiton
- 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
- Dieter Melzer – Environment Protection Authority
- Cr Darren McCubbin – Wellington Shire Council
- Dr Jo McCubbin – Wellington Residents Against Toxic Hazards (WRATH)
- John Steel – Loch Sport

DUTSON DOWNS BIODIVERSITY TECHNICAL REFERENCE COMMITTEE

The Dutson Downs Biodiversity Technical Reference Committee provides a forum for Gippsland Water to consult with stakeholders. This ensures we use the best technical advice and innovation to assist the establishment of adaptive biodiversity management frameworks at the Dutson Downs property.

The group assists with reviewing information pertaining to rare and threatened flora and fauna, and maintain a list of eminent experts and/or organisations specialising in their conservation. Through these connections, the Committee seeks interest in establishing ongoing programs of research partnerships with appropriate academic institutions and to identify and explore external funding opportunities to assist in the implementation of management initiatives.

The Committee met twice throughout the year and focused on the management of the Wellington Mint-bush and the New Holland Mouse, the findings of the fauna surveys and the outcomes of the wetland surveys undertaken by Greening Australia.

As at 30 June 2007, the Dutson Downs Biodiversity Technical Reference Committee comprised:

- Dr Denis Saunders (Chairperson) – CSIRO
- John Topp – Sale Field Naturalists
- Susan Taylor – Department of Sustainability and Environment
- Don Ripper – Clydebank
- Melissa Ainsworth – Parks Victoria
- Matthew Bowler – West Gippsland Catchment Management Authority
- Michael Bannon – Gippsland Water
- Rebecca Robie – Gippsland Water

ENVIRONMENTAL PROTECTION AND BIODIVERSITY CONSERVATION ACT 1999

No referral was made during the reporting period to the Commonwealth Department of the Environment and Heritage for consideration under the Commonwealth *Environmental Protection and Biodiversity Conservation Act 1999*.



DUTSON DOWNS INTEGRATED LAND USE MANAGEMENT PLAN

The Dutson Downs Integrated Land Use Management Plan provides an overview of Gippsland Water's vision to implement best practice waste treatment and resource recovery technologies within a diverse landscape, whilst improving biodiversity values. These activities are managed to ensure the principles of habitat protection and restoration are adopted and land rehabilitation and sustainable agriculture is undertaken.

The following activities were undertaken during the reporting period:

Establishment of the Biodiversity Technical Reference Committee

The Committee was formed to assist the development of a Biodiversity Action Plan to ensure the protection and enhancement of biodiversity values at Dutson Downs. The Committee met twice during this reporting period.

Population monitoring of the Wellington Mint-bush (*Prostanthera galbraithiae*)

Surveys were undertaken to assess known populations, suitability of fencing to prevent browsing pressures and conduct population searches of other sites considered suitable for the species. An estimated 330 plants were found at two known populations within Dutson Downs.

Fauna surveys

Fauna surveys were undertaken at Dutson Downs to determine the diversity of species at Dutson Downs. This information will provide baseline data for the development of the Biodiversity Management Plan for Dutson Downs.

Gippsland Water maintained its membership of the West Gippsland Threatened Flora Network, which assisted in coordinating biodiversity management activities.

These activities include fencing around the Wellington Mint-bush, ongoing surveys of population health and planning to determine ecological burning requirements to aid regeneration.

Weed control of the Spiny Rush (*Juncus acutus*) continued, with 175 additional hectares cleared by physical removal, and burning to destroy seed stock.

REGIONAL CATCHMENT MANAGEMENT STRATEGY

Gippsland Water participates in catchment management activities as part of the sustainable management of water resources under our Environmental Policy, and as required under the *Safe Drinking Water Act 2003*. The Act requires water authorities to prepare and implement risk management plans in a "catchment to customer tap" perspective. The plans include actions to address hazards that exist within catchments that have the potential to impact the supply of drinking water.

Catchment management projects during the reporting period include:

- review of high risk catchments;
- improved knowledge of the use of agricultural and forestry chemicals in catchments;
- monitoring blue green algae blooms in Lake Glenmaggie and Macalister River;
- ongoing support for the Mountain Rivers Landcare Group; and
- various chemical and biological monitoring projects including joint funding of web-based online monitoring of rivers affected by bushfires through the Gippsland Regional Water Monitoring Partnership.

Gippsland Water participated in the development of the Narracan Creek Catchment Plan, in conjunction with the West Gippsland Catchment Management Authority. The Plan's purpose is to improve water quality of the Narracan Creek which supplies drinking water to Moe, Newborough, Trafalgar, Yarragon and Yallourn North. The Plan identifies inherent risks of the Narracan Creek catchment and includes a set of management options and priorities for the overall improvement of water quality. The Plan is the first step in clarifying the roles and responsibilities of agencies and land owners within the catchment, and will be a working document for the Narracan Interagency Consultative Committee and the Gippsland Integrated Natural Resource Forum.



PART 3

RESOURCE SUSTAINABILITY



Gippsland Water is involved in the Tarago Reservoir Catchment Management Plan (released in 2003). The project, facilitated by Melbourne Water, involves a number of agencies and local community working to protect and improve water quality in the reservoir catchment. The catchment provides source water for the Warragul, Drouin, Nilma, Darnum, Neerim South and Noojee systems.

Progress through the year included:

- a review of the potential impact of domestic wastewater systems existing in the Tarago catchment;
- identification and review of planning applications to gain consistency of the various agencies;
- formation of a multi-agency working group to develop a Baw Baw Catchment Protection Policy; and
- participation in the Tarago Communication Strategy which covers media releases and community newsletters on the catchment works and Tarago Reconnection Project.

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 in management practices when the opportunity arises.

A key objective of the Dutson Downs Integrated Land Use Management Plan is the enhancement of local biodiversity and for Gippsland Water to provide best practice in natural resource management. Many of the plan's proposed activities include an objective to protect and enhance biodiversity onsite.

In planning general works and capital projects, Gippsland Water works with the Department of Sustainability and Environment and local government to ensure its activities are managed in accordance with the *Victorian Native Vegetation Framework, Flora and Fauna Guarantee Act 1988* and other relevant policies and regulations. Gippsland Water seeks to avoid disturbance to flora and fauna where possible. Where disturbance is unavoidable, agreements are reached to establish and maintain biodiversity offsets of similar ecosystems locally.

VICTORIAN RIVER HEALTH STRATEGY

Gippsland Water was an active stakeholder in the development of the West Gippsland River Health Strategy 2005. One item for Gippsland Water to action was the provision of a wastewater management system for Seaspray. Work commenced on the installation of the system in this reporting period.

Discussions have been held with West Gippsland Catchment Management Authority to prioritise the requirements for fish passages around waterway barriers used for Gippsland Water's operations.

Gippsland Water also sponsors the activities of Waterwatch, with \$20,000 provided to the community volunteer group this reporting period.

Gippsland Water services a number
of dairy manufacturers, including
Murray Goulburn in Maffra



PART 4

CUSTOMERS, STAKEHOLDERS AND COMMUNITY



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.

CUSTOMER RELATIONSHIP MANAGEMENT

Gippsland Water strives to provide the highest level of 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. The information gathered helps identify areas for improvement.

The Gippsland Water Integrated Service Centre provides an important interface between office-based and field-based activities. This service continues to improve response times to faults and emergencies as well as keep the organisation up to date on operational issues. In the past 12 months our Customer Service team has also actively promoted:

- water conservation;
- requirements of the staged water restrictions; and
- consultation with the community in relation to Water Plan 2008-09 – 2012-13.

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

CUSTOMER CHARTER

Gippsland Water's Customer Charter reflects specific commitments made to its customers and outlines associated service standards that will be maintained. The Charter is available through the Gippsland Water website at www.gippswater.com.au or a copy can be provided upon request from the service centre.

CULTURAL DIVERSITY

Gippsland Water's customer needs are diverse, reflecting the multicultural and socio-economic nature of the region. We seek to understand and respond to these needs in order to build stronger relationships with our customers. Gippsland Water funds a translator service for our non-English-speaking and hearing-impaired customers.

In addition, a wide range of social and financial services are offered to assist the community including the Utility Relief Grant Scheme and Hardship Relief Grant Scheme. Employees conduct customer visits where appropriate to ensure the right level of customer satisfaction is achieved.

MANAGEMENT OF SOCIAL AND ECONOMIC IMPACTS

Gippsland Water acknowledges the 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 was developed along Victorian Water Industry guidelines to ensure a level of service and respect is delivered to customers who are experiencing financial difficulties. An in-depth review is underway to ensure Gippsland Water continues to meet the ongoing expectations of customers who may be experiencing financial hardship.

COMMUNITY SERVICE OBLIGATIONS

Gippsland Water provides a number of services to the community free of charge. These are summarised as follows:

	2006-2007 \$000s	2005-2006 \$000s	2003-2004 \$000s
Concessions to pensioners	2,711.7	2,422.2	1,856.0
Rebates paid to non-profit organisations	221.6	238.0	207.4
Utility Relief Grant Scheme	12.6	6.4	7.9
WaterSmart	55.1	42.7	19.2
Water concession on Life Support Machines - Haemodialysis			-
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	-	-	-
Total	3,002.0	2,709.3	2,090.5

PART 4

CUSTOMERS, STAKEHOLDERS AND COMMUNITY

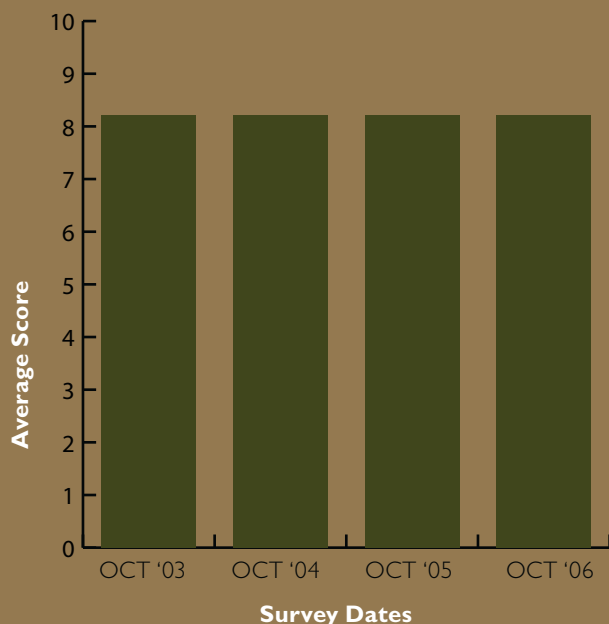


MAJOR CLIENTS SURVEY

Gippsland Water undertook its fourth major clients survey during 2006-07 with more than a third of our major clients interviewed.

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

Major Clients Satisfaction Survey Comparison of Results



The overall satisfaction level was an average of 8.4 (out of 10), which is consistent with previous surveys. All except four client ratings had improved or remained consistent with the previous year.

The overall results indicate positive performance with our major clients, particularly in the areas of providing operational services for trade waste and domestic waste; availability and ease of contact for technical and administrative services; and providing the service and operational services of raw water.

COMMUNITY SPONSORSHIP

Gippsland Water provides merchandise, financial and in-kind sponsorship to schools, community groups, events and local clubs in line with its sponsorship policy.

Annual sponsorship is provided to the following organisations:

- Waterwatch;
- Scope Quality Learning for the Gippsland Community Leadership Program;
- Golden and Paradise Beach Fishing Competition; and
- Gippsland Business Awards.

Sponsorships Gippsland Water provided in 2006-07 included:

- Go For Your Life programs;
- Stratford Community Night;
- Gormandale Community House;
- Latrobe Community Health; and
- local schools including Gippsland Grammar, Latrobe Special Development School, and Rawson Primary School.

Gippsland Water has a mobile water fountain which is provided to local events upon request. The mobile water fountain is loaned free of charge and is equivalent to Gippsland Water providing \$350 sponsorship.

Events to utilise the mobile water fountain in 2006-07 included:

- Ramahyuck District Aboriginal Corporation – Indigenous Softball Carnival;
- Drouin Ficifolia Festival;
- Relay for Life events;
- Baw Baw Garden Expo;
- Lardner Field days; and
- Stratford Shakespeare on the River Festival.



COMMUNITY EDUCATION

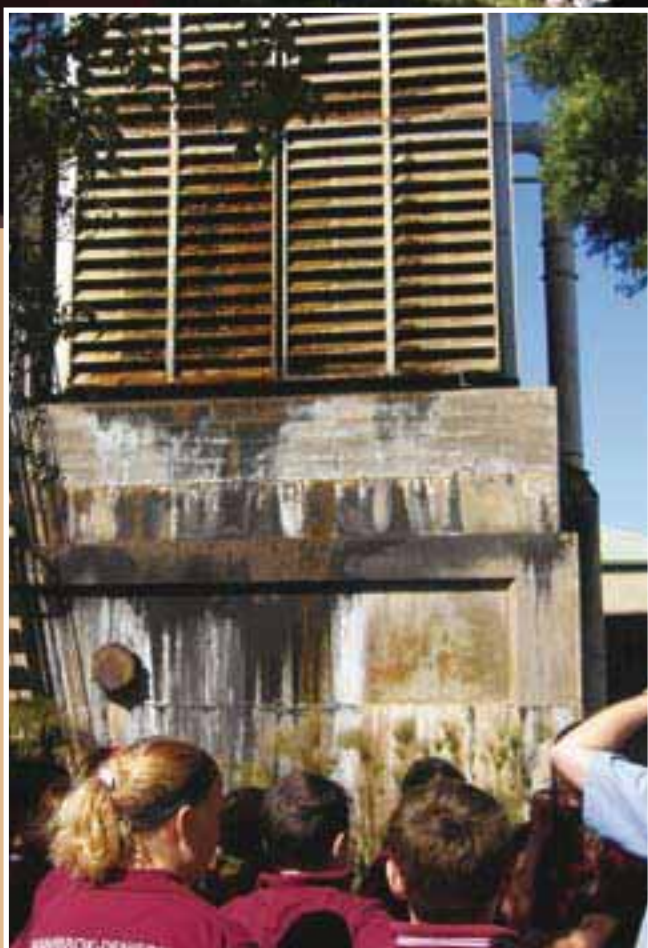
Gippsland Water's community education program caters for schools, community groups and the general public. Gippsland Water staff conduct school visits, presentations and site tours of our treatment plants, water storages and the Resource Recovery Facility at Dutson Downs.

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. Throughout the year Gippsland Water gave presentations at the Farm World field days, St Paul's Anglican Grammar School for World Environment Day, and various community groups.

Gippsland Water and Gippsland Water Factory public relations staff have worked in partnership with communications staff from other regional water authorities to redevelop a comprehensive school education program encompassing water conservation, sustainability, the water cycle, waste minimisation and our catchments.

The National Water Week 2006 theme was "Protect, Conserve and Get Involved". Gippsland Water in conjunction with South Gippsland Water organised a scientific day focused on the importance of water in sustaining life, which primary schools from across the region were invited to attend free of charge. Gippsland Water also conducted a photo competition for high school students with the winning photographs and a selection of other entries produced into desk calendars.

With regard to industry, Gippsland Water's Water Conservation Officer developed and facilitated a water efficiency and conservation education package for industry segments.



CASE STUDY: ERICA RAWSON WATER TREATMENT PLANT — OFFICIAL OPENING

Learning the “ins and outs” of water treatment was part of the fun when Gippsland Water’s new Erica Rawson Water Treatment Plant was opened to the public on Sunday, 29 April 2007.

Around 60 people attended the community open day, which included a free barbeque lunch provided by the local Erica Kindergarten, face painting, show bags, and balloons for the children.

Richard Elkington, Gippsland Water’s Chairman, did the honours and officially opened the Erica Rawson Water Treatment Plant alongside Baw Baw Shire Mayor David Balfour.

The open day allowed the local community to take part in guided tours of the treatment plant and to talk to Gippsland Water representatives.

The Erica Rawson Water Treatment Plant is located on Thomson Valley Road in Rawson, and was constructed to provide a reliable source of quality drinking water to residents of Rawson and Erica.

Gippsland Water invested \$2.6 million into the water treatment plant, which was commissioned in December 2006.



Chairman Richard Elkington opening the Erica Rawson Water Treatment Plant on 29th April 2007.



The Erica Rawson Water Treatment Plant was constructed to provide a reliable source of quality drinking water to residents of Rawson and Erica.



PART 4

CUSTOMERS, STAKEHOLDERS AND COMMUNITY



Annual water consumption and number of assessments

Supply System	Residential		Non-Residential		Major Industry	Non-revenue	Total supplied	4 Year Average Annual Demand	Consumption Variation
	Billed connections ⁶	Billed volume (MI)	Billed connections	Billed volume (MI)	Billed volume ⁷ (MI)	(MI)	(MI)	(MI)	
Boisdale ¹	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Boolarra	311	43.3	27	2.9	0	23.1	69.3	71.0	-2%
Briarolong	355	58.6	22	5.4	0	13.9	77.8	86.6	-10%
Coongulla - Glenmaggie ²	479	41.2	9	4.6	0	7.9	53.7	61.9	-13%
Erica Rawson	302	46.9	42	14.5	0	36.2	97.6	113.5	-14%
Heyfield	864	170.1	110	73.0	0	23.6	266.7	292.1	-9%
Maffra - Stratford	2,857	570.5	305	84.2	537.3	159.5	1,351.5	1,441.9	-6%
Mirboo North	714	115.2	84	28.4	0.0	8.2	151.8	197.5	-23%
Moe - Newborough ²	10,388	1,761.4	832	244.9	1,535.2	248.2	3,789.7	4,316.3	-12%
Moondarra ³	23,150	4,735.6	2,274	879.8	42,393.2	2,441.0	50,449.6	51,564.0	-2%
Neerim South - Noojee	659	146.1	67	35.8	0	35.3	217.2	231.3	-6%
Sale Wurruk	6,377	1,225.5	775	360.7	235.1	250.3	2,071.5	2,111.9	-2%
Seaspray	346	20.6	12	2.6	0	30.4	53.5	45.4	18%
Thorpdale	77	9.6	20	3.0	0	7.7	20.3	21.4	-5%
Toongabbie - Cowwarr ⁴	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Warragul - Drouin ⁵	9,765	1,753.4	1,080	438.4	375.1	412.3	2,979.2	3,116.5	-4%
Willow Grove	143	44.4	10	0.6	0	11.4	56.5	54.8	3%
Total	56,787	10,742.1	5,669	2,178.8	45,075.9	3,709.0	61,705.8	63,726.1	-3%

¹Included with Maffra - Stratford, following interconnection in March 2006.

²Supplies Moe, Newborough, Trafalgar, Yarragon, Yallourn and Yallourn North.

³Supplies Churchill, Cowwarr, Glengarry, Hazelwood North, Morwell, Rosedale, Toongabbie, Traralgon, Traralgon South, Tyers and Yinnar.

⁴Included with Moondarra, following interconnection in April 2006.

⁵Supplies Buln Buln, Darnum, Drouin, Nilma, Rokeby and Warragul.

⁶Number of assessments include connected and non connected residential customers.

⁷Includes untreated water supplied to major customers from the Moondarra system.

Gippsland Water provides water and wastewater services to ensure social, environmental and economic benefits for Central Gippsland.



PART 4

CUSTOMERS, STAKEHOLDERS AND COMMUNITY



PERMANENT WATER SAVING RULES

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. As part of the plan, Permanent Water Saving Rules were adopted in 2005.

The key Rules implemented include:

- use of manual or automatic watering systems restricted to between 8pm and 10am daily;
- hoses must be attached with trigger nozzles;
- paved areas cannot be hosed down (except for health and safety reasons); and
- 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 mail outs and in the Gippsland Water Service Centre.

As a result of record low rainfall state-wide the following water restrictions were introduced across Gippsland during the 2006-07 period:

Stage One Water Restrictions

- Introduced to all Gippsland Water customers on 25 October 2006.

Stage Two Water Restrictions

- Introduced to Thorpdale customers on 3 November 2006.
- Introduced to all Gippsland Water customers on 22 November 2006.

Stage Three Water Restrictions

- Introduced to all customers in Boisdale, Coongulla, Glenmaggie, Heyfield, Maffra and Stratford on 20 December 2006.
- Introduced to all Gippsland Water customers on 29 January 2007.

Stage Four Water Restrictions

- Introduced to all customers in Seaspray and Boolarra on 20 December 2006.
- Introduced to all customers in Maffra, Stratford, Boisdale, Coongulla and Glenmaggie on 24 February 2007 due to water quality issues.

DRINKING WATER QUALITY COMPLIANCE

Gippsland Water's Drinking Water Quality Compliance Monitoring Program was established to meet the requirements of the Victorian Government's Safe Drinking Water Regulations. The parameters monitored and the 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)

Full details of drinking water quality for each reticulation system will be available in the *Safe Drinking Water Act* Annual Report to the Department of Human Services which is submitted by November each year. This report becomes available to the public in March each year and can be accessed through the Gippsland Water website at www.gippswater.com.au.

Percentage of drinking water samples compliant with Safe Drinking Water Regulation

	2005 –2006	2006 –2007
E. coli (<1 E. coli in 98% of samples taken)	99.95% ²	100%
Turbidity (95% upper confidence limit of the mean 5 NTU)	100%	100%
Aluminium (0.2 mg/L)	96.81% ³	100%
Trihalomethanes (250 µg/L)	99.82% ⁴	99.82% ¹
Chloroacetic Acid (150 µg/L)	100%	100%
Dichloroacetic Acid (100 µg/L)	99.75% ⁵	100%
Trichloroacetic Acid (100 µg/L)	99.57% ⁶	100%

¹ One incident of elevated Trihalomethanes (THMs) was recorded during October 2006. Investigations indicate that chlorine dosing concentrations were at expected levels, but higher than normal levels of organic material were experienced resulting in higher THM levels. The commissioning of the Erica Rawson Water Treatment Plant has significantly reduced the organic load currently experienced in the reticulation water supply and also reduced the chlorine demand and potential for high concentrations of disinfection by-products.

² One sample taken in Seaspray contained E. coli. Source of contamination was birds gaining access to a storage tank. Reticulation flushed and chlorination increased.

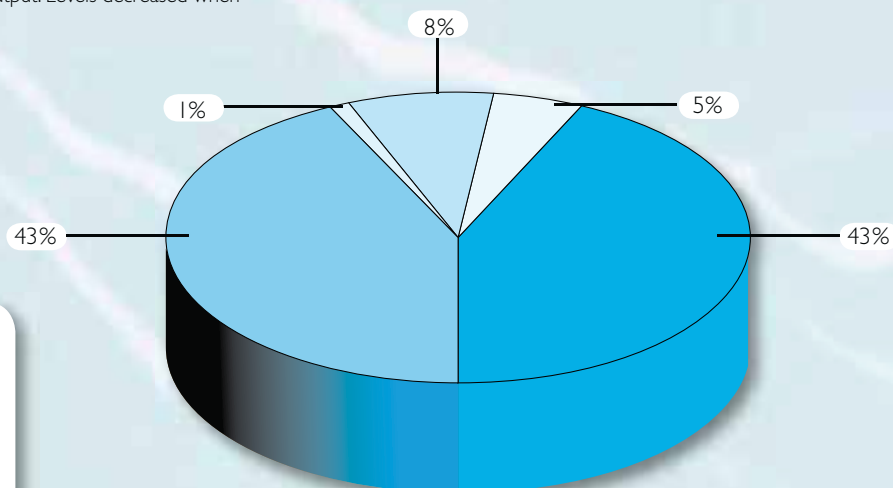
³ Toongabbie and Cowwarr experienced elevated 'total' aluminium levels, due to the presence of naturally occurring solids during high rainfall periods. Subsequent analyses (as required under the Safe Drinking Water Regulations) confirmed 'acid soluble' aluminium concentrations within these systems met 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.

⁴ A single incident of elevated THMs were detected in a sample from Erica, due to increased disinfection levels in an untreated water supply with high natural organic material.

⁵ 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.

⁶ Five separate incidents of elevated trichloroacetic acid occurred: two in Erica and three in Rawson. These incidents were a result of a disinfection unit malfunction, and the higher disinfection levels required to achieve microbiological compliance in an untreated water supply with high natural organic material.



- Non prescribed solid wastes 96 tonnes 1%
- Prescribed solid wastes 4,529 tonnes 8%
- Non prescribed liquid wastes 2,721 tonnes 5%
- Prescribed liquid wastes 22,993 tonnes 43%
- Gippsland Water wastes 23,704 tonnes 43%

Waste received at the Resource Recovery Facility, Dutson Downs for 2006-07

WASTE DELIVERIES TO DUTSON DOWNS

The Resource Recovery Facility (RRF), Dutson Downs accepts 66% of the prescribed waste generated by the Gippsland region.

A total of 54,043 tonnes of waste from 4,249 truck deliveries was received at the RRF during 2006-07. Of this, 85% was waste generated in the Gippsland region.

The chart above shows the waste tonnage received at the RRF for 2006-07.

CASE STUDY: GIPPSLAND WATER ASSISTANCE AT LICOLA

Imagine turning a swimming pool into a temporary water treatment facility. That's what happened in the tiny Gippsland town of Licola after heavy rains washed significant amounts of dirt and ash from the summer's devastating bushfires into the town's pristine catchments.

Situated about 250 kilometres north-east of Melbourne in the Victorian Alps, Licola was bought by the Lions Club in 1969 and has become a tourist-driven town. The club manages the town's wastewater treatment services, and potable water supply, which historically is easily disinfected and pumped straight from the Macalister River.

However, the December bushfires damaged 90% of the town's water distribution network, and a decent downpour followed, suddenly transforming what was once a pristine mountain river into a muddy disaster zone.

Enter a handful of Gippsland Water staff who responded to the Lions Club's calls for help to replace the village's reticulation system, and turn a dirty river into a potable water supply. Despite Licola not being in the Gippsland Water service area, staff proactively assessed the situation, conducted laboratory tests, and managed to retrofit a temporary treatment system in the local swimming pool.

The system helped produce potable water which met World Health Organisation rules and the Australian Drinking Water Guidelines. However, staff noted no improvement in the quality of the raw water sourced from the Macalister River, and an upgrade to the temporary treatment system was required to meet potable water demands.



With the help of three other companies: Aeramix, Activated Carbon Technologies, and Orica, including donations from the hardware industry, investigations for a secondhand water treatment system began.

In the meantime, residents were forced to have cold showers to reduce water use; and for a week or two, water was only available for three hours a day simply because that was as much as the Lions Club could afford to truck in.

However, from the devastation caused by the fires, the Lions Club has since been allocated \$100,000 from bushfire relief and government water funding initiatives. Future water supply options are also being investigated, including bore water to ensure safe drinking water for all those who live in or visit the township.



Proactively assessed the situation, conducted laboratory tests, and managed to retrofit a temporary treatment system in the local swimming pool.



PART 5

GOVERNANCE



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.

INFORMATION PRIVACY ACT 2000

Gippsland Water is subject to the *Information Privacy Act 2000* and is committed to protecting the privacy of all personal information it collects in a responsible and transparent manner.

Gippsland Water has a Privacy Policy to ensure only appropriate information is collected and protects against misuse. Employees, along with our Privacy Officer have attended regular training sessions and forums from the Office of the Victorian Privacy Commissioner.

Further information can be obtained by contacting the Privacy Officer on 1800 066 401.

No privacy related complaints were received for the reporting year.

FREEDOM OF INFORMATION

The *Freedom of Information Act 1982* allows individuals the right to request information/documents held by Gippsland Water. During the year, there was one request for access to information in accordance with the Act. Partial access was granted and the request was finalised.

Requests for information held by Gippsland Water under the *Freedom of Information Act 1982* should be made in writing to:

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

Each application must clearly identify the documents sought and be accompanied by a \$22.00 application fee.

NATIONAL COMPETITION POLICY

Competitive neutrality seeks to enable fair competition between local government and private sector businesses. Any advantages or disadvantages that government businesses may experience, simply as a result of government ownership, should be neutralised. Gippsland Water continues to implement and apply this principle in its business undertakings.

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 Traralgon office and is available on request, subject to the *Freedom of Information Act 1982*.

BUILDING ACT 1993

Gippsland Water complies with the relevant 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 an expenditure delegation of \$20,000 or more.

VICTORIAN INDUSTRY PARTICIPATION POLICY

The *Victorian Industry Participation Policy Act 2003* requires public bodies and departments to report on the implementation of the Victorian Industry Participation Policy. The policy was developed by the Victorian Government to ensure that applicable government projects use local suppliers when and where they offer best value for money.

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 2006-07:

New Projects

RFP001	Gippsland Water Factory Stage One
GW271	Tyers Water Treatment Plant
GW292	Seaspray Sewerage Scheme (pressure sewer pumps)
GW293	Soil and Organic Recycling Facility (civil works)
GW294	Soil and Organic Recycling Facility (Soils and Liquids Building)

GW301 Seaspray Sewerage Scheme (reticulation works)

GW302 Seaspray Sewerage Scheme (property works)

Completed Projects

GW264 Traralgon Water Treatment Plant upgrade

GW273 Erica Rawson Water Treatment Plant

GW279 Drouin Wastewater Treatment Plant upgrade

GW297 Traralgon office building extension

GW288 Wastewater pump station upgrades

CONSULTANT SERVICES

During the 2006-07 financial year, \$448,660.54 was spent on a total of 31 consultancy services, compared with \$369,000.00 on a total of 20 consultancy services in 2005-06.

There were no consultancies engaged over \$100,000 for the reporting period.

OVERSEAS TRAVEL

Gippsland Water officers, Catherine Burns, Mark Heffernan and Kim Saltmarsh visited the New Zealand offices of Hansen International. The purpose of the visit was to attend a Customer Information Billing seminar to advance Gippsland Water's billing capability.

Gippsland Water officers, Ian Heafield and Les Salmon interrupted their international holidays to attend a Sustainability Live Conference in Bermingham, England to extend their knowledge of regulation and management of assets to provide sustainable levels of service in the future. In reviewing "World's Best Practice" Gippsland Water will be better equipped to fulfil our customer needs and ultimately "Our vision" and "Our purpose".

Rwandan engineer Abaho Gershom spent five weeks at Gippsland Water during 2006, learning about our approach to water technology and methods involved in water collection, treatment and distribution. Following his visit, Gippsland Water Planning Co-ordinator David Chambers travelled to Rwanda (partly funded by Gippsland Water) to conduct a field investigation for a proposed water supply scheme to improve water access and quality for the Gahini community. This visit aligns with Gippsland Water's Corporate Social Responsibility Policy which aims to improve both our local and global community.

PART 5

GOVERNANCE



WHISTLEBLOWERS PROTECTION ACT 2001

Gippsland Water recognises the value of transparency and accountability in its administrative and management practices and is committed to the aims and objectives of the *Whistleblowers Protection Act 2001*.

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

The Victorian Water Industry Association delivers an annual accountability report for the Victorian water industry.

The Water Services Association of Australia (WSAA) produces an annual report which forms the blueprint for the ongoing process of national water reform.

These documents provide an open report of water industry performance for shareholders and customers through comparative benchmarking.

Gippsland Water also participated in two further WSAA benchmarking projects during the year, mechanical/electrical and customer service.

Gippsland Water is an active participator in these initiatives to benchmark at both a state and national level to support opportunities to continuously improve our performance across a range of business operations.

Further information on these reports can be obtained from:

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

RISK MANAGEMENT

Gippsland Water is committed to managing risk proactively and having procedures in place to ensure that risk management is an integral part of everyday business operations.

The risk management policy and procedures identify, assess, and treat strategic level risks to determine if Gippsland Water is in a position to accept, avoid, reduce, or transfer the risk. Ultimately, a cost effective and efficient approach will be adopted when managing risk. The risk management policy and procedures has been adapted from the Australian/New Zealand Standard for Risk Management (AS/NZS 4360:2004).

The Risk Management Committee met twice during 2006-07 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 through the Audit Committee on a quarterly basis.

During 2006-07, the risk management framework has been reviewed in its entirety to ensure a robust and consolidated business wide approach to risk.

The review focussed on:

- linkage with the Strategic Plan;
- translating existing information into the new risk management software (Methodware Enterprise Risk Assessor);
- removing duplication of risk management activities;
- identifying who is responsible for risk management activities, including mitigation;
- meeting the needs of all stakeholders within the organisation; and
- meeting the requirements, of the Australia/New Zealand Standard for Risk Management – AS/NZS4360:2004.

The consolidated framework and risk software will be fully integrated by July 2007.



PUBLIC ADMINISTRATION ACT

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.

The Code of Conduct for the Victorian Public sector is issued to all Gippsland Water employees upon induction, to actively promote and maintain appropriate standards of integrity and conduct.

FUTURE TARIFFS AND CHARGES

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 encourage the efficient and beneficial use of the most sustainable, fit-for-purpose source of supply.

Prices will be set at a level to recover all service delivery costs incurred by water authorities to ensure these authorities meet viability and other financial requirements of the Victorian Government.

The Essential Services Commission (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 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 Gippsland Water tariffs for a typical residential customer receiving water and wastewater services have been approved by the ESC for the 2006-07 and 2007-08 financial years, and are set out in the table below:

		2006-2007	2007-2008
Water	Service charge	\$81.56 pa	\$83.54 pa
Water	Volumetric charge	\$0.9432 per kl	\$0.9661 per kl
Wastewater	Service charge	\$348.43 pa	\$392.96 pa

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



PART 6

ORGANISATIONAL SUSTAINABILITY



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.

OUR PEOPLE: HIGHLIGHTS OF THE YEAR

An organisational refresh focusing on strategy, structure and people, as identified in 2005-06 continued to be implemented during the reporting period. As part of the review, Gippsland Water created 15 new positions, in addition to 44 new appointments arising from promotions, secondments, and staff movements.

Our desire to provide our people with greater opportunity for development and advancement has been achieved through the refresh and complemented with the introduction of new learning and development programs.

Gippsland Water's safety systems have also been improved with the development and initial implementation of our Job Safety Environmental Assessment process.

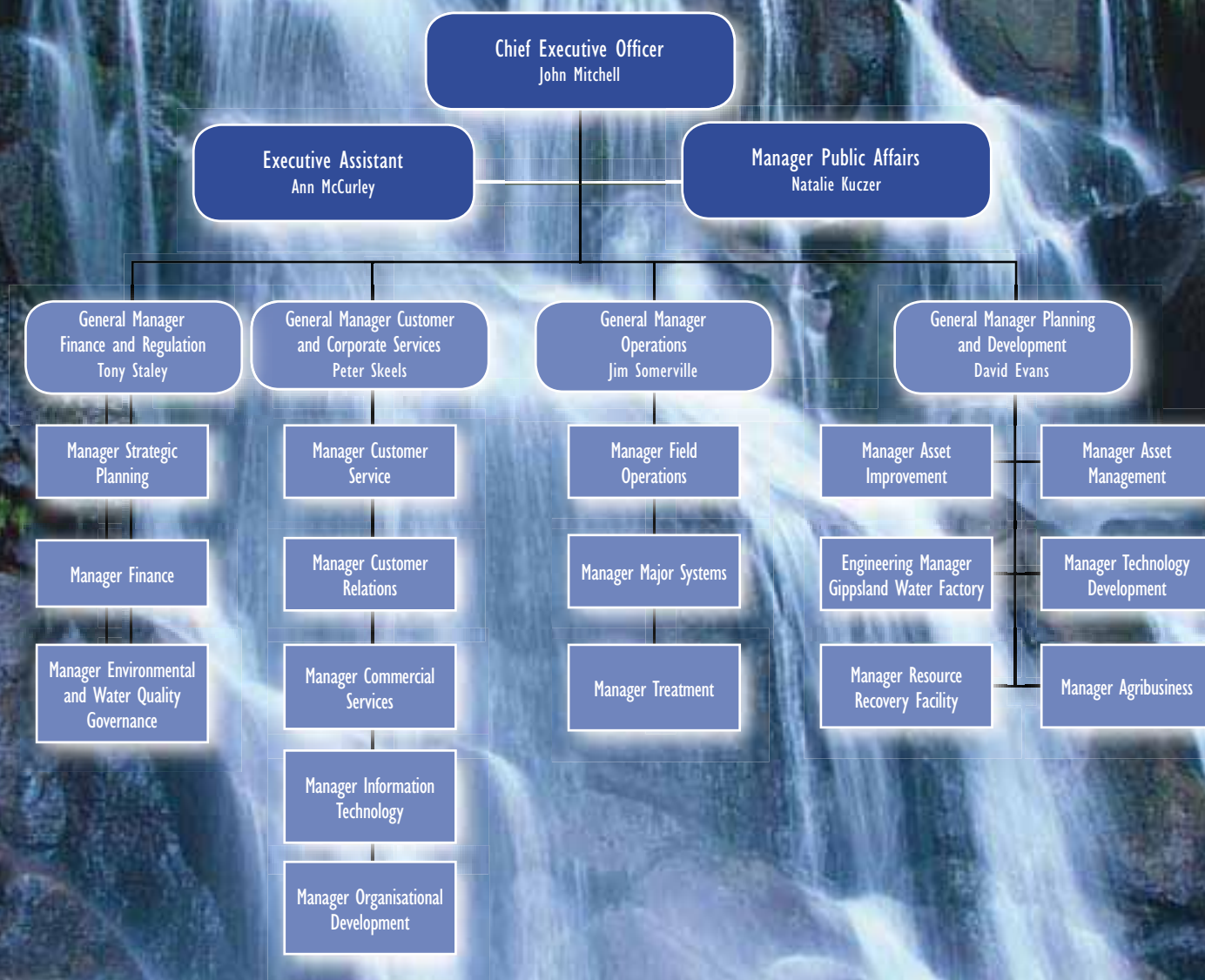
We were also very proud to be chosen as a best practice case study in the Work Life Balance Regional Studies Report.

Other highlights include:

- increased awareness of incident reporting in the organisation through the near hit system;
- major health promotions including a motivational talk by Steve Monaggetti and participation in the beyondblue National Workplace Program.
- implementation of the open teams survey, a tool for taking a snapshot of a team's developmental needs and concerns aimed at stimulating open dialogue;
- implementation of rejuvenated leadership development program incorporating the delivery of the new Adaptive Leadership Program; and
- Gippsland Water, as a member of Water Authorities of Gippsland Group was selected as the runner up for the Gippsland region in the 2006 Minister's Awards for Excellence for Employers of Australian Apprentices.

Photograph by Hayley Heil, Trafalgar High School - National Water Week Photo Competition entry.

ORGANISATIONAL STRUCTURE



Alexander Barfoot, Flinders Christian Community College - National Water Week Photo Competition entry.

PART 6

ORGANISATIONAL SUSTAINABILITY



EMPLOYMENT BY CATEGORY

Category	30 June 2004 (no.)	30 June 2005 (no.)	30 June 2006 (no.)	30 June 2007 (no.)
Full-time male	131	139	146	159
Full-time female	47	50	49	49
Part-time male	2	2	3	2
Part-time female	13	12	14	17
Casual male	0	0	0	4
Casual female	5	4	7	7
Total employees	198	207	219	238
Full-time equivalent	181	193	204	220
% Full-time equivalent female employees	27.08	27.45	28.35	27.27

STAFF SERVICE

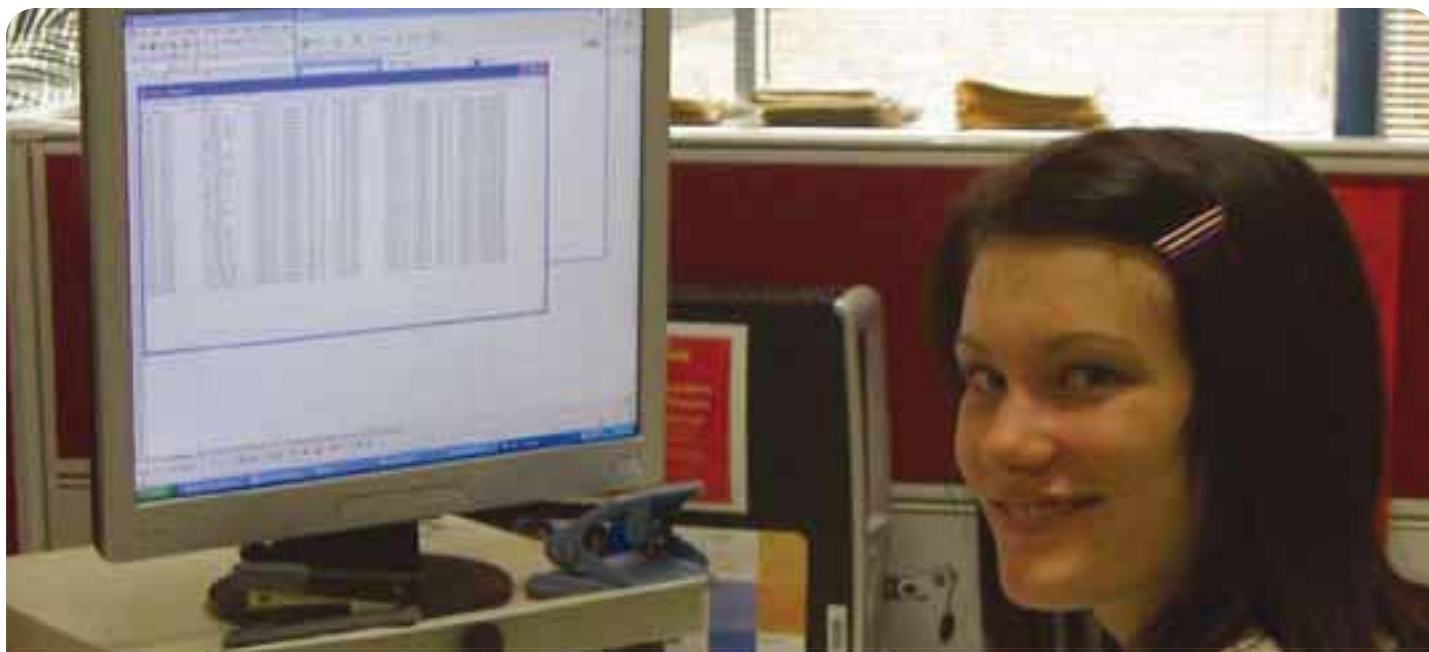
Staff service (all staff in excess of 10 years)	Male (no.)	Female (no.)
>10 <15 years service	6	12
>15 <20 years service	18	2
>20 <25 years service	11	1
>25 <30 years service	12	0
>30 years service	5	0
Total	52	15

EMPLOYEE TURNOVER

Year	2003 -2004	2004 -2005	2005 -2006	2006 -2007
% turnover	7.58	8.70	6.28	12.97

The employee turnover rate has increased during the reporting period in comparison to recent years. This can be directly attributed to the following factors:

- retirement;
- maternity leave; and
- attrition.



EQUAL EMPLOYMENT OPPORTUNITY

Gippsland Water complies with Equal Employment Opportunity (EEO) legislation and the Victorian Public Service Code of Conduct. Our Contact Officer Program assists in providing information and support for employees who feel harassed or bullied at work.

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

FEMALE EMPLOYEES

During 2006-07 there was a total of 75 women employed at Gippsland Water, which represents 27% of the full-time equivalent organisational workforce. Women were represented in management, team leadership, professional/engineering, technical and administrative roles. The Traralgon office has a nursing mothers room and Gippsland Water's flexible work policy continues to evolve through the Work Life Balance Committee and commitment from the executive level of the organisation.

Women in Gippsland Water have also been encouraged and supported to get involved in local Women in Leadership networking and development opportunities.

EMPLOYMENT AND DEVELOPMENT OPPORTUNITIES FOR YOUNG PEOPLE

Gippsland Water is committed to providing employment and development opportunities for young people within the community by providing a range of programs.

In 2006-07 Gippsland Water either initiated or has been involved in numerous youth development programs including:

- **Youth Employment Scheme (YES)**
A Victorian Government-sponsored initiative providing 15 to 24-year-olds with an opportunity to enter the workplace and build careers. This year Gippsland Water hosted three trainees. This program has seen more than 15 trainees go on to become permanent full-time employees at Gippsland Water.

- **Work Experience Program**

This encourages secondary students to experience a 'real' working environment for one or two weeks. Three secondary students undertook work experience in the administration and engineering departments.

- **Vacation Employment Program**

The program offers students studying at post secondary level the benefit of linking theoretical knowledge to practical application in the workplace. The program provides meaningful industrial experience that adds value to the students' skill base upon graduation. Gippsland Water is strongly committed to this program employing 11 students for this year's 12-week period, some receiving extensions to their employment.

- **Co-operative Education Program, Monash University Gippsland Campus**

The university initiated program formally integrates academic study with work placement. Gippsland Water has made a commitment to fund two students during their study (engineering and accounting), the first of the students' placements commenced in January 2007.

- **Career Expos**

Gippsland Water attends various career expos at Monash University Gippsland Campus, Engineers Australia and Lowanna College. This provides secondary and university students the opportunity to ask questions regarding the water industry and the types of employment opportunities available.

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.



PART 6

ORGANISATIONAL SUSTAINABILITY



DISABILITY ACTION PLAN

In accordance with the *Disability Act 2006* which stipulates "Persons with a disability have the same rights and responsibilities as other members of the community and should be empowered to exercise those rights and responsibilities", Gippsland Water is working towards compiling a Disability Action Plan.

Gippsland Water's action plan will aim to:

- reduce barriers to persons with a disability accessing goods, services and facilities;
- reduce barriers to persons with a disability obtaining and maintaining employment with Gippsland Water;
- promote inclusion and participation in the community of persons with a disability; and
- achieve tangible changes in attitudes and practices which discriminate against persons with a disability.

OCCUPATIONAL HEALTH AND SAFETY

Gippsland Water's Health and Safety Program aims to create a systematic and holistic approach to health and safety management through a range of priority themes addressed throughout the year. The themes are based on key areas of legislative compliance, structures for consultation, management and planning of health and safety. The themes are workplace based and combine information, guidelines and tools, workplace training and hands-on, practical assistance with their implementation. The long-term aim of this approach is to revisit the key themes each year, review effectiveness of systems, train new and existing people and provide an update on legislative requirements.

Key elements of the revitalised Health and Safety Program for the 2006-07 period include:

- Job Safety Evaluation Assessment program designed and implemented. This involved staff training about the new system and the retraining of employees in mobile plant competencies;
- manual handling training was implemented for all Operations staff exposed to manual handling risks. Another focus area was to train more than 100 employees in height safety awareness;
- incident reporting and near hit reporting has been one of the increased areas of awareness at Gippsland Water and continues to be a positive for the organisation with a 'no

blame nature' adopted. Recording of contractor near hits are now aligned with the Gippsland Water systems to capture incidents and accidents; and

- a focus on contractor safety. The contractor induction process has seen the refinement of confined space entry permits and near hit reporting.

WORK LIFE BALANCE

The Work Life Balance Committee consists of 26 employees representing each organisational department which meets monthly. The Committee's purpose is to promote a culture of effective work and life balance at Gippsland Water and to research and recommend initiatives and policies.

Highlights for the year:

- Gippsland Water was included as a best practice case study in the Work Life Balance Regional Studies Report – one of four regional organisations chosen for inclusion;
- continued partnership, consultation and ongoing dialogue with the Building Commission's Life and Wellbeing Team to discuss and share ideas on the different approaches to work life balance;
- The 2007 Work Life Balance survey was conducted in May 2007. Feedback received on flexible work options, including phased retirement intentions and health promotion ideas. Survey results will be relayed to workgroups in August 2007;
- tools for managers and employees to use when exploring flexible work options have been used by a number staff. These include the management and staff decision making trees, and individual self assessment exercises;
- a staff member independently initiated an alternative to permanent retirement, by reducing working hours to part-time, giving the individual greater flexibility and Gippsland Water the opportunity to retain a valuable staff member and their extensive knowledge;
- developing a Working From Home Policy with a number of staff successfully trialing this option; and
- Committee members attended Work Life Balance Association Round Tables to gather ideas and research best practice initiatives.

In 2007-08 the Committee will continue to explore ways to meet the needs of the organisation and employees in regards to work life balance to ensure we remain an 'Employer of Choice' within the region.



LEARNING AND DEVELOPMENT

Gippsland Water has worked in partnership with a number of water authorities and other organisations across the region, including Southern Rural Water, South Gippsland Water, Westernport Water, East Gippsland Water and SGS to develop and deliver training programs.

Some achievements for the 2006-07 period included:

- three significant employee development programs commenced as part of our rejuvenated leadership development program. The Diploma of Frontline Management, Facilitation Skills Program and the Adaptive Leadership Program all commenced with vigor and a number of unique projects were initiated to ensure experiential learning continues;
- sponsorship of the Gippsland Community Leadership Program and support for our participant;
- a variety of generic skills training provided. Employees

participated in programs such as Professional Business Writing Skills, Presentation Skills, Board Report Writing workshops, Microsoft programs and Time Management;

- as a member of the Water Authorities of Gippsland Group, traineeships are continuing with new operations staff undertaking Certificate III in Water Industry Operations. Gippsland Water also supported the pilot of the Certificate IV Water Industry Operations; and
- a new traineeship, Certificate III in Asset Maintenance – Waste Management was initiated for employees based at the Resource Recovery Facility, enabling flexible on-site learning opportunities.



CASE STUDY: ORGANISATION RESTRUCTURE AND REJUVENATED DEVELOPMENT PROGRAM

The 2006-07 financial year marked the implementation of Gippsland Water's new organisational restructure. The establishment of two new departments, Customer and Corporate Services department and the Finance and Regulation department, aligned the organisation with the needs of our customers, stakeholders, government and employees.

The restructure led to a number of employment opportunities both internally and across the Gippsland region. A total of 61 appointments were made in 2006-07 as a result of internal promotions, staff movements between departments, secondments and opportunities arising from maternity leave replacements, including 15 newly created positions.

In addition to recruiting an influx of new staff, the Organisational Development group developed and implemented a new learning and development model, invigorating Gippsland Water's already renowned investment in providing development for its people.

Gippsland Water's learning and development model recognises some skills are job-specific (technical), others are transferable (generic) and highlights the need for adaptive competencies that are specific to individuals and their personal growth. This directly relates to employee satisfaction and improved morale, as suitably developed employees will maximise their personal growth and confidence. This program seeks to unleash a flow of ideas, innovation and commitment which will lift Gippsland Water to higher levels of performance and will assist us to retain qualified, trained staff.

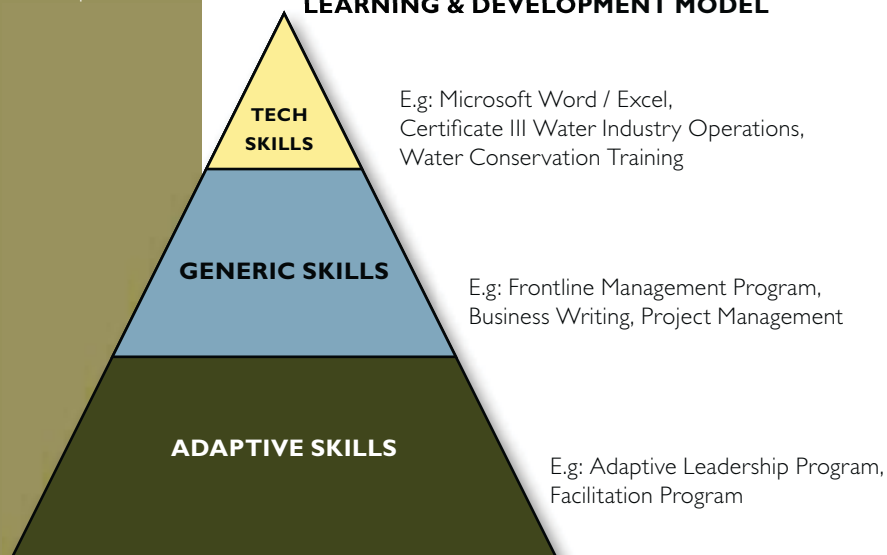
Gippsland Water's invigorated management and leadership development program has seen 41 staff (20% of the workforce) take advantage of this opportunity.

The year 2007 has seen the implementation of the Diploma of Business (Frontline Management) with participation from 16 staff. Gippsland Water recognises the role frontline managers play in achieving workplace efficiencies and this program offers existing and potential frontline managers the chance to develop and refine their skills in key areas. These include change management, team leadership and problem-solving while complementing their work role.

Facilitation (Change Agent) training is being undertaken by 13 staff. This program helps staff become more skilful at affecting meaningful change within the organisation and provides practical tools and skills to facilitate groups and develop reflective inquiry skills within participants. Trained facilitators will also become a valuable source of internal consultants for the organisation.

Our new Adaptive Leadership Program commenced in 2007 with 12 participants comprising third level managers and potential leaders. Tailored to meet our organisational needs, participants will gain valuable skills such as developing capability and flexibility in themselves and others whilst gaining commitment for organisational change.

LEARNING & DEVELOPMENT MODEL





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, dams and water courses.
CO ₂ -equivalent	A variety of atmospheric gas compounds, collectively known as greenhouse gases, which 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 CO ₂ -equivalents, which is the concentration of carbon dioxide (CO ₂) that would contribute an equivalent degree of impact as the total amount of greenhouse gases emitted.
DHS	Department of Human Services
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.
Ocean outfall	A pipeline that carries effluent to the ocean where it is dispersed and diluted. Gippsland Water's two ocean outfalls are strictly monitored in accordance with EPA regulations to ensure water quality.
Regional Outfall Sewer (ROS)	The ROS is the major pipeline and channel that transports approximately 50% of Central Gippsland's wastewater to Dutson Downs Wastewater Treatment Facility.
Saline Wastewater Outfall Pipeline (SWOP)	Pipeline used to transfer saline wastewater from the Loy Yang Ash Pond to Bass Strait. The SWOP is owned and operated by Gippsland Water.
SEPP	State Environment Protection Policy
Significant environmental aspect (SEA)	An environmental aspect that has or can have a significant environmental impact.
WGCMA	West Gippsland Catchment Management Authority

PART 7 FINANCIAL PERFORMANCE

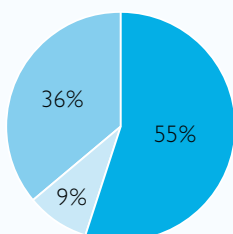
Summary of Financial Results

	2006 -2007 \$'000	2005 -2006 \$'000	2004 -2005 \$'000	2003 -2004 \$'000	2002 -2003 \$'000	2001 -2002 \$'000	2000 -2001 \$'000
Core Business Revenue	58,744	56,171	53,169	45,841	41,449	38,459	37,011
Interest Revenue	1,832	688	983	1,000	858	768	1,317
Government Contributions	1,486	1,306	-	-	-	-	28
Non Government Contributions	4,930	6,063	9,463	6,459	3,753	5,261	1,383
Other Revenue (Farm & Gross Proceeds)	1,841	2,123	828	1,478	1,384	2,038	1,937
	68,833	66,351	64,443	54,778	47,444	46,526	41,676
Operations & Maintenance Expense	30,411	27,461	28,377	25,309	26,136	24,082	22,491
Depreciation Expenses	19,062	17,777	17,154	16,201	15,763	14,743	14,969
Administration Expenses	14,802	13,305	10,003	7,526	6,949	6,750	8,100
Finance Expenses	1,030	101	-	-	-	-	-
	65,305	58,645	55,534	49,036	48,848	45,575	45,560
Net Operating Result	3,528	7,706	8,909	5,743	(1,404)	951	(3,884)

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

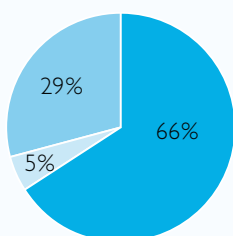
Financial Performance and Business Indicators as at 30 June 2007

Water Income from Service & Volumetric Charges



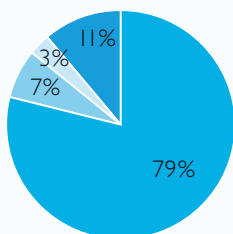
	2007 %	2007 \$'000
Urban Residential	55	15,063
Urban Non Residential	9	2,472
Major Clients	36	9,863
TOTAL	100	27,398

Wastewater Income from Service & Volumetric Charges



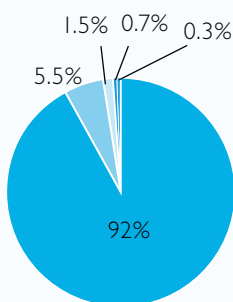
	2007 %	2007 \$'000
Urban Residential	66	17,900
Urban Non Residential	5	1,254
Major Clients	29	7,967
TOTAL	100	27,121

Total Income from All Sources



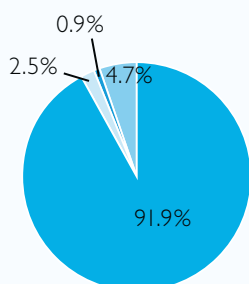
	2007 %	2007 \$'000
Service & Volumetric	79	54,519
Develop't Contributions	7	4,930
Interest	3	1,832
Other	11	7,552
TOTAL	100	68,833

Total Assets



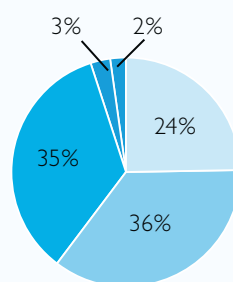
	2007 %	2007 \$'000
Fixed Assets	92	565,681
Cash & Investments	5.5	32,418
Debtors & Receivables	1.5	8,977
Inventory & Biological	0.7	3,853
Other	0.3	1,560
TOTAL	100	612,489

Liability & Equity



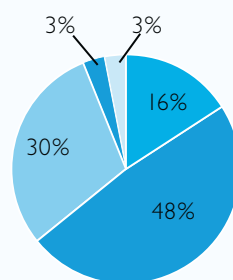
	2007 %	2007 \$'000
Equity	91.9	562,654
Creditors & Accruals	2.5	15,391
Provisions	0.9	5,444
Borrowings	4.7	29,000
TOTAL	100	612,489

Business Stream Revenue



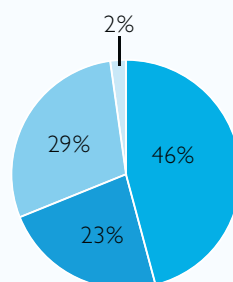
	2007 %
Bulk	24
Water	36
Waste	35
RRF	3
Agriculture	2
TOTAL	100

Business Stream Expenses



	2007 %
Bulk	16
Water	48
Waste	30
RRF	3
Agriculture	3
TOTAL	100

Total Expenses



	2007 %
Operations & Maint.	46
Administration	23
Depreciation	29
Interest	2
TOTAL	100

PART 7

FINANCIAL PERFORMANCE

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Operating Statement For The Year Ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
Revenue from Operating Activities			
Service Charges	I(b) 3(a)	35,143	32,218
Volumetric Charges	I(b) 3(a)	19,376	19,610
Government Contributions	I(b) 3(a)	1,486	1,306
Interest	I(b)	1,832	688
Developer Contributions	I(b) 3(a)	4,930	6,063
Other Revenue	I(b) 3(a)	4,820	4,924
Total Operating Revenue		67,587	64,809
Revenue from Non-Operating Activities			
Other Revenue	I(b)	1,246	1,541
Total Non-Operating Revenue		1,246	1,541
Total Revenue		68,833	66,350
Expenses from Operating Activities			
Employee Benefits	I(l)	17,392	15,515
Borrowing Costs	I(c) 3(c)	1,030	101
Suppliers	I(k)	25,394	22,599
Depreciation	I(e) 3(c)	18,214	17,297
Amortisation	I(e) 3(c) 13	848	480
Net Loss from Disposal of Assets	I(d) 3(b)	397	622
Environmental Contributions	I(q) 3(d)	2,030	2,030
Total Expenses from Operating Activities		65,305	58,644
Surplus/(Deficit) from Operating Activities before Tax		3,528	7,706
Income Tax Expense	I(o) 4	-	-
Net Result for Period	22	3,528	7,706

The above Operating Statement should be read in conjunction with the accompanying notes.

PART 7 FINANCIAL PERFORMANCE

Balance Sheet As At 30 June 2007

	Note	2007 \$'000	2006 \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	I(h) 5	31,418	40,383
Receivables	I(i) 6	8,977	11,816
Inventories	I(j) 7	1,052	765
Biological Assets	I(g) 12	1,082	1,053
Other Current Assets	8	1,553	1,142
		44,082	55,159
Non-current Assets classified as held for sale	I(d) 9	-	15
Total Current Assets		44,082	55,174
Non-current Assets			
Other Financial Assets	I(m) 10	1,000	1,000
Property, Plant and Equipment	I(d) 11	563,462	496,025
Biological Assets	I(g) 12	1,719	1,694
Intangible Assets	I(t) 13	2,219	2,014
Other Non-current Assets	14	7	26
Total Non-current Assets		568,407	500,759
TOTAL ASSETS		612,489	555,933
LIABILITIES			
Current Liabilities			
Payables	I(k) 15	15,391	7,197
Interest Bearing Liabilities	I(u) 16	-	4,500
Employee Benefits	I(l) 18	4,020	3,692
Total Current Liabilities		19,411	15,389
Non-current Liabilities			
Interest Bearing Liabilities	I(u) 16	29,000	9,500
Employee Benefits	I(l) 18	408	316
Long Term Provisions	I(m) I(v) 19	1,016	500
Total Non-current Liabilities		30,424	10,316
TOTAL LIABILITIES		49,835	25,705
NET ASSETS		562,654	530,228
EQUITY			
Contributions by Owners	I(w) 20	244,650	228,650
Reserves	21	23,315	10,417
Accumulated Funds	22	294,689	291,161
TOTAL EQUITY		562,654	530,228

The above Balance Sheet should be read in conjunction with the accompanying notes.

Statement Of Changes In Equity For The Year Ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
Total equity at beginning of financial year		530,228	485,257
Gain on Property Revaluation, net of tax	21	12,898	-
Other - Income for a specific purpose			
Gippsland Water Factory Project	20	16,000	34,022
Country Town Water & Sewerage Program	20	-	3,243
Net income recognised directly in equity		28,898	37,265
Net result for the period	22	3,528	7,706
Total recognised income and expense for the period		32,426	44,971
Total equity at end of financial year		562,654	530,228

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

PART 7 FINANCIAL PERFORMANCE

Cash Flow Statement For The Year Ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
Cash Flows from Operating Activities			
Receipts			
Service and Volumetric Charges		65,427	66,972
Interest Received		1,832	747
GST Received (Net)		1,692	2,077
Government Contributions	3(a)	1,486	1,306
		70,437	71,102
Payments			
Payments to Suppliers		(21,105)	(31,422)
Payments to Employees		(16,962)	(16,554)
Interest and Other Costs of Finance Paid		(1,030)	(101)
Environmental Contributions		(2,030)	(2,030)
		(41,127)	(50,107)
Net Cash Provided By Operating Activities	29	29,310	20,995
Cash Flows from Investing Activities			
Payments for Property, Plant and Equipment		(70,743)	(44,824)
Proceeds from Sale of Property, Plant and Equipment	3(b)	805	691
Income for Capital Purposes		663	1,618
		(69,275)	(42,515)
Cash Flows from Financing Activities			
Proceeds from Borrowings		15,000	14,000
Proceeds from Contributed Capital by State Government	20	16,000	37,215
Other		-	47
Net Cash Provided By Financing Activities		31,000	51,262
Net Increase / (Decrease) in Cash Held		(8,965)	29,742
Cash and Cash Equivalents at Beginning of Year	5	40,383	10,641
Cash and Cash Equivalents at End of Year	5	31,418	40,383

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the year ended 30 June 2007

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 2007.

Effective from 1 July 2007 the name of the Authority was changed to Central Gippsland Region Water Corporation under Section 85(1) of the Water Act 1989, inserted by Section 54 of the Water Governance Act 2006. Accordingly the reporting entity for the financial year 1 July 2006 to 30 June 2007 is the Central Gippsland Region Water Authority and these financial statements have been prepared on that basis.

The Board of Central Gippsland Region Water Corporation appointed the Chief Executive Officer as Managing Director on 27 July 2007. These financial statements have been certified by the Managing Director in accordance with the accountability requirements that attach to this position at the date of signing.

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 equivalents to International Financial Reporting Standards (A-IFRS), other authoritative pronouncements of the Australian Accounting Standards Board, 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 – see Note 1 (l) for a variation in relation to employee benefits.

Rounding

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

Critical accounting estimates

The preparation of financial statements in conformity with A-IFRS 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

Volumetric and service charges are recognised as revenue when levied or determined.

Water and sewerage (non residential customers only) charges by measure are recognised as revenue when the meters are read. Meter reading is undertaken progressively throughout the year. For the 2006-07 financial year the Authority estimated the outstanding revenue in respect of water meters which had not been read at balance date of \$1,456,730, (2005-06 \$1,649,258), by multiplying the number of days since the last reading by each customer's average service usage.

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 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 Water, Environment and Climate Change have indicated are in the nature of owners' contributions are accounted for as *Equity – Contributions by Owners*.

Grants and contributions from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Authority will comply with all attached conditions.

Interest and rents

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

Lease income

Income from operating leases is recognised on a straight line basis over the term of the lease.

Other Revenue

The Authority derives other revenue from miscellaneous fees and charges but Other Revenue also includes revenue from Prescribed Waste and Agribusiness.

(c) Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs include interest on bank overdrafts, short term and long term borrowings. Included in borrowing costs is the Financial Accommodation Levy (FAL) which is administered by the Department of Treasury and Finance. The purpose of the FAL is to expose public sector authorities to competitive disciplines by neutralising the competitive advantage provided by a State Government guarantee on borrowings.

(d) Recognition and Measurement of Assets

Property, plant and equipment represent non-current assets comprising land, buildings, water, sewerage, 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.

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.



PART 7

FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2007

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

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

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.

Valuation of non current physical assets (Excludes biological assets – Note 1 (g))

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 authorities to facilitate the harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage systems.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Operating Statement. When revalued assets are sold, it is the Authority's 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 five years with timing based upon 'Purpose Group'. In the case of land an interim fair value assessment within the five year revaluation cycle may be performed where there is evidence of a material increase in land values with reference to relevant indices or observations for market conditions.

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.

At 30 June 2007 land and buildings have been revalued. The revaluations were based on independent assessments by a member of the Australian Property Institute and on the State Government Panel of Valuers as administered by the Valuer General Victoria.

The valuation basis of land and buildings is at fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction based on current prices in an active market for similar properties in the same location and condition. The Authority's land and buildings were revalued at 30 June 2007 and the combined increment of \$12,898,704 is reflected in the Asset Revaluation Reserve and the corresponding entry in the land and building non current asset accounts refer Note 11 and 21.

Impairment of Assets

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. When the impairment loss exceeds the amount in the revaluation reserve for that same class of asset that portion of the impairment will then be recognised in the Operating Statement.

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

Notes to the Financial Statements for the year ended 30 June 2007

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.

(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
Intangibles	3 ⇒ 5 years

(f) Leased Assets

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.

(g) 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 2007.

The value and physical quantity of commercial trees in plantations at balance date is recorded in Note 12 - Biological Assets.

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 2007.

The value and physical quantity of crops in storage at balance date is recorded in Note 12 - Biological Assets.

Sam Paton and Associates independently verified these values having regard to seasonal conditions prevailing at the time both in Gippsland 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 2007.

The value and physical quantity of livestock at balance date is recorded in Note 12 - Biological Assets.

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.

(h) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities on the Balance Sheet.

(i) 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



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Notes to the Financial Statements for the year ended 30 June 2007

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.

(j) 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.

(k) 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.

(l) Employee Benefits

Wages and salaries, employee bonuses, annual leave and sick leave

Liabilities for wages and salaries, employee bonuses, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in employee benefit liabilities in respect of employee's services up to the reporting date are measured at the amounts expected to be paid when the liabilities are settled, at their nominal values. Employee benefits which are not expected to be settled within 12 months are measured as the present value of their estimated future cash outflows to be made by the Authority, in respect of services rendered by employees up to the reporting date. Regardless of the expected timing of settlements, provisions made in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non current liability.

Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Provisions made for unconditional long service leave are classified as a current liability, where the employee has a present entitlement to the benefit. The non-current liability represents long service leave entitlements accrued for employees with less than seven years of continuous service.

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.

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.

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.

(m) Environmental Bond & Bioremediation Pond Rehabilitation

In respect of the Bioremediation Pond (cardboard pond) at Dutson Downs, which falls under EPA Licence ES344, the Authority is required to meet the conditions of Sections 19A (2A) and 21 of the Environment Protection Act 1970 which requires a financial assurance for an occupier of a landfill by Works Approval, Licence or Pollution Abatement Notice. The financial assurance is intended to provide a guarantee that the costs of remediation, site closure and post closure liabilities are not borne by the community in the event of the occupiers of the premises abandoning the site, becoming insolvent or incurring clean up costs beyond their financial capability. This assurance takes the form of a \$1M cash deposit with Treasury Corporation Victoria (TCV).

In addition, as all the conditions of AASBI37 are met, the Authority needs to recognise the liability for rehabilitation of this site through a provision account. AASBI37 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 site.

The Authority has provided a total of \$1,016,378, for the rehabilitation of the bioremediation pond in accordance with Accounting Standard AASBI37.

(n) Changes in Accounting Policy

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

(o) Taxation

The Authority is subject to the National Tax Equivalent Regime (NTER) which is administered by the Australian Taxation Office (ATO).

The directors estimate that the potential future deferred tax asset at 30 June 2007 in respect of tax losses not brought to account is \$40,005,600 (2005-06 \$33,603,923). Refer to Note 4.

The Authority currently does not bring to account tax expense, assets and liabilities in the Operating Statement and Balance Sheet as settlement of these items is not assured beyond reasonable doubt in the foreseeable future.

(p) Dividend Policy

The Authority is required to pay a dividend in accordance with a determination of the Treasurer of Victoria under the Public Authorities (Dividend) Act 1983, based on a prescribed percentage of the previous years' 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 financial year based on operating income from 2005/06 year. It is anticipated that the Authority will not be required to pay a dividend on the net profit as it has not met the Dividend Policy determination.

(q) Environmental Contributions

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

Notes to the Financial Statements for the year ended 30 June 2007

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

The environmental contributions are disclosed separately within expenses – Note 3 (d).

(r) Goods and Services Tax

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

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

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

(s) 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

The Authority has not entered into any derivative instruments during the financial year.

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.

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.

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.

(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:

Amortisation Basis	Software Costs
Useful Lives	Finite
Method Used	3 - 5 years – straight line
Internally generated / acquired	Acquired
Impairment Test / Recoverable Amount Test	Annually and where an indicator of impairment exists

(u) Interest Bearing Liabilities

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.



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Notes to the Financial Statements for the year ended 30 June 2007

(u) **Interest Bearing Liabilities - Continued**

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) **Contributions by Owners**

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners. Transfers arising from administrative restructurings are treated as distributions to or contributions by owners.

(x) **Comparative Amounts**

Where necessary, figures for the previous year have been reclassified to facilitate comparison.

(y) **Web Site 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 web site, 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) **Market risk**

The aim of interest rate risk is to minimise the longer term cost of borrowings by limiting the exposure of the Authority to interest rate repricing in any one period by adopting the debt portfolio maturities and to spread the debt between fixed and floating instruments.

The Authority has not entered into any derivative financial instrument to manage its exposure to interest rate or foreign currency risk.

(b) **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 in the Balance Sheet net of any applicable provisions for loss.

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.

(c) **Liquidity risk**

The Authority manages liquidity risk by the maintenance of adequate reserves and ensuring sufficient standby credit facilities are available.

Notes to the Financial Statements for the year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
Note 3 Operating Statement - Disclosures			
(a) Revenue			
<u>Service Charges</u>			
- Water Service Charges		10,873	10,501
- Wastewater Charges		24,202	21,658
- Trade Waste Charges		68	59
	I (b)	35,143	32,218
<u>Volumetric Charges</u>			
- Water		16,525	16,731
- Wastewater		2,851	2,879
	I (b)	19,376	19,610
<u>Government Contributions</u>			
- Operating		-	-
- Non Operating		1,486	1,306
	I (b)	1,486	1,306
<u>Developer Contributions</u>			
- Fees Paid by Developers		663	1,618
- Assets Received from Developers		4,267	4,445
	I (b)	4,930	6,063
<u>Other Revenue - Operating</u>			
- Agribusiness		1,036	1,433
- Resource Recovery Facility		1,821	1,737
- Other Fees		1,963	1,754
	I (b)	4,820	4,924
(b) Net Gains and Expenses			
The surplus from operating activities includes the following specific net gains and expenses			
<u>Net Gain (Loss) on Disposal of Property, Plant & Equipment</u>			
- Proceeds from Sale of Assets		805	691
- Less WDV of Assets Sold		(1,187)	(1,313)
- Less Non-current Asset Held for Sale		(15)	-
		(397)	(622)

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Notes to the Financial Statements for the year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
Note 3 - Continued			
(c) Expenses			
Depreciation			
- Buildings		580	329
- Water Infrastructure		7,575	7,523
- Wastewater Infrastructure		8,480	7,998
- Plant and Equipment		1,193	1,103
- Motor Vehicles		423	362
Less Depreciation Capitalised		(37)	(18)
Total Depreciation		18,214	17,297
Amortisation			
- Software	13	848	480
Bad and Doubtful Debts	1(i)	63	109
Borrowing Cost	1(c)	1,030	101
Superannuation Contributions	27	1,798	1,462
Decrement arising from asset revaluation		58	-
Auditors Remuneration			
Auditor General for Audit of Financial Statements		46	47
Internal Audit (2007: RSM Bird Cameron, 2006: Acumen)		57	89
(d) Individually Significant Items			
Environmental Contribution	1(q)	2,030	2,030

Notes to the Financial Statements for the year ended 30 June 2007

Note 4 Income Tax

Income Tax Expense for the Financial Year differs from amount calculated on the Net Result. The differences are reconciled as follows:

(a) Components of Tax Expense

	2007 \$'000	2006 \$'000
Current tax payable	-	-
Deferred tax relating to temporary differences	-	-
Adjustment for current tax on prior periods	-	-
Aggregate Income Tax Expense	-	-

Deferred income tax is not calculated as it is unlikely the Authority will generate sufficient operating profits in the future - refer Note 1 (o). Accordingly there is no recognition of deferred tax assets or liabilities.

(b) Reconciliation of Income Tax to Prima Facie Tax Payable

Net result before income tax expense	3,528	7,706
Tax at the Australian tax rate of 30% (2006: 30%)	1,058	2,312
Tax effect of amounts which are not deductible (taxable) in calculating taxable income.		
Adjustments Relating to Prior Years	-	161
Non Deductible Sundry Expenses	5	4
Income Tax Adjusted for Non Deductible (taxable) Items.	1,063	2,477
Benefit of Tax Losses from Prior years Recouped	1,063	2,477
Income tax expense as reported in the Operating Statement	-	-

(c) Amounts Recognised Directly in Equity

Aggregate current and deferred tax arising in the reporting period and not recognised in the net profit or loss but directly debited or credited to equity

-	-
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(d) Tax Losses

Unused tax losses for which no deferred tax assets has been recognised	133,352	112,013
Potential tax benefit at 30%	40,006	33,604

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2007

		2007 \$'000	2006 \$'000
Note 5	Cash and Cash Equivalents		
	Cash on Hand (a)	2	2
	Cash at Bank	31,416	40,381
	Total Cash and Cash Equivalents (b)	31,418	40,383
	(a) Cash on Hand		
	Cash on Hand is non interest bearing		
	(b) 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	31,418	40,383
	Balances as per Cash Flow Statement	31,418	40,383
Note 6	Receivables		
	Trade Receivables	6,378	9,285
	Allowance for Doubtful Debts	(80)	(80)
	Prepayments	902	614
	Other Receivables	1,777	1,997
	Total Receivables	8,977	11,816

Notes to the Financial Statements for the year ended 30 June 2007

		2007 \$'000	2006 \$'000
Note 7	Inventories		
	Stores and Consumables - at Cost	1,052	765
	Total Inventories	1,052	765
Note 8	Other Current Assets		
	Private Schemes Unmatured Capital	14	26
	Goods and Services Taxation Refund Due	1,523	1,095
	Other	16	21
	Total Other Current Assets	1,553	1,142
Note 9	Non-current Assets Classified as Held for Sale		
	Freehold Land Held for Sale	-	15
	Total Non-current Assets Classified as Held for Sale	-	15
Note 10	Other Financial Assets		
	Long Term Investments	1,000	1,000
	Total Other Financial Assets	1,000	1,000

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2007

Note 11 Property, Plant and Equipment

a) Classes of property, plant and equipment

Land

At Fair Value (2007: 30 June 2007 Valuation, 2006: 30 June 2004 Valuation)

**2007
\$'000**

**2006
\$'000**

25,944

13,263

25,944

13,263

Buildings

At Fair Value (2007: 30 June 2007 Valuation, 2006: 30 June 2004 Valuation)

10,084

8,640

Less: Accumulated Depreciation

(1)

(634)

10,083

8,006

Water Infrastructure

At Cost

241,165

226,929

Less: Accumulated Depreciation

(22,099)

(14,745)

219,066

212,184

Wastewater Infrastructure

At Cost

243,287

232,939

Less: Accumulated Depreciation

(24,197)

(15,718)

219,090

217,221

Plant and Equipment

At Cost

11,887

11,094

Less: Accumulated Depreciation

(5,771)

(4,860)

6,116

6,234

Motor Vehicles

At Cost

3,593

3,097

Less: Accumulated Depreciation

(502)

(364)

3,091

2,733

Under Construction (Work In Progress)¹

80,072

36,384

80,072

36,384

Total Property, Plant and Equipment

563,462

496,025

Infrastructure assets are held at cost in accordance with FRD 103B. Land and Buildings were valued at 30 June 2007 by CJ Lee & Associates, refer Note 1 (d).

¹Capital works 'Under Construction' includes \$47,113,075 (2006: \$12,717,596) for the Gippsland Water Factory project.

Notes to the Financial Statements for the year ended 30 June 2007

Note II Property, Plant and Equipment (continued)

2006-2007

b) Movements during the reporting period

	Opening WDV 1 July 2006 \$'000	Additions \$'000	Disposals \$'000	Net Revaluation \$'000	Other (Transfers) \$'000	Impairment \$'000	Depreciation \$'000	Closing WDV 30 June 2007 \$'000
Land								
At Cost	331	489	-	-	(819)	-	-	1
At Independent Valuation	12,932	-	(5)	12,197	819	-	-	25,943
	<u>13,263</u>	<u>489</u>	<u>(5)</u>	<u>12,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,944</u>
Buildings								
At Cost	1,247	2,135	-	-	(3,104)	-	(278)	-
At Independent Valuation	6,759	-	(11)	701	2,936	-	(302)	10,083
	<u>8,006</u>	<u>2,135</u>	<u>(11)</u>	<u>701</u>	<u>(168)</u>	<u>-</u>	<u>(580)</u>	<u>10,083</u>
Water Infrastructure								
At Cost	212,184	14,478	-	-	168	(189)	(7,575)	219,066
At Deprival Value	-	-	-	-	-	-	-	-
	<u>212,184</u>	<u>14,478</u>	<u>-</u>	<u>-</u>	<u>168</u>	<u>(189)</u>	<u>(7,575)</u>	<u>219,066</u>
Wastewater Infrastructure								
At Cost	217,221	10,349	-	-	-	-	(8,480)	219,090
At Deprival Value	-	-	-	-	-	-	-	-
	<u>217,221</u>	<u>10,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,480)</u>	<u>219,090</u>
Plant and Equipment								
At Cost	6,234	1,147	(72)	-	-	-	(1,193)	6,116
	<u>6,234</u>	<u>1,147</u>	<u>(72)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,193)</u>	<u>6,116</u>
Motor Vehicles								
At Cost	2,733	1,691	(910)	-	-	-	(423)	3,091
	<u>2,733</u>	<u>1,691</u>	<u>(910)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(423)</u>	<u>3,091</u>
Under Construction								
	36,384	70,481	-	-	(26,793)	-	-	80,072
	<u>36,384</u>	<u>70,481</u>	<u>-</u>	<u>-</u>	<u>(26,793)</u>	<u>-</u>	<u>-</u>	<u>80,072</u>
Total Property, Plant and Equipment	<u>496,025</u>	<u>100,770</u>	<u>(998)</u>	<u>12,898</u>	<u>(26,793)</u>	<u>(189)</u>	<u>(18,251)</u>	<u>563,462</u>

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2007

Note 11 Property, Plant and Equipment (continued)

2005-2006

b) Movements during the reporting period

	Opening WDV 1 July 2005 \$'000	Additions \$'000	Additions \$'000	Net Revaluation \$'000	Assets Held For Sale \$'000	Depreciation \$'000	Closing WDV 30 June 2006 \$'000
Land							
At Cost	36	314	(4)	-	(15)	-	331
At Independent Valuation	12,932	-	-	-	-	-	12,932
	<u>12,968</u>	<u>314</u>	<u>(4)</u>	<u>-</u>	<u>(15)</u>	<u>-</u>	<u>13,263</u>
Buildings							
At Cost	188	1,084	-	-	-	(25)	1,247
At Independent Valuation	7,064	-	(1)	-	-	(304)	6,759
	<u>7,252</u>	<u>1,084</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(329)</u>	<u>8,006</u>
Water Infrastructure							
At Cost	206,798	13,086	(177)	-	-	(7,523)	212,184
	<u>206,798</u>	<u>13,086</u>	<u>(177)</u>	<u>-</u>	<u>-</u>	<u>(7,523)</u>	<u>212,184</u>
Wastewater Infrastructure							
At Cost	214,624	10,773	(178)	-	-	(7,998)	217,221
	<u>214,624</u>	<u>10,773</u>	<u>(178)</u>	<u>-</u>	<u>-</u>	<u>(7,998)</u>	<u>217,221</u>
Plant and Equipment							
At Cost	5,410	1,934	(7)	-	-	(1,103)	6,234
	<u>5,410</u>	<u>1,934</u>	<u>(7)</u>	<u>-</u>	<u>-</u>	<u>(1,103)</u>	<u>6,234</u>
Motor Vehicles							
At Cost	2,435	1,607	(947)	-	-	(362)	2,733
	<u>2,435</u>	<u>1,607</u>	<u>(947)</u>	<u>-</u>	<u>-</u>	<u>(362)</u>	<u>2,733</u>
Under Construction	17,632	43,148	(24,396)	-	-	-	36,384
	<u>17,632</u>	<u>43,148</u>	<u>(24,396)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,384</u>
Total Property, Plant and Equipment	<u>467,119</u>	<u>71,946</u>	<u>(25,710)</u>	<u>-</u>	<u>(15)</u>	<u>(17,315)</u>	<u>496,025</u>

Notes to the Financial Statements for the year ended 30 June 2007

	2007 \$'000	2006 \$'000
Note 12 Biological Assets		
Current		
Silage	28	-
Feed Wheat	8	-
Feed Barley	3	15
Weaners and Heifers	995	991
Lambs	48	47
Total Current Biological Assets	1,082	1,053
Non-current		
Softwood Pinus Radiata	718	623
Breeding Herd	1,001	1,071
Total Non-current Biological Assets	1,719	1,694
Total Biological Asset Carrying Amount at 30 June	2,801	2,747
Movement in Carrying Amount		
Carrying amount at 1 July	2,747	2,540
Increases due to:		
Purchases	134	78
Natural Increase	661	477
New Crops	-	15
Market Value increase - Livestock and Plantations	421	722
Decreases attributable to :		
Sales	(1,128)	(646)
Deaths	(34)	(17)
Fire Damage - Plantation	-	(390)
Fed out to Livestock	-	(32)
Carrying amount at 30 June	2,801	2,747

PART 7

FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2007

Note 12 - Continued

	2007 \$'000	2006 \$'000	2007 Qty	2006 Qty
(a) Plants				
Consumable Assets				
Immature Assets				
Silage - (Qty Bales)	28	-	390	-
Feed Wheat (Qty Tonnes)	8	-	25	-
Feed Barley (Qty Tonnes)	3	15	10	75
Total Consumable Assets	39	15		
Non-bearer Assets				
Immature Assets				
Softwood Pinus Radiata (Qty Ha)	718	623	284	388
Total Non-bearer Assets	718	623		
(b) Animals				
Consumable Assets				
Immature Assets				
Weaners and Heifers	995	991	1,721	1,750
Lambs	48	47	1,150	1,184
Total Consumable Assets	1,043	1,038	2,871	2,934
Bearer Assets				
Mature Assets				
Cows and Bulls	1,001	1,071	1,152	1,037
Total Bearer Assets	1,001	1,071	1,152	1,037
Output				
Calves Natural Increase	661	477	1,182	1,192
Fair value of output was determined at closing market value				

Notes to the Financial Statements for the year ended 30 June 2007

Note 13 Intangible Assets

	Software \$000s	Total \$000s
At 1 July 2005		
Cost (gross carrying amount)	5,305	5,305
Accumulated amortisation and impairment	(3,039)	(3,039)
Net carrying amount	2,266	2,266
Year ended 30 June 2006		
Opening net carrying amount	2,266	2,266
Additions - acquisitions	228	228
Amortisation charge	(480)	(480)
Closing net carrying amount	2,014	2,014
At 30 June 2006		
Cost (gross carrying amount)	5,533	5,533
Accumulated amortisation and impairment	(3,519)	(3,519)
Net carrying amount	2,014	2,014
Year ended 30 June 2007		
Opening net carrying amount	2,014	2,014
Additions - acquisitions	1,053	1,053
Amortisation charge	(848)	(848)
Closing net carrying amount	2,219	2,219
At 30 June 2007		
Cost (gross carrying amount)	6,585	6,585
Accumulated amortisation and impairment	(4,366)	(4,366)
Net carrying amount	2,219	2,219

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2007

	2007 \$'000	2006 \$'000
Note 14 Other Non-current Assets		
Private Schemes Unmatured Capital	7	26
Total Other Non-current Assets	7	26
Note 15 Payables		
Trade Payables	4,134	2,894
Accrued Expenses	9,378	2,320
Other		
Salary Sacrifice	12	20
Security Deposits	996	915
Retentions	328	413
Overpaid Rates and Charges	478	532
Unclaimed Monies	-	75
Other	65	28
Total Payables	15,391	7,197
Note 16 Interest Bearing Liabilities		
Current Secured		
Loans - TCV	-	4,500
Total Current Secured Interest Bearing Liabilities	-	4,500
Total Current Interest Bearing Liabilities	-	4,500
Non Current Secured		
Loans - TCV	29,000	9,500
Total Non-current Secured Interest Bearing Liabilities	29,000	9,500
Total Non-current Interest Bearing Liabilities	29,000	9,500
Total Interest Bearing Liabilities	29,000	14,000

Notes to the Financial Statements for the year ended 30 June 2007

Note 17 Financial Instruments

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.

2007	Floating Interest Rate	1 year or Less	Fixed Interest Rate					Non Interest Bearing	Total
	\$'000	\$'000	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 4 Years	Over 4 to 5 Years	Over 5 Years	\$'000	\$'000
Financial Assets									
Cash and Cash Equivalents	31,416	-	-	-	-	-	-	2	31,418
Trade Receivables	-	-	-	-	-	-	-	6,298	6,298
Other Receivables	-	-	-	-	-	-	-	1,777	1,777
Long Term Investment	1,000	-	-	-	-	-	-	-	1,000
Total Financial Assets	32,416	-	-	-	-	-	-	8,077	40,493
Weighted Average Interest Rate	5.94%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		

Financial Liabilities

Loans	-	-	9,500	-	9,500	-	10,000	-	29,000
Total Financial Liability	-	-	9,500	-	9,500	-	10,000		29,000

Weighted Average Interest Rate	0.00%	0.00%	6.10%	0.00%	6.76%	0.00%	6.77%		
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2006	Floating Interest Rate	1 year or Less	Fixed Interest Rate					Non Interest Bearing	Total
	\$'000	\$'000	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 4 Years	Over 4 to 5 Years	Over 5 Years	\$'000	\$'000
Financial Assets									
Cash and Cash Equivalents	40,381	-	-	-	-	-	-	2	40,383
Trade Receivables	-	-	-	-	-	-	-	9,206	9,206
Other Receivables	-	-	-	-	-	-	-	1,997	1,997
Long Term Investment	1,000	-	-	-	-	-	-	-	1,000
Total Financial Assets	41,381	-	-	-	-	-	-	11,205	52,586
Weighted Average Interest Rate	5.49%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		

Financial Liabilities

Loans	4,500	-	-	9,500	-	-	-	-	14,000
Total Financial Liability	4,500	-	-	9,500	-	-	-		14,000

Weighted Average Interest Rate	5.91%	0.00%	0.00%	6.10%	0.00%	0.00%	0.00%		
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Fair Value

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

	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$'000	\$'000	\$'000	\$'000
On Balance Sheet				
Non Traded Financial Liabilities				
Loans	29,000	28,957	14,000	14,072
Total	29,000	28,957	14,000	14,072

None of the classes of interest bearing liabilities are readily traded on organised markets in standardised form. The fair value of borrowings is based upon market prices, where a market exists or by discounting the expected cash flows by the current interest rates for liabilities with similar risk profiles. Fair value is inclusive of costs which would be incurred on settlement of a liability.



PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2007

		2007 \$'000	2006 \$'000
Note 18	Employee Benefits		
	Current		
	All annual leave, sick leave, employee bonuses and long service leave representing seven and more years of continuous service.		
	Short-term employee benefits, that fall due within 12 months after the end of the period, measured at nominal value.	1,849	1,612
	Other long-term employee benefits that do not fall due within 12 months after the end of the period, measured at present value.	2,171	2,080
	Total Current Employee Benefits	4,020	3,692
	Non-current		
	Conditional Long Service Leave	408	316
	Total Non-current Employee Benefits	408	316
	Total Employee Benefits	4,428	4,008
	Employee numbers at end of financial year (FTE)	220	204
	The following assumptions were adopted in measuring the present value of long service leave and retirement gratuity entitlements:		
	Weighted average increase in employee costs	4.50%	5.75%
	Weighted average discount rates	6.01 - 6.18%	5.68 - 5.74%
	Weighted average settlement period	13	13
	The Authority made the following ex-gratia payments (\$'000).	112	0

Notes to the Financial Statements for the year ended 30 June 2007

Note	2007 \$'000	2006 \$'000
Note 19 Long Term Provisions		
Non-current		
Bioremediation Pond	1,016	500
Total Long Term Provisions	1,016	500
Refer to Note 1(m) which outlines the purpose for creating the Bioremediation provision. The provision recognises the present value of estimated expenditure to rehabilitate the Bioremediation Pond at Dutson Downs.		
Movements in Provisions		
Movements in each class of provision during the financial year, other than employee benefits, are set out below:		
Bioremediation Pond		Total
Opening balance at 1 July	500	500
Additional provisions recognised	524	524
Payments or other sacrifices of economic benefits	(8)	(8)
Closing balance at 30 June	1,016	1,016
Note 20 Contributions by Owners		
Opening balance at 1 July	228,650	191,385
Capital contributions in the year	16,000	37,265
Closing balance at 30 June	244,650	228,650
Note 21 Reserves		
Asset Revaluation Reserve	23,315	10,417
Total Reserves	23,315	10,417
Movements in Reserves		
Asset Revaluation Reserve		
Opening balance at 1 July	10,417	10,417
Revaluation increment on non-current assets	12,898	-
Closing balance at 30 June	23,315	10,417
Note 22 Accumulated Funds		
Opening balance at 1 July	291,161	283,455
Net Surplus	3,528	7,706
Closing balance at 30 June	294,689	291,161

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2007

Note		2007 \$'000	2006 \$'000
Note 23	Commitments		
	Non Cancellable Operating Lease Commitments		
	At 30 June, the Authority had operating lease commitments due for payment as follows:		
	- within one year	74	71
	- later than one year but not later than five years	315	302
	- later than five years	257	247
	Total	646	620
	Capital Commitments¹		
	Property, Plant and Equipment		
	- within one year	23,763	4,446
	- later than one year but not later than five years	-	-
	- later than five years	-	-
	Total	23,763	4,446
	Other Commitments		
	At 30 June, the Authority did not have any outstanding commitments for the purchase of biological assets or intangible assets.		
	¹ Capital Commitments		
	On 20 December 2005 the Authority entered into an Alliance Agreement to design and construct a new wastewater treatment facility, known as the Gippsland Water Factory. The Alliance has commenced the construction phase of the project. Outstanding capital commitments at 30 June 2007 were \$18.0M, (2006 \$Nil) and are included in the total for Property, Plant and Equipment Commitment.		
Note 24	Contingent Liabilities and Contingent Assets		
	At balance date the Authority was not aware of any material contingent liabilities or contingent assets which are not recorded or disclosed in these accounts.		

Notes to the Financial Statements for the year ended 30 June 2007

Note 25 Segment Information - Wholesale / Retail

	Wholesale Operations		Retail Operations	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Operating Statement				
Revenue				
Bulk Water Sales - Urban Retail	2,793	2,544	-	-
Retail Service Charges	-	-	35,014	31,965
Retail Usage Charges	-	-	16,562	17,168
Other Revenue	-	-	14,464	14,673
Total Revenue	2,793	2,544	66,040	63,806
Expenses				
Operations and Maintenance	1,139	1,123	28,954	26,337
Borrowing costs	-	-	-	-
Administration	655	812	13,465	10,855
Depreciation	904	522	18,158	16,965
Environmental Contribution	95	87	1,935	1,943
Total Expenses	2,793	2,544	62,512	56,100
Operating Result by Function¹	-	-	3,528	7,706
Balance Sheet				
Assets				
Cash Assets	5,215	3,676	26,203	36,707
Other Financial Assets	-	-	1,000	1,000
Property, Plant and Equipment	24,904	25,578	538,558	470,447
Other Assets	2,414	1,697	14,195	16,828
Total Assets	32,533	30,951	579,956	524,982
Liabilities				
Provisions and Payables	810	467	20,025	11,238
Interest Bearing Liabilities	-	-	29,000	14,000
Total Liabilities	810	467	49,025	25,238
Cashflow Statement				
Capital Flows from Investing Activities	(159)	(429)	(69,116)	(42,086)
Capital Flows from Financing Activities	-	-	31,000	51,262
Total Cash Flows from Investing and Financing Activities	(159)	(429)	(38,116)	9,176
Capital Investments				
Replacement / Renewals	(159)	(429)	(10,190)	(7,793)

¹ There are no intersegment transactions between the wholesale and retail segments.



PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2007

Note 26 Operating Results of Retail Services

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

	Water Supply		Wastewater		Other		Total Retail Operations	
	2007 \$000's	2006 \$000's	2007 \$000's	2006 \$000's	2007 \$000's	2006 \$000's	2007 \$000's	2006 \$000's
Revenue								
Sales - External	24,657	24,706	26,919	24,427	14,464	14,673	66,040	63,806
Total Revenue	24,657	24,706	24,657	24,427	14,464	14,673	66,040	63,806
Service Result	10,957	12,869	13,716	11,989	(21,145)	(17,152)	3,528	7,706

Note 27 Superannuation

The Authority makes employer superannuation contributions in respect of most employees to Vision Super (The Fund). The Fund has two categories of membership, each of which is funded differently.

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (9% under Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefits accruing to the employees are represented by their share of net assets of the Fund.

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under paragraph 32(b) of AASB 119, the Authority does not use defined benefit accounting for these contributions.

The Authority makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's actuary as at 31/12/05, the Trustee has determined that the current funding arrangements are adequate for the expected Defined Benefit Plan liabilities. The Authority makes the following contributions:

- 9.25% - 15.25% of members salaries;
- the difference between resignation and retrenchment benefits paid to any retrenched employees, plus contribution tax (same as previous year).

The Fund's liability for accrued benefits was determined in the 31/12/05 actuarial investigation pursuant to the then requirements of Australian Accounting Standard AAS 25 as follows:

	\$M
Net Market Value of Assets	2,194
Accrued Benefits (per accounting standard)	2,172
Difference between Assets and Accrued Benefits	22
Vested Benefits	1,564

The financial assumptions used to calculate the Accrued Benefits for the defined benefit category were:

- Net Investment Return	8.0%
- Salary Inflation	5.5%
- Price Inflation	2.5%

Notes to the Financial Statements for the year ended 30 June 2007

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

	Type of Scheme	Contribution Rate	2007 \$'000	2006 \$'000
Vision Super - Defined Benefits (Employer)	Defined Benefit	9.25 - 15.25%	318	305
Vision Super - Defined Benefits (Employer Salary Sacrifice)	Defined Benefit	Various	81	77
Vision Super - Supersaver (Employer)	Accumulation	9%	815	741
Vision Super - Supersaver (Employer Salary Sacrifice)	Accumulation	Various	401	239
EquipSuper Fund	Accumulation	9%	25	36
EquipSuper Fund (Employer Salary Sacrifice)	Accumulation	Various	3	18
REST Superannuation	Accumulation	9%	15	2
REST Superannuation (Employer Salary Sacrifice)	Accumulation	Various	3	-
VicSuper	Accumulation	9%	11	1
VicSuper (Employer Salary Sacrifice)	Accumulation	Various	1	-
BT Superwrap	Accumulation	9%	7	1
BT Superwrap (Employer Salary Sacrifice)	Accumulation	Various	8	2
Asgard Superannuation	Accumulation	9%	8	5
AustralianSuper	Accumulation	9%	7	-
Hostplus Superannuation	Accumulation	9%	7	1
Other Retail Superannuation Funds	Accumulation	9%	10	4
Self Managed Superannuation Funds	Accumulation	Various	78	30
Total (Refer Note 1(l) 3(c))			1,798	1,462

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.

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2007

Note 28 Responsible Person's Related Disclosures

a) Responsible Persons

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

The Hon. John Thwaites MP - Minister for Water, Environment and Climate Change. (1 July 2006 - 30 June 2007)

John Mitchell - Chief Executive Officer (Appointed as Managing Director on 27 July 2007)

Board Members

Richard Elkington (Chairperson for financial year - resigned as Chairperson 6 July 2007)

Pamela Keating (Appointed Acting Chairperson 6 July 2007)

Peter Wilson (Appointed 1 October 2006)

Leah Young

Alan Seale

Anthony Flynn

Keith Hamilton

Jay Bonnington (Resigned 30 September 2006)

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).

**2007
\$'000**

**2006
\$'000**

119

109

119

109

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	
	2007 No.	2006 No.	2007 No.	2006 No.
10,000 - 19,999	7	6	7	6
30,000 - 39,999	1	1	1	1
210,000 - 219,999	-	-	1	1
230,000- 239,999	1	1	-	-
Total Numbers	9	8	9	8

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:

**2007
\$'000**

**2006
\$'000**

-

-

Loans to responsible persons

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

Notes to the Financial Statements for the year ended 30 June 2007

Other Transactions

The Chairperson (Financial Year), Mr Richard Elkington is the General Manager, Power and Environment, Loy Yang Power Ltd. The Authority 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.

The Deputy Chairperson (Financial Year), Ms Pamela Keating is a joint Managing Director of Sustainable Learning Australasia Pty Ltd. The Authority has entered into a contract with Sustainable Learning Australasia Pty Ltd to provide training services based upon normal terms and conditions, consistent with similar suppliers of training services.

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	
	2007 No.	2006 No.	2007 No.	2006 No.
100,000 - 109,999	3	7	5	9
110,000 - 119,999	7	6	7	3
120,000 - 129,999	3	1	1	-
130,000 - 139,999	-	1	-	1
140,000 - 149,999	1	1	1	2
150,000 - 159,999	-	-	2	-
160,000 - 169,999	-	-	-	1
170,000 - 179,999	2	1	1	-
180,000 - 189,999	-	1	-	-
190,000 - 200,000	1	-	-	-
Total Numbers	17	18	17	16
Total remuneration for the reporting period of executive officers included above amounted to (\$'000):	2,179	2,191	2,069	2,060

PART 7 FINANCIAL PERFORMANCE

Notes to the Financial Statements for the year ended 30 June 2007

Note 29 Reconciliation of operating result for the period after related income tax to net cash flows from operating activities

	2007 \$'000	2006 \$'000
Net Result for Period	3,528	7,706
Add / (Less) Non-cash Flows in operating activities		
Loss on Sale of Fixed Assets	397	622
Depreciation and Amortisation	19,062	17,777
Income for Capital Purposes	(4,930)	(6,063)
Plantations Revenue non-cash	(95)	333
Net Cash provided by Operating Activities before change in Assets and Liabilities	17,962	20,375
Changes in Operating Assets and Liabilities		
(Increase)/Decrease in Debtors	2,839	1,153
(Increase)/Decrease in Other Assets	(353)	(124)
(Increase)/Decrease in Doubtful Debts	-	20
(Increase)/Decrease in Inventory and Livestock	(247)	(679)
(Decrease)/Increase in Creditors and Provisions	9,109	250
Net Cash Provided By Operating Activities	29,310	20,995

Note 30 Dividends

The process to determine the 2007 dividend has not yet been completed at the reporting date. The Board's preliminary estimate for 2006-07 is the Authority will not be required to pay a dividend on the operating result as it has not met the Dividend Policy determination.

Based on the 2005-06 operating result the Board estimated the dividend to be \$220,000. The Authority was not requested by the portfolio Minister to pay this dividend during 2006-07. This dividend estimate from 2005-06 has not been carried forward in these accounts.

Note 31 Events Occuring 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.

STATUTORY CERTIFICATION

There are several other things that you should know about this machine before you start to use it. First, it is not a toy. It is a serious piece of equipment that is designed to be used by trained personnel only. Second, it is not a magic wand. It will not solve all of your problems, but it can help you to identify and solve them. Third, it is not a one-time investment. It is a long-term investment that will pay for itself over time. Fourth, it is not a simple machine. It is a complex machine that requires a lot of knowledge and skill to use properly. Fifth, it is not a cheap machine. It is an expensive machine that is worth the investment. Sixth, it is not a machine that you can use without proper training. It is a machine that requires a lot of training and experience to use properly. Seventh, it is not a machine that you can use without proper maintenance. It is a machine that requires a lot of maintenance and care to keep it in good working order. Eighth, it is not a machine that you can use without proper safety precautions. It is a machine that requires a lot of safety precautions to be taken when using it. Ninth, it is not a machine that you can use without proper documentation. It is a machine that requires a lot of documentation to be kept up to date. Tenth, it is not a machine that you can use without proper communication. It is a machine that requires a lot of communication to be kept up to date.

John Smith.
John Smith,
County Prisoner
County of Bedfordshire, West of England.

University of Illinois
 1101 S. E. 10th Avenue
 Fort Lauderdale, FL 33316-0001
 E-mail: csim@ufl.edu and Walter.Watson@ufl.edu

Dated the 19th day of September 2007

Victims' Rights-Attorney General's Office

INDEPENDENT AUDIT REPORT

Central Cleveland Region Water Authority

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

Manuscript received by the Electronic Transactions of the Applied Financial Theory

[illegible]

The Financial Report

The accompanying financial report for the year ended 30 June 2007 of the Carmel Regional Water Authority which comprises an opening statement, financial statements, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial statements, and the auditor's certification has been audited.

The Responsibility of the Members of the House for the Financial Record

The Members of the Board of the Central Queensland Regional Water Authority are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the Financial Management Act 1994. The responsibility is theirs.

- establishing and maintaining internal controls necessary to the preparation and fair presentation of the financial report that it has thereupon been implemented, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Author's Responsibility

As required by the Audit Act 1984, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and for the audit to be planned and performed in order to obtain reasonable assurance whether the financial report is free from material misstatement.

In well-timed, perform, procedures in similar legal evidence about the amounts and disclosures in the financial reports. The audit procedures assessed depend on judgments, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In meeting these risk assessments, consideration is given to internal control relevant to the financial statement presentation and the presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Auditor's internal control. An audit also involves evaluating the appropriateness of the accounting policies and the reasonableness of estimates and judgments made by the Board members, as well as evaluating the overall presentation of the financial report.

I declare that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Medical Staff Officer

Independent Audit Report (continued)

Keywords: self-esteem; social support; coping strategies

The Auditor-General's independence is enshrined by the Constitution Act 1986. 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, his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

Author's Choice

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Greater Gippsland Region Water Authority as at 30 June 2007 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the Financial Management Act 2004.

WELLS: JUNE
19 September 2007

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Business as Usual? Climate Change

PART 8 PERFORMANCE REPORT

Performance Report for the year ended 30 June 2007

Significant changes in financial position during the year

There have been no significant changes in the financial position of the Authority.

Major changes or factors affecting performance

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

Subsequent events which will affect operations in future years

Please refer to "Note 31: Events Occurring After the Balance Sheet Date" of the Authority's Annual Accounts for .

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 years.

Performance Indicator	2005 - 2006 Result	2006 -2007 Result	2006 -2007 Target	% Variance	Note
Part 1 - Financial Performance Indicators					
Long Term Profitability (Return on Assets)					
<u>Earnings before interest and tax</u>	1.3%	0.5%	4.2%	-88.9%	(1*)
Average total assets					
Owner's Investment (Return on Equity)					
<u>Operating profit after tax</u>	1.2%	0.6%	4.3%	-85.1%	(1*)
Average total equity					
Long Term Financial Viability					
<u>Total Debt</u>	2.4%	4.7%	5.0%	5.9%	
Total Assets					
Liquidity and Debt Servicing (Interest Cover)					
<u>Earnings before net interest & tax</u>	0	0	34	-	
Net interest expense					
Immediate Liquidity and Debt Servicing (Cover Cash)					
<u>Cash flow from operations before net interest & tax</u>	0	0	27	-	
Net interest payments					
Part 2 - Operating Efficiency Indicators (\$/MI)					
Water supply / wastewater collection					
Operations, maintenance and administration expenses per MI transported or treated to be provided for each of:					
Water supply bulk	79	92	78	-17.6%	
Water supply reticulation	420	506	478	-5.9%	
Water supply treatment	317	376	301	-25.0%	
Sewage reticulation	322	338	315	-7.4%	
Sewage treatment	197	199	182	-9.5%	

Note

*Government contribution (\$16M) for the Gippsland Water Factory was originally budgeted by the Authority as income for capital purposes. A direction from the DSE has been to treat this amount as an equity contribution.

Performance Report for the year ended 30 June 2007

Performance Indicator	2005 -2006 Result	2006 -2007 Result	2006 -2007 Target	% Variance	Note
PART 3 - Service and Environmental Performance Indicators					
Water supply interruptions					
Number of customers experiencing more than 5 unplanned water supply interruptions in the year (number)	0	0	26	0	
Interruption time indicators					
Average duration of unplanned water supply interruption (minutes)	86.43	87.21	118.7	26.53%	(1*)
Average duration of planned water supply interruption (minutes)	131.91	112.43	130.8	14.04%	(1*)
Restoration of water supply					
Unplanned water supply interruptions restored within 5 hours (%)	99.17%	100.00%	97.80%	2.25%	
Reliability of sewerage collection services indicators					
Sewerage spills from reticulation and branch sewers (priority 1 and 2)	56	32	107	70.09%	(2*)
Sewerage split from emergency relief structures and pumping stations (% of volume transported)	N/A	N/A	N/A		
Containment of sewer spillages					
Spills contained within 5 hours (%)	100%	100%	98%	2.04%	
Customer complaints indicators per 1000 customers					
Water quality complaints	1.69	3.34	3	-11.33%	(3*)
Water supply reliability	0.78	0.2	1	80.00%	(4*)
Sewerage service quality and reliability	11.00	0.08	22	99.64%	(5*)
Affordability	0.85	0.3	1.3	76.92%	(6*)
Billing complaints	1.78	0.89		N/A	
Pressure complaints	0.79	1.18		N/A	
Sewerage odour complaints	0.40	1.32		N/A	
Other complaints	0.80	1.2	0.13	-823.08%	(7*)

Note

¹*For the financial year, the average duration of unplanned and planned water supply interruptions was lower than the target due to the continuation of the annual reticulation main replacement program. Reductions in average time can also be attributed to continuously improving maintenance processes in conjunction with an increase of on-call staffing levels.

²*The continuation of the sewer preventative and reactive maintenance program in has shown a large reduction in the number of overflows within all systems.

³* The 2006-07 year has seen a slight increase in the number of water quality complaints across the region. This can be attributed to algal blooms, bushfires and recent floods. The introduction and compliance with Permanent Water Saving Rules has also seen routine maintenance programs (such as air scouring and flushing) significantly reduced during this period.

⁴*Water supply reliability complaints have decreased in comparison to 2005-06 which can be linked to the reduction in planned and unplanned water supply interruption.

⁵*The continued reduction this year is a direct result of the ongoing sewer preventative and reactive maintenance program.

⁶*The reduction in affordability complaints can be attributed to a lesser than expected impact from recent tariff increases. Complaints to the Energy and Water Ombudsman (Victoria) have also decreased during the same reporting period.

⁷*The number of other complaints has risen due to fluoride being introduced to a number of Gippsland Waters towns following a DHS directive. This generated a higher number of customer complaints for this indicator.



PART 8 PERFORMANCE REPORT

Performance Report for the year ended 30 June 2007

Performance Indicator- continued

	2005 -2006 Result	2006 -2007 Result	2006 -2007 Target	% Variance	Note
Reuse indicators					
Effluent reused					
<u>Volume of effluent reused x 100</u>					
Total volume of effluent produced					
Drouin	52.31%	64%	60%	4.1%	
Dutson Downs	0%	0%	0%	-	
Heyfield	100%	100%	100%	-	
Maffra (Domestic)	100%	100%	100%	-	
Mirboo North	100%	100%	100%	-	
Moe	0%	0%	0%	-	
Morwell	100%	100%	100%	-	
Neerim South	0%	0%	0%	-	
Rawson	0%	0%	0%	-	
Saline Waste Outfall Pipeline	0%	0%	0%	-	
Stratford	100%	100%	100%	-	
Warragul	0%	0%	0%	-	
Willow Grove	100%	100%	100%	-	
Biosolids reused					
<u>Volume of sludge / recycled x 100</u>					
Total volume of sludge produced					
Drouin	0%	0%	0%	-	
Dutson Downs	0%	0%	0%	-	
Heyfield	0%	0%	0%	-	
Maffra (Domestic)	0%	0%	0%	-	
Mirboo North	0%	0%	0%	-	
Moe	0%	0%	0%	-	
Morwell	0%	0%	0%	-	
Neerim South	100%	0%	0%	-	
Rawson	0%	0%	0%	-	
Saline Waste Outfall Pipeline	0%	0%	0%	-	
Stratford	0%	0%	0%	-	
Warragul	100%	100%	100%	-	
Willow Grove	0%	0%	0%	-	
Sewerage treatment standards (by treatment or disposal facility)					
Number of analyses complying with licence agreements as % of samples					
Dutson Downs	100%	100%	100%	-	
Heyfield	100%	100%	100%	-	
Maffra (Domestic)	100%	100%	100%	-	
Mirboo North	100%	100%	100%	-	
Moe	100%	100%	100%	-	
Morwell	91.7%	100%	100%	-	
Neerim South	33.3%	100%	100%	-	
Rawson	100%	100%	100%	-	
Saline Waste Outfall Pipeline	100%	100%	100%	-	
Stratford	100%	100%	100%	-	
Warragul	100%	100%	100%	-	
Willow Grove	100%	100%	100%	-	

CENTRAL GIPPSLAND REGION WATER AUTHORITY

PERFORMANCE STATEMENT FOR 2006-07

Members of the Board of the Central Gippsland Region Water Authority are responsible for the preparation and presentation of the Performance Statement for 2006-07.

The statement should be read in conjunction with the audited financial statements for 2006-07. The statement should be read in conjunction with the audited financial statements for 2006-07.

The statement should be read in conjunction with the audited financial statements for 2006-07. The statement should be read in conjunction with the audited financial statements for 2006-07.

[Signature]
 Peter M. [Name]
 Chairman
 Central Gippsland Region Water Authority

[Signature]
 [Name]
 Auditor General
 Victorian Auditor-General's Office

Dated the 19th day of September 2007

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDIT REPORT

Central Gippsland Region Water Authority

To the Members of the Parliament of Victoria and Members of the Board of the Authority
 Matters Relating to the Financial Presentation of the Audited Performance Statement

The auditor's report for the financial year ended 30 June 2007 relates to the performance statement of the Central Gippsland Region Water Authority prepared on its web site. The Members of the Board of the Central Gippsland Region Water Authority are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. This auditor's report, which is only to the statements listed below, is issued in relation to any other information which may have been hyperlinked to or from these statements. If users of the report are concerned with any internet risks arising from electronic data communications, they are advised to refer to the front cover of the audited financial report to obtain the information included in the audited performance statement published on the web site.

The Statement of Performance

The accompanying statement of performance for the year ended 30 June 2007 of the Central Gippsland Region Water Authority comprises the statement, the related notes and the performance statement certificate.

The Responsibility of the Members of the Board for the Statement of Performance

The Members of the Board of the Central Gippsland Region Water Authority are responsible for the preparation and the fair presentation of the statement of performance in accordance with the Financial Management Act 1994. This responsibility includes establishing and maintaining robust internal controls to the preparation and fair presentation of the statement of performance that is free of material misstatements, whether due to fraud or error.

Auditor's Responsibility

As required by the Audit Act 1994, my responsibility is to express an opinion on the statement of performance based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the statement of performance is free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of performance. The audit procedures applied depend on judgement, including the assessment of the risks of material misstatements of the statement of performance, whether due to fraud or error. In making these risk assessments, consideration is given to internal control relevant to the stated purpose of the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the overall presentation of the statement of performance.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

[Signature]
 [Name]
 Auditor General
 Victorian Auditor-General's Office

Auditing in the Public Interest

VAGO

Victorian Auditor-General's Office

(Independent Auditor's Report (see below))

Independence

The Auditor-General's independence is maintained 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, his staff and his agents comply with all applicable independence requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the statement of performance of the Central Gippsland Region Water Authority in respect of the 30 June 2007 financial year complies with all material aspects, in accordance with the Financial Management Act 1994.

[Signature]
 19 September 2007

[Signature]
 D. S. A. [Name]
 Auditor-General

[Signature]
 [Name]
 Auditor General
 Victorian Auditor-General's Office

Auditing in the Public Interest

PART 9 DISCLOSURE INDEX

The annual report of the Authority is prepared in accordance with all relevant Victorian legislation. This index has been prepared to help identify the department's compliance with statutory disclosure requirements.

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Moondarra Reservoir



This striking photograph is titled "Toorong River". Captured by Barry Ellis of Traralgon Secondary College, it was the winning entry in Gippsland Water's National Water Week 2006 Photo Competition.



drought



fire



ash



flood

2006-07 - A year of challenges



Gippsland Water

Hazelwood Road PO BOX 348

Traralgon VIC 3844

Telephone: 1800 066 401

Facsimile: (03) 5174 0103

Email: contactus@gippswater.com.au

Internet: www.gippswater.com.au

ABN 75 830 750 413