

2008-09

GIPPSLAND WATER
ANNUAL REPORT





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GIPPSLAND WATER : AT A GLANCE as at 30 June 2009



Water

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

Water services include:

- 64,161 customers serviced (connected)
- 60,887 megalitres of water supplied
- 2,019 kilometres of water mains

Wastewater

Gippsland Water operates 14 wastewater treatment plants, including two ocean outfalls.

Wastewater services include:

- 54,939 customers serviced (connected)
- 26,246 megalitres of treated wastewater
- 1,538 kilometres of sewer mains

Waste materials

Gippsland Water's prescribed waste management facility at Dutson Downs is known as the Soil and Organic Recycling Facility (SORF) and operates under an approved Environment Protection Authority licence and an accredited Environmental Management System.

The wastes managed at the SORF include:

- 26,243 tonnes of liquid waste
- 6,361 tonnes of solid waste
- 2,945 tonnes of biosolids produced from wastewater treatment activities
- 5,212 tonnes of green waste

Agribusiness

Gippsland Water operates an agribusiness at a range of broad-acre holdings across the region, the largest being an 8,000ha property at Dutson Downs of which 3,000ha is farmed.

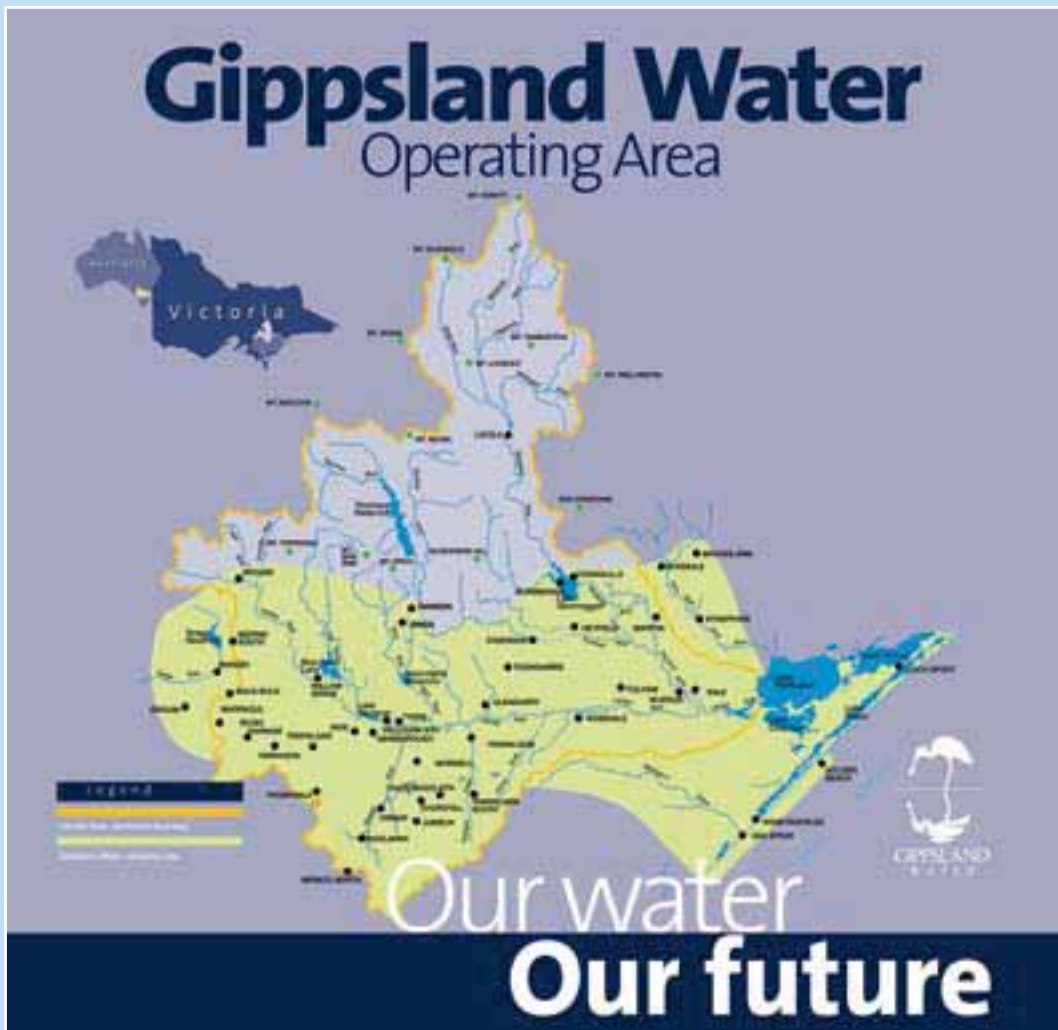
Operations on the Dutson Downs site include:

- 2,270 cattle
- 1,407 sheep
- 1,125 cattle sold
- 75 tonnes crops

Staff

At 30 June 2009, Gippsland Water employed 237 people in 211 full-time equivalent roles, which encompassed a variety of management, technical, professional and operational streams.

GIPPSLAND WATER : OPERATING AREA



Introduction and overview



▲ Agribusiness activities at Dutson Downs. (above and centre)

Two of the friendly Gippsland Water staff. ▲

Our Mission

To manage the resources in our care in a manner that ensures Gippsland's sustainability and secures social, environmental and economic benefits to our customers, our stakeholders and region.

Our Vision

In an increasingly challenging operating environment, Gippsland Water will strive for best practice sustainable water and waste management within central Gippsland.

Our Values

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

Our values guide us as we strive to fulfil our mission and vision. We value and are committed to:

- open, ethical and fair conduct;
- community engagement and trust;
- safety as our first priority in going about our business;
- teamwork;
- employee knowledge and capability;
- innovative solutions;
- sustainability; and
- the highest levels of customer satisfaction.

Profile of Gippsland Water

The Central Gippsland Region Water Corporation, 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 Honorable Tim Holding, Minister for Water.

Gippsland Water provides water and wastewater services to customers in the central Gippsland region of Victoria. Its geographic region stretches from Drouin in the west to Stratford in the east, and from Mirboo North in the south to Rawson and Briagolong in the north.

The region supports a population base of approximately 139,500 people and services over 64,000 water customers and over 54,000 wastewater customers. Gippsland Water's customers also include major industries, seven of which are of state and national significance.

Gippsland Water is the second largest regional water corporation in Victoria in terms of revenue earned and is the largest in terms of the total volume of water supplied and wastewater collected. It manages 17 water treatment plants and 14 wastewater treatment plants, including two ocean outfalls.

Gippsland Water provides prescribed solid and liquid waste recovery services at its Soil and Organic Recycling Facility located at Dutson Downs and is also responsible for an agribusiness enterprise, producing quality beef, wool, feed crops and plantation timber on land primarily utilised for water and wastewater management. Gippsland Water's statutory functions of water and wastewater are detailed under Parts 8 and 9 of the *Water Act 1989*. Additional functions relating to acceptance, treatment and disposal of prescribed industrial waste are detailed in Part 6 Section 122F, Division 5 of the Act.

Gippsland Water's Strategic Plan

Gippsland Water plays a vital role in the management of natural resources within the region.

We acknowledge that the challenges for organisations and individuals involved in natural resource management are substantial, and increasingly complex. Our stakeholders and the wider community expect that we will manage our natural resources in the interests of future generations.

While the supply of high quality water is a prerequisite for a developing and sustainable region, the degradation of our natural resources can cause great harm to both the environment and our economy. The path towards sustainable water and natural resource management means change. Our challenge is to achieve the necessary change – including the way we supply, use and re-use water, through industry, leadership and innovation.

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

Our Strategic Plan has a strong focus on:

1. Resource sustainability:

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

2. Customers, stakeholders and community:

Gippsland Water's "whole of business" approach to customer relations reflects the changing needs and expectations of our customers and stakeholders. We recognise the need to strengthen our engagement with the community so that together we can find new solutions to the region's challenges.

3. Governance:

The Board and our staff are committed to achieving and ensuring a robust corporate governance regime to enable Gippsland Water to satisfy the requirements of all applicable legislation.

4. Organisational sustainability:

Gippsland Water is committed to ensuring the ongoing sustainability of our organisation through continued investment in our people, our systems and our physical assets.



▲ Pipework at the Tyers Water Treatment Plant.

Joint message from the Chairman and Managing Director

We are pleased to present this year's annual report to our customers, stakeholders and the community. We are happy to report Gippsland Water received a silver award for its 2007-08 annual report from the Australasian Reporting Awards (ARA). This is an improvement on the bronze award received for the 2006-07 report. These awards enable Gippsland Water and other Australian and New Zealand companies to benchmark their annual reports against the ARA's criteria.

The year in review

The corporation focussed on achieving its vision of 'striving for best practice sustainable water and waste management within central Gippsland, in an increasingly challenging operating environment', and did so while maintaining high standards of compliance.

In 2008-09, Gippsland Water embarked on the first year of the five-year 2008-2013 Water Plan which sets out the proposed prices and expenditure for this period. Despite a significant increase in tariffs, Gippsland Water achieved an overall customer satisfaction rating of 8 out of 10 in its November 2008 Customer Satisfaction Survey, a reduction of only 0.2 from the historical high of 8.2 recorded in June 2007.

Bushfire response

Once again the central Gippsland region was impacted by bushfire. The devastation of the Delburn fire near Boolarra in late January, and the Churchill, Bunyip and Rawson 'Black Saturday' blazes in early February were of a scale and impact never before seen in the region.

Gippsland Water, its staff, customers and stakeholders were directly impacted by the fires and the corporation responded immediately by establishing an Incident Management Team. Water supplies to the township of Boolarra were briefly cut as the Boolarra Water Treatment Plant struggled to keep up with demand which was exacerbated by the loss of power. Gippsland Water stationed tankers of drinking water in the town to supply water during the emergency, and offered 20,000 litres of free water to fire-affected residents across the region in the wake of the fires. We also installed temporary standpipes in Boolarra, Traralgon South and Jeeralang Junction for five months; and donated surplus household furniture to the local Salvation Army in conjunction with the Gippsland Water Factory alliance.



Richard McDowell
Chairman



David Mawer
Managing Director

The Mirboo North, Boolarra and Rawson water treatment plants came under direct bushfire threat, but thanks to the tremendous work of Gippsland Water staff, Country Fire Authority and Department of Sustainability and Environment (DSE) fire fighters, and a stroke of luck, these assets escaped serious damage.

Adapting to a changing environment

A technical review of the corporation's Water Supply Demand Strategy commenced to ensure actions and projects remain relevant. Gippsland Water worked closely with DSE in the development of a Gippsland Sustainable Water Strategy (SWS) discussion paper. Following extensive community consultation and a draft report, due for release in the second half of 2009, a final report will be due for completion in 2010. The Gippsland SWS will be a long-term strategy to secure Gippsland's water supplies and underpin the regional economy for the next 50 years.

Gippsland Water has also developed a Greenhouse Gas Management Strategy to reduce the direct and indirect greenhouse gas emissions generated by Gippsland Water operations. Another significant achievement has been the development and implementation, in conjunction with the Environment Protection Authority, of a Corporate Licence that combines Gippsland Water's 15 separate environmental licences into one.

Agribusiness accolades

Gippsland Water's agribusiness received accolades in May 2009 when it was named The Weekly Times 2008 Farm Business of the Year and the Royal Agricultural Society of Victoria Crop Producer of the Year. Gippsland Water's farm is the largest broad-scale agricultural business in the state's south-east. In addition, Gippsland Water's agribusiness manager Michael Bannon was named the Department of Primary Industries Young Farmer of the Year. Gippsland Water congratulates Michael and his team.

Operations and major projects

During the year Gippsland Water commissioned a new desludging facility at the Warragul Water Treatment Plant. The commissioning of this facility marked the first time Gippsland Water has used a centrifuge dewatering system at one of its treatment plants. This system reduces the amount of sludge at the site, which in turn reduces costs associated with labour and chemicals usually associated with removing sludge.

Work has also continued on the innovative Gippsland Water Factory (GWF), which will provide new wastewater treatment infrastructure for local towns and industry; remove raw sewage flows from Australia's last open drain sewer; and help secure the region's water supply for the future by producing recycled water for industry.



Construction of GWF was due for completion late 2008, with commissioning to be completed in early 2009. A change to the program has delayed the start of commissioning several months. This change was made to ensure the safety of the workforce and to protect the environment and high-tech equipment at the new Maryvale plant. Commissioning is now scheduled for completion by late 2009.

The change to the commissioning program, coupled with approved scope additions and price escalation over the course of the project, has led to increases in the forecast capital cost of GWF to Gippsland Water. While this is disappointing, Gippsland Water will absorb the increase within its existing capital works budget. The corporation has also assured its customers there will be no change to the tariff structure approved by the Essential Services Commission in 2008-2013 Water Plan.

Water quality remains high

Gippsland Water has continued to provide high quality drinking water to customers over the last year, despite continued low flows, and the impact of bushfires which have the potential to decrease water quality and quantity in both the short and long term.

The corporation is pleased to have maintained a high level of compliance with the *Safe Drinking Water Act 2003*, with more than 6,000 tests undertaken during 2008-09.

Safety first

Providing a healthy and safe environment for employees, contractors and customers is a key commitment of Gippsland Water. The corporation has a Safety, Health and Environment sub-committee with staff-elected representatives, and a no-blame culture for reporting near-hits and incidents. A corporate health program has been developed and will be delivered in 2009-10.

Acknowledgments

Gippsland Water farewelled three key figures as a result of resignations in the last year: Board members Alan Seale and Peter Wilson, and General Manager Planning and Development David Evans. Gippsland Water thanks them for their significant contributions to the corporation over the years.

The future

Despite significant challenges Gippsland Water performed solidly in the 2008-09 year. Challenges such as these will not disappear in the new financial year. To ensure the future sustainability and high performance of the organisation, Gippsland Water is tackling these issues head-on by implementing new strategies and adapting to change. We are confident that by responding in this manner, the future for Gippsland Water is sound and bright.

In accordance with the *Financial Management Act 1994*, we are pleased to present the Report of Operations for Gippsland Water for the year ending 30 June 2009.



Richard McDowell
Chairman



David Mawer
Managing Director

16 September 2009

Bushfires threatened a number of Gippsland Water assets in 2009. ▼



Equipment at the Tyers Water Treatment Plant ▼



Residential water meters are read every four months. ▼





▲ Gippsland Water has a number of agribusiness properties.

Highlights and challenges of the year

- Gippsland Water, in conjunction with the Environment Protection Authority, developed and implemented a Corporate Licence to combine its 15 licences into one (for more information refer to page 7).
- A new desludging facility was commissioned at Warragul Water Treatment Plant, marking the first time Gippsland Water has used a centrifuge system at one of its plants (for more information refer to page 30).
- Gippsland Water's 2007-08 annual report received a silver award in the Australasian Reporting Awards (for more information refer to page 6).
- Gippsland Water's agribusiness was named The Weekly Times 2008 Farm Business of the Year and the Royal Agricultural Society of Victoria Crop Producer of the Year. Agribusiness manager Michael Bannon was also named the Department of Primary Industries Young Farmer of the Year (for more information refer to page 35).
- Gippsland Water's emergency response capability was tested in early 2009, when devastating bushfires ravaged many parts of the corporation's service area. Despite the magnitude of the crisis, Gippsland Water's systems and staff rose to the challenge and the organisation is proud of both its immediate and subsequent response to the disaster (for more information refer to page 43).
- Completion of construction and the start of commissioning at Gippsland Water Factory's Maryvale wastewater treatment and recycling plant was delayed during the last year. This was due to programming changes and decisions made to protect the safety of the workforce, environment and plant. The project also experienced cost increases of approximately 10 per cent (for more information refer to page 24).

Overview of Financials

	2008-09 \$'M	2007-08 \$'M	2006-07 \$'M	2005-06 \$'M	2004-05 \$'M
Core Business Revenue	76.7	62.6	58.7	56.1	53.2
Interest Revenue	0.9	0.9	1.8	0.7	1.0
Government Contributions	0	–	1.5	1.3	-
Non Government Contributions	6.5	5.3	4.9	6.1	9.4
Other Revenue (Farm & Gross Proceeds)	2.0	1.9	1.9	2.1	0.8
	86.1	70.6	68.8	66.3	64.4
Operations, Maintenance & Administration	51.9	46.8	45.2	40.7	38.4
Depreciation Expenses	23.0	20.3	19.1	17.8	17.1
Finance Expenses	9.8	3.9	1.0	0.1	–
	84.7	70.9	65.3	58.6	55.5
Net Operating Result	1.4	(0.3)	3.5	7.7	8.9

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

Key results for the financial year

The full year result for the corporation was a net profit of \$1.4M. The total revenue increased \$15.5M mainly from property service fees which rose by \$8.6M from higher tariffs and a 2.3% growth in connections. Revenue from volumetric fees increased by \$5.2M. Offsetting this increase Interest Revenue declined despite higher interest rates due to lower cash reserves as borrowings increased.

Expenditure for the year increased by \$13.8M mainly due to Interest Expense which rose by \$5.9M from new borrowings despite the lower cost of interest. Operations, Maintenance & Administration expense increased by \$5.1M mainly from the impairment of decommissioned assets, increases to chemical and electricity costs and the write off of feasibility costs which had previously been held in the Balance Sheet for projects which are no longer proceeding. Depreciation increased by \$2.7M mainly due to impact of large projects completed in the previous year, now depreciated for a full year.



Resource sustainability

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

Working with major customers

Gippsland Water has the largest, by volume, water and trade waste customers in Victoria. These industrial customers account for approximately 70 per cent of the water supplied by the corporation (which is mostly distributed as untreated water), and produce about 24 per cent of Victoria's trade waste.

The largest industrial customers include Australian Paper, the brown coal power generation companies and Esso Australia. These customers are supplied via dedicated water supply and wastewater systems which are separate from the urban reticulation systems.

Gippsland Water works with all of its major customers to encourage resource efficiency through programs such as the Savewater Efficiency Service, Environmental Resource Efficiency Program (EREP) and Water Management Action Plans (waterMAPs). All customers with a demand in excess of 10ML per annum have water conservation programs and action plans underway as a result of waterMAPs.

Major customer consumption

As required under Section 122ZJ of the *Water Act 1989* the number of Gippsland Water customers who consume more than 50ML per annum are shown below:

Volume range – ML per year	No. of customers
Equal to or greater than 50ML and less than 100ML	3
Equal to or greater than 100ML and less than 200ML	1
Equal to or greater than 200ML and less than 300ML	2
Equal to or greater than 300ML and less than 400ML	2
Equal to or greater than 400ML and less than 500ML	0
Equal to or greater than 500ML and less than 750ML	0
Equal to or greater than 750ML and less than 1000ML	0
Greater than 1000ML	5
Total no. customers	13



▲ Picturesque wetlands at the Seaspray Wastewater Treatment Plant.

Water conservation program participation

Section 122ZJ of the *Water Act 1989* requires water corporations to annually publish the water conservation programs their major non-residential water users have undertaken. The following table details the water conservation programs completed by Gippsland Water's major customers who consume more than 50ML per annum:

Name of customer	Water conservation initiatives
Australian Paper (Maryvale Mill)	Progressing waterMAP actions which include major projects such as the recent pulp mill project upgrade. Preparing for acceptance of Gippsland Water Factory (GWF) recycled water. Raw water consumption per tonne of paper has reduced by 68 per cent in the past 25 years and is estimated to drop a further 14 per cent as a result of the GWF project.
Carter Holt Harvey Wood Products Australia Morwell Sawmill	Participating in waterMAP program. Investigating a project to upgrade the boiler, including an ash quench system; this could significantly reduce water consumption.
Energy Brix Australia	Water saving initiatives have reduced usage by 19.4 per cent over 2006-07 financial year consumption. Additional water saving initiatives for the next three years are being developed as part of its Environment Resource Efficiency Plan (EREP).
Fonterra Australia Pty Ltd (Darnum)	Implemented its waterMAP, with water savings being achieved. During the past 12 months the site has participated in the EREP process, resulting in the submission of a further action plan.
Gippsland Base Hospital (Sale)	Continued to retrofit water saving devices across the Sale campus and will be including the Maffra campus in the coming financial year.
International Power Hazelwood	Initiatives resulted in a short-term reduction in water consumption of around 22 per cent. Potable water conservation targets will be covered in its waterMAP, and both raw and potable water use will be covered in its EREP.
IPM Operation and Maintenance (Loy Yang B)	Operational improvements save in excess of 2GL per annum of low quality water. A drainage recovery system installed in 2008 is on track to reclaim more than 500ML per annum of process water normally sent to drain. Improvements in high quality water metering for domestic services and conversion of domestic water appliances to "AAA" ratings have helped achieve a 27 per cent reduction in high quality water use.
Loy Yang Power (Loy Yang A)	Has ongoing maintenance and monitoring programs to maintain the efficiencies already achieved. Water saving initiatives are covered in its EREP.
Murray Goulburn (Maffra)	Integrated its internal water conservation plan into the waterMAP and EREP programs. Also combined the EREP, Energy Efficiency & Opportunity and Waste & Product Yield programs into an integrated system to allow overall resource use assessment and improvement. This has seen the site maintain its 33 per cent reduction in potable water consumption (2007-08 compared to 2006-07).
National Foods Limited (Morwell)	Progressing actions from waterMAP. Completed and lodged EREP. Water use reduced by approximately 14 per cent between January and June 2009.
The GEO Group Australia P/L (Fulham Correctional Centre)	Implemented initial actions of waterMAP and has an internal environmental group focused on resource efficiency.
TRUenergy Yallourn Pty Ltd	Implementing water saving initiatives as a result of its most recent water audit. Audit outcomes are continually revised to ensure ongoing asset improvements and water savings.
Warragul Linen Service	Water conservation initiatives continue to reduce water consumption relative to production activity. Completed waterMAP and submitted action plan.

Gippsland Water studies and protects the native vegetation on its properties, including banksia. ▼



Flushing pipes is important to maintain high water quality. ▼



The Gippsland Water Factory under construction. ▼



Environmental management systems

Gippsland Water operates its Soil and Organic Recycling Facility (SORF) under an Environmental Management System (EMS) that has been externally certified as meeting the requirements of the international standard ISO:14001. The EMS was reviewed by an external auditor in October 2008. Two minor non-conformances with the requirements of the standard were identified, which were corrected to the satisfaction of the auditor.

In December 2008, the Gippsland Water Board approved the further development of the Gippsland Water Corporate EMS, in order to seek external certification to the requirements of ISO:14001.

The Corporate EMS will deliver many benefits, including:

- improved procedures and processes that capture operational, OH&S and environmental matters;
- standardised environmental monitoring and reporting programs;
- improved communication and reporting of day-to-day activities and executive decisions;
- a renewed focus on the significant environmental aspects and impacts associated with all operations; and
- a greater level of due diligence towards Gippsland Water's legal commitments to environmental management.

Certification will be sought in mid-2010.

Environmental incidents

Saline Wastewater Outfall Pipeline (SWOP), Giffard

On 6 January 2009 approximately 2ML of saline wastewater leaked from a failure in the SWOP at Giffard, seven kilometres from the ocean outfall at McGaurans Beach. The pipeline was repaired however, further leaks occurred at six separate locations, on different occasions following recommencement of operations. Gippsland Water shut down the pipeline on each occasion, and discharge to the environment was minimised. All leaks were repaired and the system was restored without further issue. The failure of the pipeline is attributed to internal corrosion; Gippsland Water is considering options to either repair or replace the pipeline.

Regional Outfall Sewer (ROS) No. 2 Storage, Dutson Downs

In July and August 2008, biochemical oxygen demand and suspended solids results for water discharged to the ocean exceeded limits specified in the Environment Protection Authority (EPA) licence. The ocean outfall was closed and investigations indicated that the water quality issue was caused by a naturally occurring algae bloom in the treatment lagoons. Water quality returned to typical levels in November 2008 and discharge to the ocean recommenced.

In March 2009, similar water quality issues were observed and the outfall was again closed. On this occasion the bloom did not subside naturally. Whilst an application requesting emergency discharge from the lagoons under modified water quality conditions was supported by the EPA, in early June 2009 discharge to the ocean recommenced within licence parameters.

As algae blooms have not been encountered in No. 2 Storage previously, Gippsland Water is investigating the environmental factors that contribute to their occurrence, in order to minimise the likelihood of algae blooms in the future.

Neerim South Wastewater Treatment Plant

In March 2009 it was determined that the final treated effluent discharged to Red Hill Creek had not been disinfected for three days. This was due to an electrical fault on the UV disinfection unit. Residents with properties fronting the creek downstream from the plant were notified of the event. Monitoring of the creek's water quality determined that E. coli levels were not adversely elevated by the incident. Following the event, the automated alarm system on the UV disinfection unit was modified to ensure that alarms are issued when electrical faults occur.

An impetus for construction of the Gippsland Water Factory – the Regional Outfall Sewer – is Australia's last open channel sewer. ▼



Greenhouse gas emissions

Operations at Gippsland Water directly and indirectly contribute to the emission of greenhouse gases.

Direct sources of greenhouse gas emissions include methane and nitrous oxide emissions from wastewater treatment, carbon dioxide from the combustion of petroleum fuels in vehicles and methane from the gastric processes of livestock. Indirect greenhouse gas emissions are created by demand for electricity for the pumping and treatment of water and wastewater, and office-based services.

Sources of greenhouse gas emissions from Gippsland Water's operations are detailed in the table below:

Activity	CO ₂ – equivalent (tonnes/year)				
	2008–09	2007–08	2006–07	2005–06	2004–05
Waste treatment ¹	51,642	58,216	54,338	62,349	28,727
Water treatment ²	9,627	10,488	11,087	11,629	11,301
Traralgon office operations ³	1,499	1,386	1,421	1,344	1,230
Fuel use ⁴	1,467	1,357	1,594	1,350	1,262
Livestock ⁵	4,597	5,150	5,420	5,216	4,074
Total	68,832	76,597	73,860	81,888⁶	46,594⁷

1 Methane and nitrous oxide gas emissions.

2 Electricity, soda ash consumption.

3 Electricity.

4 Fuel – petrol, diesel, gas.

5 Methane from cattle and sheep.

6 The Australian Greenhouse Office modified the calculation method for methane from wastewater in 2006. The total for 2005-06 was recalculated for the 2006-07 annual report, to allow comparison with that year's data.

7 Original data, not subject to the recalculations mentioned in footnote 6.

Gippsland Water's greenhouse gas footprint decreased from 76,597 tonnes carbon dioxide equivalent (t CO₂-equiv) in 2007-08, to 68,832 t CO₂-equiv in 2008-09. This was mainly due to a reduction in methane gas calculated to be emitted from the wastewater treatment plants.

The Gippsland Water Factory has incorporated a number of energy recovery components into its design. A mini-hydro turbine was commissioned during the reporting period, to recover energy from water flowing from Moondarra Reservoir to Pine Gully Reservoir. When the anaerobic digester is commissioned, methane will be recovered to generate electricity and heat energy for the plant. When fully operational, it is expected that 20 per cent of the plant's energy needs will be generated from renewable energy sources.

A Greenhouse Gas Management Strategy was adopted in March 2009. Strategy objectives include embedding greenhouse gas reduction activities into all facets of operations, and identifying greenhouse gas reduction projects to include in future capital project plans.

External reporting on greenhouse gas emissions is currently provided to external stakeholders including the Essential Services Commission, Environment Protection Authority, VicWater and the Department of Sustainability and Environment.

Gippsland Water participates in water industry forums hosted by VicWater and Water Services Association of Australia (WSAA), to share information on greenhouse gas abatement strategies, set industry targets for greenhouse gas emission reductions and standardise emission estimation and reporting procedures. In particular, WSAA is working with the Commonwealth Department of Climate Change to clarify water industry requirements for reporting greenhouse gas emissions under the *National Greenhouse and Energy Reporting Act 2007*. Clarification of this detail is essential to ensure standardised reporting of greenhouse gas emissions from water organisations throughout Australia.

Water sustains all forms of life. ▼





▲ Gippsland Water conducts flora and fauna studies on its many properties.

Performance of ocean outfalls

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

In July–August 2008, and May 2009, biochemical oxygen demand and suspended solids results for water discharged to the Delray Beach Ocean Outfall exceeded limits specified in the Environment Protection Authority (EPA) licence. Details regarding these incidents are described in the Environmental Incidents section of this report on page 14.

An algae bloom also occurred in Loy Yang Power's ash pond that stores water prior to discharge to the SWOP. Intermittent high levels of algae caused the EPA licence limit for suspended solids to be breached on two occasions (December 2008 and May 2009). The algae species present were determined to be non-toxic. Investigations have been undertaken to determine the environmental conditions that are contributing to an algae bloom in a saline pond.

Environmental improvement plans

Gippsland Water seeks to continually improve the environmental performance at each of its 14 wastewater treatment facilities and the Soil and Organic Recycling Facility (SORF) at Dutson Downs.

The actions identified for improvements are outlined in each site's environment improvement plan (EIP). These plans were 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 each site's overall environmental performance.

The EIP for the SORF was revised to meet the requirements of the updated EPA licence, and reissued with the endorsement of the EPA and the Dutson Downs Advisory Committee.

Beneficial reuse of treated wastewater and biosolids

During 2008-09 Gippsland Water reused 1,125ML treated wastewater, equivalent to 34.4 per cent of treated non-saline wastewater produced in its service area.

The region's climate ranges from high rainfall in the west, to the Macalister Irrigation District 'rain shadow' in the east. Annual average irrigation demand varies – in addition to rainfall – from 200mm to 400mm across the Gippsland region. Thus irrigation demand is low when compared with typical values of 500mm to 1,000mm for irrigation demand north of the Great Dividing Range.

Gippsland Water manages the use of reclaimed water for irrigation purposes based on quality, site suitability and climatic conditions. This includes factors such as seasonality of rainfall and temperature, discharge rate, storage capacity and quality of treated wastewater.

Gippsland Water uses reclaimed water for pasture irrigation on Gippsland Water owned land at Maffra, Heyfield, Stratford, Mirboo North and Drouin. When irrigation is not occurring the reclaimed water is stored in lagoons. Excess volumes of reclaimed water at Drouin may be discharged to Shillinglaw Creek during wetter months to ensure adequate storage capacity is maintained.

Whilst the Seaspray Wastewater Treatment site has been designed to enable 100 per cent reuse of reclaimed water by pasture irrigation, low inflow volumes and high evaporation rates have meant that there has been insufficient volumes of treated water to commence irrigation.

Gippsland Water supplies reclaimed water for irrigation of private land subject to Environment Protection Authority (EPA) guidelines, 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 State Environment Protection Policy (Waters of Victoria) allows reclaimed water to be used for the environment or beneficial uses other than irrigation. An example is the Morwell River Wetlands, where 522ML of treated water from the Morwell Wastewater Treatment Plant is used to sustain a permanent wetland system.

The Regional Outfall Sewer (ROS) and the Saline Wastewater Outfall Pipeline (SWOP) dispose of large volumes of highly saline treated wastewater which is unsuitable for beneficial reuse. Therefore, the table below shows the proportion of treated wastewater reused, excluding and including saline water to ocean outfalls.

Treatment system	Final fate of treated water	Volume reused (ML)		Volume discharged		Compliance with EPA Water Quality Limits	
		2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Drouin	Irrigation to pasture or discharge to Shillinglaw Creek	215	190	215	126	100%	89%
Heyfield	Irrigation to pasture	94	87	0	0	100%	100%
Maffra	Irrigation to pasture and sporting field	136	324	0	0	100%	100%
Mirboo North	Irrigation to pasture and sporting field	61	69	0	0	100%	100%
Morwell	Supplement flow to wetlands	522	632	0	0	100%	100%
Stratford	Irrigation to pasture	88	43	0	0	100%	100%
Willow Grove	Irrigation to pasture	9	9	0	0	100%	100%
Neerim South	Discharge to Red Hill Creek	0	0	47	50	100%	97%
Rawson	Discharge to Coopers Creek	0	0	40	42	100%	100%
Warragul	Discharge to Hazel Creek	0	0	1,332	1,345	100%	100%
Moe	Discharge to Moe River	0	0	1,629	1,713	100%	100%
Sub-total		1,125	1,354	3,263	3,276		
% reuse ¹		34.4%	29.2%				
Treated wastewater reused, as a proportion of total wastewater managed							
ROS ²	Discharge to Bass Strait (Delray Beach)	0	0	6,832	9,813	96.7%	100%
SWOP ²	Discharge to Bass Strait (McGaurans Beach)	0	0	7,960	8,697	100%	100%
Total³		1,125	1,354	18,055	21,786		
% reuse ³		5.9%	5.8%				

¹ Per centage of non-saline treated wastewater.

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

³ Per centage of total volume of treated wastewater.

Biosolids management

A by-product of wastewater treatment is the generation of biosolids and sewage sludge that is sourced from both domestic and industrial wastewater. Sewage sludge consists of all the solid material that has been removed from the treatment process. This sludge may contain some of the micro-organisms that were used to carry out biological purification.

As most of the wastewater treatment plants stabilise sewage sludge in dedicated treatment lagoons, biosolids are only produced when the lagoons require sludge removal which is expected to occur every 10 to 20 years. Exceptions to this are the Neerim South and the Rawson wastewater treatment plants. The sludge from the Rawson Wastewater Treatment Plant is disposed of in the Morwell sludge lagoon where it is combined with the sludge produced at Morwell. The sludge from the Neerim South Wastewater Treatment Plant is transported to the Warragul Wastewater Treatment Plant and combined with its sludge, prior to partial dewatering and transportation to the Soil and Organic Recycling Facility (SORF), located at Dutson Downs for further processing.

Biosolids have the potential to be a valuable resource for soil reconditioning, fertiliser or energy production. The biosolids transported to the SORF are stabilised using either in-vessel or windrow composting technology and are beneficially used at Dutson Downs as a soil reconditioner in Gippsland Water's agribusiness activities.

During the reporting period, 2,945 tonnes of dewatered sludge (equivalent to approximately 453 dry tonnes) from the two wastewater treatment plants was transported to Dutson Downs and stabilised for reuse.

Water conservation

All residents have remained on Permanent Water Saving Rules for the 2008-09 period, with the 'rules' actively promoted on television and radio over the summer months.

Ongoing periods of below-average rainfall and media coverage of the scarcity of water have encouraged Central Gippsland residents to embrace water conservation as part of normal life.

Saving water is the topic most requested of our guest speaking appointments. The Showerhead Exchange Program is also popular, despite minimal advertising and a revised exchange process. Gippsland Water no longer visits towns at dedicated times to exchange showerheads with people who registered for the program. The organisation now allows customers to come to its office and perform the exchange at times that are convenient for the customer.

An average of 100 customers a month apply for various rebate programs, including the Water Smart Garden and Homes Rebate Scheme. Gippsland Water is also a member of the savewater! Alliance, an organisation promoting water conservation across Australia. There were 31 Gippsland Water customers who won prizes in the savewater! Alliance's two competitions during 2008-09. To enter, customers needed to complete online surveys to help savewater! collect data for research and identify projects. Winners are selected randomly and can win washing machines, showerheads, shower timers, rainwater tanks, pumps, and hot water diverters. Gippsland Water promotes this competition through media releases and savewater! Alliance bill inserts.

Gippsland Water also supports its 51 water management action plan (waterMAP) customers to submit reports annually detailing their water conservation initiatives. Any business that uses more than 10ML of potable water per annum is part of the waterMAP program.

Construction of the Oddy Street rising main, Drouin. ▼



A treated water storage. ▼



Water mains cleaning in action. ▼



Drought Response Plan

Gippsland Water's Drought Response Plan assists in the management of short term supply shortages. Its principle aims include regular monitoring of water resources to ensure timely response to shortages, appropriate management of demands and supply augmentations to ensure a sustainable supply-demand balance, and a post-drought review process to ensure the constant improvement of processes.

A key component of the plan is the water restriction regime, which is covered by Gippsland Water's By-Law No. 15. This by-law was enacted in 2006 as part of the statewide change to uniform water restrictions, and sets out four stages of restrictions on water use. The plan also details the process by which communications with stakeholders and the public are managed.

The Drought Response Plan was not invoked during the reporting period. Despite the relatively dry period experienced in early spring 2008, good rainfalls and streamflows in November and December allowed storages serving the main Latrobe Valley systems to reach a sufficient level to bridge the exceptionally dry months of January and February 2009. Smaller systems relying on 'run of river' streamflow experienced low flows, especially towards the end of summer, but due to careful stream management and some timely rainfall, water restrictions were not necessary.

A review was undertaken during the financial year to update the plan, focusing on content specifically related to drought management, allowing it to be used more efficiently in future. Water restriction review points were revised for all systems, based on learnings from the implementation of restrictions during the 2006-07 drought, as well as further system modeling and analysis. The 2006-07 learnings were also fully documented as a dedicated chapter to ensure this valuable knowledge is preserved.

The revised Drought Response Plan was formally endorsed by Gippsland Water's Board in March 2009.



Staff keep a close eye on Gippsland Water's catchments. ►

Central Region Sustainable Water Strategy

The Central Region Sustainable Water Strategy (CRSWS) was published in 2006. The strategy built on the *Securing Our Water Together* White Paper and serves to secure water supplies for towns, industry, agriculture and the environment with a view to a 50-year planning horizon.

The regions of Ballarat, Geelong, Melbourne, Westernport and West Gippsland are covered in this strategy. All water supply systems in Gippsland Water's service area fall within the strategy's zone, with the exception of Sale and Seaspray. These supply systems will be included in the Gippsland Region Sustainable Water Strategy, which is under development.

Five actions were documented specifically for the West Gippsland region and Gippsland Water:

Action 4.42: In consultation with government and stakeholders, Gippsland Water shall set targets for water consumption.

Action 4.43: In consultation with government and stakeholders, Gippsland Water shall set separate targets for major industry.

Action 4.44: Gippsland Water will implement a range of conservation and efficiency measures for the residential and commercial (excluding major industry) sectors as well as the water distribution system.

Action 4.45: Gippsland Water shall complete the Gippsland Water Factory.

Action 4.46: Gippsland Water shall pursue investigations for future water resource augmentations such as further recycling and use of groundwater.

Gippsland Water has already undertaken significant work to address these actions including:

- setting water consumption targets for all sectors;
- addressing conservation and efficiency in the residential sector through the showerhead exchange program and other ongoing promotional activities;
- using programs such as WaterMAPS to address conservation and efficiency in the commercial sector;
- using district pressure management systems to improve the efficiency of the reticulation system;
- building the Gippsland Water Factory; and
- continuing to investigate water resource augmentations.

Water Supply Demand Strategy

Gippsland Water's Water Supply Demand Strategy presents a series of actions to manage and meet the water needs of its region over the next 50 years.

The Water Supply Demand Strategy sought to achieve five aims:

- build on actions identified in the Central Region Sustainable Water Strategy;
- determine 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;
- forecast the expected long-term water demand for Gippsland Water's region;
- identify the range of potential water supply demand options and assess these against economic, environmental and social criteria; and
- recommend a series of actions to manage and meet the region's water needs over the next 50 years.

Gippsland Water undertook an internal review of this strategy in early 2009 to confirm or challenge the current relevance of key action items and examine areas where its direction may need to be shifted. The review sought to update the population and housing benchmarks based on more recent census data, as well as incorporate updated connections and water use data from Gippsland Water's databases. Water system yields were also updated to incorporate new operating rules and infrastructure, and include more recent measured streamflow data. This analysis allowed the predicted system shortfall dates to be re-evaluated, enabling the various action items from the strategy to be re-prioritised.

Water for the Future

During 2008-09, Gippsland Water undertook a number of activities to support the Victorian Government's Water for the Future initiative including:

- finalising the Tarago System Bulk Entitlement;
- reviewing and updating the Water Supply Demand Strategy with respect to yield-demand projections, actions and consumption targets;
- improving communication with the community to provide details of water conservation measures and targets;
- construction of the Gippsland Water Factory; and
- implementing district pressure reduction programs to reduce loss of water from pipes.

Water consumption targets

To address the requirements of the Central Region Sustainable Water Strategy (CRSWS) Gippsland Water has set targets for reductions in water consumption. Targets for residential consumption are based on the mid 1990s consumption of 244 litres per person per day (l/p/d), with a 25 per cent reduction by 2015 and a total reduction of 30 per cent by 2020.

A reduction on current consumption by 15 per cent by 2020 has been adopted for major industry after consultation with these customers.

	CRSWC action	Target 2020 (l/p/d)	Target 2015 (l/p/d)	Actual 2008-09 (l/p/d)	Actual 2007-08 (l/p/d)	Actual 2006-07 (l/p/d)
Residential consumption	n/a	171	183	218	211	233
Total consumption (non-major industry)	4.42	296	317	324	292	344
Major industry consumption	4.43	836	n/a	921	895	985

Actual litres per person per day data has been a reporting requirement for the past three reporting periods.

Corporate water consumption

During 2008-09, Gippsland Water's water consumption was 4,614kL (21.87kL per full-time employee). These figures are based on consumption at Gippsland Water's Traralgon office and Traralgon depot, and do not include contractors. This is an increase in consumption of 23 per cent compared to the 2007-08 reporting year. This increase can be attributed to the upgrade of the air conditioning system at the head office, as this project required many contractors to be on site during 2008-09. The new air conditioning system also uses more water to operate than the previous system, but is more energy efficient.



▲ The afternoon sun on the Morwell Wastewater Treatment Plant

Bulk water entitlement reporting

Bulk entitlement (BE)	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	75	<ul style="list-style-type: none"> 11ML/a temporary transfer to corporation (2006-07–2010-11); 0ML used in 2008-09⁵ Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>
CGRWA – Blue Rock ¹	Tanjil River	15,150	11,259 (11,091) Point A 8896 Point B 2195	<ul style="list-style-type: none"> Location and volume of water taken pursuant to clause 10: <i>None</i> Implementation of programs under sub-clause 12.3: <i>Implemented</i>
Erica – Rawson	Trigger Creek	340	92	<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	206	<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	1,567	<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	49,598 (50,192)	<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	35	<ul style="list-style-type: none"> Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>
Tarago ⁴	Tarago River	4,825	Pederson Weir: 2880 Labertouche Weir: 0 Tarago Reservoir: 253 Tarago Westernport Pipeline: 0 TOTAL: 3133	<ul style="list-style-type: none"> Approval, amendment and implementation of programs under clauses 11 & 13: <i>Under development (BE took effect 1 May 2009)</i>
Thomson – Macalister	Thomson River/ Macalister River	2,335	1,580	<ul style="list-style-type: none"> 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> Amount and location of water taken under this BE at the works: <i>Nil</i> Period and degree of restriction on entitlement: <i>Nil</i>
Thorpdale	Easterbrook Creek	80	19	<ul style="list-style-type: none"> 5ML/a temporary transfer to corporation(2008-09); 0ML used in 2008-09⁵ Approval, amendment and implementation of programs under clauses 9 & 10: <i>Implemented</i>

1 Bulk entitlement volume calculated as three-year rolling average (figure in brackets is volume for 2008-09).

2 Bulk entitlement volume calculated as two-year rolling average (figure in brackets is volume for 2008-09).

3 Noojee Bulk Entitlement not currently utilised.

4 Tarago Bulk Entitlement took effect 1 May 2009.

5 Sourced from private licence holder.

General reporting requirements

Temporary or permanent transfer of corporation entitlements:

No transfer of corporation entitlements

Temporary or permanent transfers of licences or entitlements to corporation:

Boolarra: 11ML temporary transfer (2006-07 – 2010-11) of which 0ML used in 2008-09;

Thorpdale: 5ML temporary transfer (2008-09) of which 0ML used.

Tarago: 400ML temporary transfer (2008-09) of which 75ML was used. No other transfers occurred.

Amendments to bulk entitlements:

No amendments to bulk entitlements in 2008-09

New bulk entitlements:

The Bulk Entitlement (Tarago River – Gippsland Water) Conversion Order 2009 took effect on 1 May 2009. This Bulk Entitlement covers Gippsland Water's current supply sources for the Warragul/Drouin and Neerim South/Noojee systems. No other new BEs were granted.

Failure by corporation to comply with provisions of bulk entitlements:

No failures to comply in 2008-09.

Difficulties experienced in complying with entitlement and remedial actions:

No difficulties experienced in complying with entitlements.

Research

Water Quality Research Australia

Gippsland Water subscribes to Water Quality Research Australia (WQRA), which undertakes collaborative research into drinking water quality, recycled water and wastewater management issues of national interest.

The research focus is on improving public and environmental health in the provision of water industry services. Currently, 14 research projects are underway and outcomes are made available to water industry members nationally. Further details of the activities of WQRA are available at www.wqra.com.au.

Water Services Association of Australia (WSAA) Ecological Footprint Analysis Project

Gippsland Water is contributing to a project managed by WSAA to develop a tool to determine the ecological impacts of water industry activities. The tool is being developed by the University of Sydney and will be valuable in assessing the relative ecological impacts of project options under consideration.

Dutson Downs Conservation Action Plan (CAP)

A key activity in 2008-09 was the development of the Dutson Downs CAP. Greening Australia facilitated two workshops to develop the CAP. The workshops were attended by representatives of Gippsland Water, Parks Victoria, West Gippsland Catchment Management Authority, Department of Sustainability and Environment and local community members.

The CAP integrates conservation strategies for ecological systems, communities and species across multiple scales. The plan will improve the likelihood of achieving resilience as it considers habitat diversity and areal extent, and provides for greater resilience against unnatural disturbance, in particular climate change.

Eight assets were identified as representing the full array of biodiversity found at Dutson Downs, and will be used as the basis for natural resources planning and management on site. The assets identified are:

- Heathland
- Woodland
- Freshwater ephemeral wetlands
- Lagoons
- Wellington Mint-bush
- New Holland Mouse
- Dwarf Kerrawang
- Cultural heritage



▲ The aftermath of the Rawson bushfire shows how ferocious the blaze was.

Gippsland Water Factory

The Gippsland Water Factory (GWF) is being delivered using an alliance procurement model with the commercial participants being Gippsland Water, Transfield Services, CH2MHILL and Parsons Brinckerhoff.

Construction of the wastewater treatment and recycling system began in February 2007, with commissioning due for completion in late 2009.

The project scope includes 78km of pipelines, three new pump stations, upgrades to five existing pump stations and a new wastewater treatment facility at Maryvale incorporating water recycling technologies. New elements were added to the project's scope, including renewable energy and the Vortex Centre (a combined operations, public education and visitors area).

The key drivers for the project relate to the Regional Outfall Sewer (ROS) which flows for 87km from Morwell to Dutson Downs. While the first 46km of this sewer is in a pipe, it becomes an open channel east of Rosedale for another 41km before discharging into treatment lagoons at Dutson Downs. This open channel has carried raw, untreated wastewater and industrial waste from the Latrobe Valley, Rosedale, Sale and Fulham for more than 50 years and generates significant odour.

When fully operational, the GWF will treat up to 35 million litres of Gippsland's domestic and industrial wastewater each day. This wastewater will come from more than 15,000 households and businesses in Traralgon, Morwell, Yallourn North, Boolarra, Toongabbie, Glengarry, Rosedale, Yinnar, Churchill and Australian Paper's Maryvale mill.

Eight million litres a day will be treated to a higher standard and recycled to Australian Paper, which is contracted to purchase the water. This will then free up about three billion litres (1,200 Olympic-size swimming pools, or 10 per cent of Moondarra's capacity) of fresh water each year in the Moondarra/Latrobe system for use in the local area.

The remaining highly treated saline wastewater will be sent down the ROS for ocean discharge, while Sale and Fulham's wastewater will be piped separately and directly to Dutson Downs where it will be treated and then re-used on-site for agricultural purposes (5 million litres of water per day). This ensures Sale and Fulham's raw sewage does not mix with the highly treated saline wastewater within the ROS.

The entire GWF system will directly benefit a population in excess of 65,000. The technology used to treat Australian Paper's pulp and paper wastewater is a world first and has set a new standard for treating this type of waste. The project is also the first of its kind in Australia in that recycling has been incorporated into the wastewater treatment plant from the start, rather than added to existing infrastructure.

More information on the Gippsland Water Factory is available at www.gippslandwaterfactory.com.au or by telephoning 1800 066 401.



▲ The Gippsland Water Factory under construction in September 2008.

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 are reported for inclusion on the database if the total concentration over a year is greater than a pre-established threshold value, per facility.

Data for reporting was determined for the emissions from all wastewater treatment plants in 2008-09. Chemical loads to the environment above the threshold limits were only present at four plants, and are reported in the table below:

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	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Drouin WWTP	–	–	11,120	10,775	23	104	–	–	–	–
Moe WWTP	–	–	776	745	920	876	–	–	–	–
Morwell WWTP	–	–	1,879	1,868	245	377	–	–	–	–
Warragul WWTP	–	–	3,783	4,259	456	338	–	–	–	–
Dutson Downs	275,609	288,453	50,610	58,418	24,939	56,841	83,649	123,129	19,439	30,270

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

A significant reduction in nutrient discharge to water occurred at Dutson Downs in 2008-09, compared to the previous reporting period. This was mainly due to the outfall being closed for a substantial period of time, as a result of water quality issues in the treatment lagoon, No 2 Storage.

Customer committees

Gippsland Water has four permanent community-based consultative committees comprising a range of community and industry representatives.

These are the Dutson Downs Advisory Committee, Coastal Advisory Committee, Environment and Customer Consultative Committee, and Dutson Downs Biodiversity Technical Reference Committee.

The work of the committees is supported by a range of other community consultation initiatives employed by Gippsland Water including presentations to community groups.

The committees have similar charters: To provide the Gippsland Water Board with a range of customer viewpoints; facilitate communication between the corporation and the community; and provide advice on policies and strategies from a community viewpoint.

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

Dutson Downs Advisory Committee

The Dutson Downs Advisory Committee provides an opportunity for Gippsland Water to receive community input and advice about its Dutson Downs facility, which incorporates wastewater treatment lagoons, an agribusiness, and the Soil and Organic Recycling Facility. The committee was established in response to community concern about Dutson Downs and has since participated in the development of an Environment Improvement Plan for the site. It also assists with monitoring the performance of Dutson Downs against the performance criteria developed in the statutory planning process.

The committee met four times throughout the reporting year and focused on items including operation of the Soil and Organic Recycling Facility, compliance of the Dutson Downs treatment lagoons with the Environmental Protection Authority (EPA) licence, bioremediation pond rehabilitation, progress of the Gippsland Water Factory, and Gippsland Water's move to an EPA corporate licence.

As at 30 June 2009, the Dutson Downs Advisory Committee comprised:

Peter Garlick (Chairman) – Stradbroke
Steven Dickson – Wellington Shire Council
Mark Duthie – Esso BHP Billiton
Wally Evans – Watermark Inc
John Hirt – Sale Field and Game Association
Neville Hirth – Rosedale Leather
Dieter Melzer – Environment Protection Authority
Cr Beth Ripper – Wellington Shire Council
Dr Jo McCubbin – Wellington Residents Against Toxic Hazards
John Steel – Loch Sport
Stuart Kewish – Australian Paper

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 both the McGaurans Beach and Delray Beach ocean outfalls and associated treatment and transfer systems.

The committee met four times throughout the reporting year and focused on trends in the monitoring results for the two outfalls, development of the Gippsland Water Factory, investigation of the Saline Wastewater Outfall Pipeline leaks at Giffard, and impacts of recent bushfires on pipeline assets.

A key achievement for the year was the development and production of a newsletter informing the community of the activities of the committee.

As at 30 June 2009, the Coastal Advisory Committee comprised:

Neil Terrill (Chairman) – Churchill
Peter Garlick (Deputy Chairman) – Stradbroke
Cr Beth Ripper – Wellington Shire Council
Mark Duthie – Esso BHP Billiton
Alan Eagle – Jeeralang Junction
Frank Johns – Golden Beach
Dieter Melzer – Environment Protection Authority
Peter Marwood – Traralgon
Natasha Vasey-Ellis – Gippsland Coastal Board
Russell Pentland – Loy Yang Power
Justin Vanderzalm – Australian Paper

Environment and Customer Consultative Committee

The Environment and Customer Consultative Committee is a representative consultative forum which allows Gippsland Water to liaise with customers from across its service area. The committee 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 reporting year and focused on items including Gippsland Water's emergency response to bushfires in January and February 2009, customer satisfaction survey results, water resources, water quality, and Gippsland Water's environmental footprint.

As at 30 June 2009, the Environment and Customer Consultative Committee comprised:

Peter Kostos (Chairman) – Warragul
Des Sinnott – Boisdale
Don Blackley – Drouin
Malcolm Boyce – Drouin
Jane Gurling – Nambrok
Peter Smolenaars – Sale
Tom Wallace – Kilmany

Simon Vanderzalm of Warragul and Henry O'Cleary of Inverloch resigned from the committee in 2009. Replacements for both positions have since been sought through public expressions of interest.

Dutson Downs Biodiversity Technical Reference Committee

The Dutson Downs Biodiversity Technical Reference Committee provides a forum for Gippsland Water to consult with stakeholders to ensure that we utilise the best technical advice and innovation available to assist in biodiversity management activities at the Dutson Downs property.

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

The committee met twice during the reporting period and provided advice and assistance on the development of the Dutson Downs Conservation Action Plan (CAP) process in 2008-09. For more information on the CAP refer to the Research section of this report on page 23.

As at 30 June 2009, the Dutson Downs Biodiversity Technical Reference Committee comprised:

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



▲ The wastewater treatment lagoons at Dutson Downs.

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*.

Regional catchment management

Gippsland Water participates in catchment management activities as part of the sustainable management of water resources identified in its strategic plan, and as required under the *Safe Drinking Water Act 2003*. The Act requires water corporations to prepare and implement risk management plans from a 'catchment to customer tap' perspective. The plans include actions to address hazards existing within catchments that could potentially impact drinking water supply.

Catchment management projects during the reporting period included:

- collaborating with local stakeholders and an expert team from the USA's Burned Area Emergency Response organisation to assess the bushfire-impacted areas of Gippsland, and define management activities to protect assets and control water quality impacts;
- improving knowledge of the use and monitoring of agricultural and veterinary chemicals in priority potable water catchments;
- ongoing support for the multi-agency stakeholder group for the Tarago Reservoir Catchment Management Plan. (The water quality working group has been initiated to consolidate the collection of data and identify future monitoring requirements to verify the impacts of bushfires and improvements gained from the ongoing activities within the catchment);
- finalisation of a cost benefit analysis report on catchment improvement activities in the Narracan Creek catchment, to assist in prioritising options listed in the Narracan Creek Catchment Plan as a combined project with the West Gippsland Catchment Management Authority (WGCMA);
- participation in a WGCMA's Strzelecki Multiple Outcomes Project which identified the highly-valued environmental assets within the Strzelecki Ranges enabling the formation of local area plans for effective natural resource management; and
- installed continuous turbidity monitoring devices in two river catchments to assist with monitoring water quality (funding received from Bureau of Meteorological Modernisation Fund).

Victorian Biodiversity Strategy

The Victorian Biodiversity Strategy aims to prevent or reduce the loss of biodiversity across the state, and to correct past errors in management practices when the opportunity arises.

The following activities were undertaken during this reporting year:

Protection of flora and fauna

Gippsland Water worked with the Department of Sustainability and Environment and local government to ensure its activities were managed in accordance with the Victorian Native Vegetation Framework, *Flora and Fauna Guarantee Act 1988* and other relevant policies and regulations.

Gippsland Water aims to avoid disturbing flora and fauna where possible. Where disturbance is required, agreements are reached to establish and maintain biodiversity offsets of similar ecosystems locally.

The following management activities were undertaken:

Wellington Mint-bush

The Wellington Mint-bush (*Prostanthera galbraithiae*) is a threatened species that is listed as vulnerable under the *Commonwealth Environment Protection and Biodiversity Conservation Act 1999*. There are two known populations of Wellington Mint-bush that Gippsland Water protects at Dutson Downs. Activities undertaken in this reporting period included a detailed survey of population health following construction of a fence to prevent grazing, and to determine the effectiveness of the fence from browsing animals.

New Holland Mouse

The New Holland Mouse (*Pseudomys novaehollandiae*) is listed as threatened under the *Flora and Fauna Guarantee Act 1988*. There are now three known areas at Dutson Downs where the New Holland Mouse is located. Activities undertaken during this reporting period included a detailed survey of the Delray Block to positively determine the presence of the mouse.

Dwarf Kerrawang

The Dwarf Kerrawang (*Rulingia prostrata*) is a threatened species that is listed as vulnerable under the *Commonwealth Environment Protection and Biodiversity Conservation Act 1999*. There are 16 known populations of Dwarf Kerrawang at Dutson Downs that Gippsland Water protects. Activities undertaken in this reporting period include a detailed survey of wetlands across Dutson Downs to locate populations. Wetlands with Dwarf Kerrawang present within pine plantations are to be fenced to ensure protection from livestock and machinery.



▲ Dutson Downs has unique flora and fauna including the New Holland Mouse (top), Dwarf Kerrawang (middle) and the Wellington Mint-bush (bottom).



▲ The importance of water is one of the organisation's key messages.

Wetlands management plan

The Dutson Downs Wetlands Management Plan was developed to provide a framework for the protection, rehabilitation and enhancement of environmental wetland values at Dutson Downs. The strategic objectives include protection of the highest value wetlands, maintaining current wetland quality, biodiversity and threatened species habitat and enhancing wetland values.

Pest plants and animal control

Gippsland Water undertakes an active eradication program for removal and control of pest plants and animals on its land. A regular eradication program exists for rabbits and foxes.

Regular application of herbicide has been applied to noxious weeds present on sites managed by Gippsland Water's Agribusiness team. These weeds include blackberry, ragwort, serrated tussock, and scotch thistle.

West Gippsland Threatened Flora Network

Gippsland Water maintained its membership of the West Gippsland Threatened Flora Network, which assisted in coordinating biodiversity management activities. Gippsland Water reports on the management of two of its threatened flora species to the network: Wellington Mint-bush and the Dwarf Kerrawang.

Victorian River Health Strategy

Treated wastewater is discharged to waterways from Drouin, Moe, Rawson, Warragul and Neerim South wastewater treatment plants. Water quality and biological monitoring is routinely undertaken upstream and downstream of the discharge, to ensure that the long-term health of the waterways is not detrimentally impacted.

A project commenced in 2008-09 to determine the ecological health of Tyers River, upstream and downstream of Moondarra Reservoir. In addition to better understanding the impact of the reservoir on the health of the river system, the project will determine if other activities in the catchment impact on the river health, particularly in the section below the dam wall.

Gippsland Water is a founding member of Gippsland Regional Water Monitoring Partnership. Whilst this partnership was established to reduce costs and replication of effort by a number of agencies involved in the monitoring of water quantity and quality in Gippsland, participation in the partnership greatly enhances information sharing and collaboration between the partners.

Gippsland Water also provides \$20,000 annual sponsorship to support Waterwatch's community education program.

Statement of Obligations

The Minister for Water's Statement of Obligations to Gippsland Water includes obligations to monitor and manage the impacts of its operations on river health. Activities described in the sections titled Regional Catchment Management Strategy and Victorian River Health Strategy assist Gippsland Water to meet these obligations.

Major and minor works by town

Works undertaken on these assets during the 2008-09 year included:

Water reticulation renewals

Gippsland Water identifies water mains for replacement by their failure history and consequences of failure. The annual water main renewal program replaces mains experiencing repeat problems. In 2008-09 approximately 9.8km of water main was replaced at a cost of \$2.05m. The breakdown is as follows:

Morwell	1,318m
Drouin	492m
Warragul	545m
Trafalgar	169m
Moe	1,142m
Newborough.....	1,623m
Mirboo North.....	1,370m
Maffra.....	1,738m
Traralgon.....	303m
Rosedale	487m
Heyfield.....	614m
Total length	9,801m

Sewerage pump station upgrades

The existing Boldings Estate sewerage pump station in Churchill was replaced, significantly reducing the operational risks that existed with the previous structurally inadequate and non-compliant facility.

2008-09 expenditure on sewerage pump station upgrades was \$510k.

Warragul Water Treatment Plant sludge handling system

Construction of a new centrifuge sludge dewatering system at the Warragul Water Treatment Plant reached practical completion. The new sludge-handling system minimises the quantity of sludge that was previously discharged to the sewer system from the treatment plant, significantly reducing the solids loading on the Warragul Wastewater Treatment Plant. By removing the sludge from entering the sewer system, major augmentation of the wastewater treatment plant was deferred by eight years.

2008-09 expenditure on this project was \$790k.

Moe Water Treatment Plant low level outlet pipeline

Replacement of leaking low level pipelines at the Moe Water Treatment Plant reached practical completion. This project involved replacing two leaking pipelines within the water treatment plant that had reached the end of their useful lives. These pipes are critical assets as they are the main supply line feeding Trafalgar, Yarragon, Moe and Newborough.

2008-09 expenditure on this project was \$730k.

Forklift training is one of the many courses undertaken by Gippsland Water staff. ▼



All staff are provided with appropriate personal protective clothing. ▼



Rose Street Pump Station on the Thomson River, Heyfield. ▼





▲ Installing an office at a treatment plant can be complex.

Drouin Oddy Street sewerage pump station and rising main

A new sewer pump station and rising main was constructed in Oddy Street, Drouin to cater for new developments and future growth around the area.

2008-09 expenditure on this project was \$660k.

Seaspray central sewerage pump station

A central sewerage pump station was constructed in Seaspray to enhance the Seaspray Sewerage Scheme. The pump station collects all of the sewer flows from the town reticulation in a large well at the town level, and pumps it to the Seaspray wastewater treatment lagoons. The pump station reduces the load on the many small on-property pumps that exist on the system, thereby reducing maintenance costs and improving pump longevity.

2008-09 expenditure on this project was \$620k.

Brodrigg Road pump station improvements

An upgrade to the Brodrigg Road water pump station in Hazelwood was completed to improve the operation of the facility. The project involved replacing the existing flow control valves and equipment on the transfer main supplying the townships of Churchill and Yinnar and the Jeeralang Power Station. The works incorporated variable speed drives and additional control and monitoring equipment to increase operational reliability and efficiency.

2008-09 expenditure on this project was \$360k.

Wurruk water pump station upgrade

A new booster pump station was constructed in Wurruk to enhance water supply to the West Sale Aerodrome development. The booster pump station will provide improved pressure and security of supply to the West Sale Aerodrome, East Gippsland Institute of TAFE, Fulham Correctional Centre and adjacent properties. The pump station will provide operational efficiencies, as it will only operate to supply exceptional demand and fire service requirements.

2008-09 expenditure on this project was \$240k.

Dutson Downs septic unloading facility

A new septic unloading point at Dutson Downs was constructed to receive septic tank waste. This was necessary due to the closure of the Dutson Downs' bioremediation pond, which previously accepted septic tank waste.

2008-09 expenditure on this project was \$20k.

Sewerage pump station (SPS) upgrades – planned works

Together with Gippsland Water's maintenance contractor, Transfield Services, this year's mechanical and electrical sewerage pump station upgrades included:

Toongabbie
Glengarry
Boolarra
Kenall Drive, Moe
Saleyards Road, Sale
Rodier Road, Yarragon
M1P Morwell Industrial Estate
Wurruk Cricket Club, Wurruk
Trood Street, Sale
Brand Street, Sale

Brand Street, Sale SPS upgrade

At Brand Street SPS, Sale, a major civil upgrade was completed in addition to mechanical and electrical upgrades. This included installation of a new wet well to increase capacity.

2008-09 expenditure on this project was \$1.365M.

Installation of fall prevention lids

Fall prevention lids (lift-up wet well cages) were installed at the sewerage pump stations listed to the left and also at Saskia Way, Morwell and Ibis Avenue, Sale.

2008-09 expenditure on this project was \$21k.

Decommissioning of SPSs

McCormick Street, Churchill and Catherine Street, Morwell sewerage pump stations were decommissioned, facilitated by modifications to their transfer systems. Both pump stations had become surplus to requirements due to the introduction of upgraded infrastructure in the region.

2008-09 expenditure on this project was \$23k.



▲ The Tyers conduit pipe transports water from Moondarra Reservoir to the Tyers pump station.

Sewerage pump stations (SPS)	Unplanned emergency works
Sale SPS No. 1	Following a power spike at the Sale SPS No. 1, the variable speed drives (VSDs) suffered a critical failure which shut-down the entire site. Transfield Services responded to this emergency and managed to manually restart the pumps to avoid discharge into the adjacent water way when the wet well was 98 per cent full. The VSDs were replaced as a matter of priority and electrical breakers installed to avoid future failures. 2008-09 expenditure on this project was \$50k.
Strzelecki Highway SPS, Mirboo North	Following an electrical cabinet fire which destroyed one pump set (two pumps), Transfield Services carried out a full electrical reconstruction of the pump set starters which included the installation of two variable speed drives. 2008-09 expenditure on this project was \$60k.
Maffra No. 1 SPS	In response to a pump fault alarm and following an asset condition assessment, both pumps at Maffra No. 1 sewerage pump station were replaced. This has delivered 30 per cent efficiency gains in power usage. 2008-09 expenditure on this project was \$85k.
Upgraded sewer camera equipment	The closed-circuit television (CCTV) sewer camera equipment has been upgraded. This new equipment enables footage to be collected for larger diameter pipes, and, with its motorised winch, addresses OH&S issues relating to lifting heavy camera equipment into manholes. 2008-09 expenditure on this project was \$134k.

Sewerage reticulation

A total of 140km of sewer pipeline was cleaned through the preventative maintenance program. This cleaning program focuses on known 'hot-spots' to reduce the risk of blockages. A second preventative maintenance plan has been rolled out this year to inspect and clean large sewer trunk mains. Approximately 4.5km of trunk sewers were cleaned, removing 16 tonnes of silt. Cleaning these assets improved the network's performance, and the data obtained will be used to develop future long-term asset management plans.

2008-09 expenditure on this project was \$460k.

Sewerage rising mains

Using a hand-held global positioning system the Field Operations Technical Group conducted a large-scale condition assessment of Gippsland Water's rising main assets. This data was used to improve the accuracy of the internal graphical information system and formed the basis for development of an asset management program for this group of assets. As part of this assessment, the 8.5km Yinnar-Churchill rising main was recognised as a high risk asset, and has therefore been the focus of urgent upgrade works. Four scour valves and seven air valve assemblies were replaced, complete with new pits and locking lids. Additional isolation valves were installed to improve the main's serviceability. Preventative maintenance plans have been developed for all sewerage rising mains and will be rolled out in the 2009-10 financial year. This preventative maintenance program will be complemented by major upgrade works to the Yallourn/Yallourn North and Yarragon to Moe rising mains.

2008-09 expenditure on this project was \$95k.

Residents have been on Permanent Water Saving Rules this year, allowing the watering of gardens and lawns. ▼



Water storages	Unplanned emergency works
McAdam Street, Maffra	The large 7.9ML tank at this site was taken offline for approximately four weeks to undertake urgent repairs to a tear in the polypropylene liner. The roof cladding was removed and a crane employed to import approximately three cubic metres of material to reinstate the earthen base. Gippsland Water took the opportunity to clean the inside of this tank prior to bringing this storage back into service. 2008-09 expenditure on this project was \$45k.
Buckley's Hill, Morwell	The floating polypropylene cover on the clear water storage sustained major vandalism in March 2009. The storage was taken offline to conduct 40 minor and 15 major patch-repairs. A major clean of both the cover and internal liner was undertaken whilst offline. 2008-09 expenditure on this project was \$60k.
Clarkes Road, Traralgon	The floating polypropylene cover sustained minor vandalism in April 2009. The storage was taken offline in order to undertake repairs and following water sampling, was returned to service. 2008-09 expenditure on this project was \$12k.
Rosedale pressure sustaining valve – Rosedale basin	The pressure sustaining valve failed in February 2009. Transfield Services determined replacement was more cost effective than repairing the valve, due to the unusual brand of components and the unnecessary hazards staff faced when servicing the equipment. A new pit has been constructed to house the new inlet controls which addresses all OH&S issues associated with the original arrangement. 2008-09 expenditure on this project was \$30k.



▲ The north gullet of International Power Hazelwood's raw water supply, prior to its upgrade in early 2009.

Water storages — planned works

Planned repairs to the floating polypropylene covers have been completed at Rosedale Basin and Northways Basin, Churchill this financial year.

2008-09 expenditure on this project was \$22k.

Water reticulation

- A number of water main link-ups, upgrades, and replacements have occurred this year to reduce shutoff blocks (number of customers affected by a shut), manage pressure, and improve water quality. These sites include Mouritz Street, Warragul; Hope Street, Drouin; Gordon Street, Heyfield; and Fitzroy Street, Sale.

2008-09 expenditure on this project was \$95k.

- This year sees the conclusion of a three-year strategy to improve water supply to Maffra's CBD and decommission ageing cast iron water mains to improve water quality. The focus for these reticulation upgrades was increasing flows to the south side of Johnson Street, and provision of a dedicated feed to one of our major customers.

2008-09 expenditure on this project was \$460k.

case study

Agribusiness



No two days are the same when you work in agribusiness. ▼



When most people think of Gippsland Water, they think of the obvious; water. Some may go the extra step and think water and wastewater, but very few would associate Gippsland Water with the largest broad-acre farming operation in the region.

Gippsland Water's agribusiness encompasses 12 properties totalling more than 12,500ha, and enables the corporation to manage disposal of its wastewater in an environmentally and economically sustainable manner.

About 34 per cent of wastewater from Gippsland Water's domestic wastewater treatment plants is re-used for irrigation within Gippsland Water's farming operations, which support 2,270 cattle and 1,400 merino sheep, 1,000ha of cereals and 330ha of lupins/canola. A total of 5,000ha is farmed, 1,000ha is under timber plantation and the balance is native vegetation.

The newly-opened Soil and Organic Recycling Facility (SORF) at Gippsland Water's largest landholding, Dutson Downs, provides an opportunity for the farm to use the nutrient-rich compost produced by the SORF as a soil reconditioner. In the future when the Gippsland Water

Factory is operational, the Dutson Downs farm will benefit from an additional 1,200ML of reclaimed water a year from Sale and Fulham.

In addition to providing a cost effective and sustainable solution to the corporation's wastewater disposal needs, the agribusiness has been a pioneer of Gippsland's emerging cropping industry and its successes are recognition of the skills and dedication shown by agribusiness staff. The farm team has also been actively revegetating the farmland with indigenous species, fencing to protect remnant vegetation and maintaining weed and pest controls.

Gippsland Water's agribusiness is an active participant in agricultural groups including the Gippsland branch of Southern Farming Systems and the Australian Farm Business Management Network.

Gippsland Water's agribusiness was recently recognised in the prestigious Weekly Times 2008 Farm Business Awards. The agribusiness won 2008 Farm Business of the Year, Crop Producer of the Year and Agribusiness manager Michael Bannon won Young Farmer of the Year.

Customers, stakeholders and community

Gippsland Water's 'whole of business' approach to customer relations reflects the changing needs and expectations of our customers and stakeholders. We recognise the need to strengthen our engagement with the community so that together we can find new solutions to the region's challenges.

Our community

Gippsland Water strives to understand the diverse needs of our multicultural community, providing support and relationship management to reflecting socio-economic nature of the region.

The corporation encourages open communication and customer and community feedback – be it positive or negative, to help understand our customers' needs. Information is distributed using a variety of media to build stronger relationships across the community including free of charge services for our non-English speaking and or hearing impaired customers.

Customer Charter

Gippsland Water's Customer Charter reflects specific commitments made to its customers and outlines associated services and standards that will be maintained. The charter is available at www.gippswater.com.au or a copy can be provided upon request by telephoning 1800 066 401.

Social and economic impact

Gippsland Water appreciates it serves a diverse socio-economic community and strives to provide support and understanding for its customers who may experience financial hardship.

A wide range of social and financial services such as the water and sewerage concession, Utility Relief Grant Scheme and not-for-profit organisation rebates are offered through partnerships with government organisations.

Gippsland Water's Hardship Policy is based on the Victorian water industry guidelines to maintain a high level of assistance with respect to customers who experience financial difficulties. As a crucial aspect of our customer service, this policy continues to evolve with the current economic climate.

Gippsland Water staff are committed to providing exceptional service to customers, stakeholders and the community. ▼



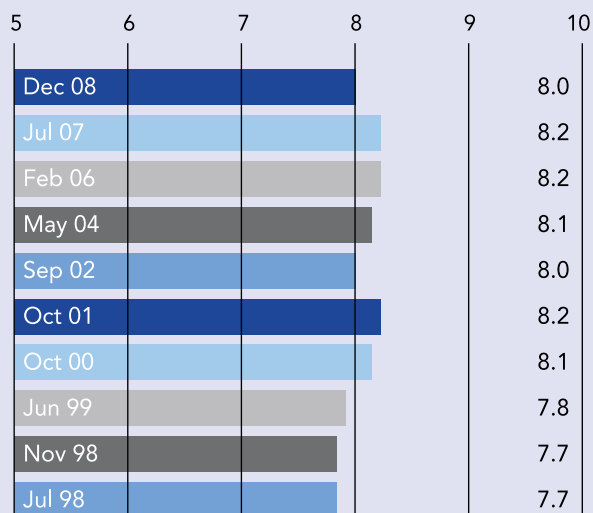
Customer relationship management

Gippsland Water strives to provide the highest level of customer service that not only meets but exceeds customer expectations.

A residential customer satisfaction survey is conducted every 18 months by an external market research company. The respondents are asked a series of questions on their service satisfaction levels with water quality, wastewater services, interruptions, environmental management and billing and customer service. The average overall level of satisfaction from Gippsland Water's residential customers was 8 (out of a maximum of 10), remaining relatively consistent with the previous survey.

The information gathered helps identify and drive continual improvement across the organisation.

The results of this survey are summarised in the graphs below.



▲ A misty morning at the Tyers Water Treatment Plant.



▲ A scientific officer undertaking a flora study.



▲ Aerial firefighting teams were a common sight during the January–February bushfires.

Community service obligations

A number of the services actively promoted to the community and payments made are summarised below:

	2008-09	2007-08	2006-07	2005-06	2004-05
Concessions to pensioners	\$3,135,800	\$2,702,885	\$2,711,700	\$2,422,200	\$2,148,100
Rebates paid to not-for-profit organisations ¹	\$175,200	\$162,600	\$221,600	\$238,000	\$209,530
Utility Relief Grant Scheme	\$30,900	\$12,635	\$12,600	\$6,400	\$5,000
WaterSmart	\$94,100	\$102,080	\$55,100	\$42,700	\$21,200
Water concession on life support machines – Haemodialysis	\$1,900	\$1,176	\$1,000	\$1,000	\$0
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	\$0	\$0	\$0	\$0	\$0
Hardship (bushfire related)	\$3,570	n/a	n/a	n/a	n/a
Total	\$3,441,500	\$2,981,376	\$3,002,000	\$2,710,300	\$2,383,800

1 Gippsland Water, in conjunction with the State Revenue Office, reviewed the methodology in applying rebates to not-for-profit organisations to ensure consistency across the region, which resulted in a decrease in applications during 2007-08 and 2008-09.

Community sponsorship

Gippsland Water provides sponsorship in the form of merchandise, in-kind support and free hire of its mobile water fountain.

The corporation's aim is to distribute sponsorship evenly throughout its service area while receiving value for its contribution. Events or projects that relate to Gippsland Water's core business are given priority.

The water fountain is well-known to community groups organising regular events and its bookings remain steady.

Gippsland Water's National Water Week poster competition Grade Prep winner Layla Benson. ▼



Gippsland Water sponsored a range of groups and events during 2008-09, including community, environmental, cultural, school and youth activities.

Annual sponsorship is provided to the West Gippsland Catchment Management Authority's Waterwatch program and I-GAIN's Gippsland Community Leadership Program.

Community education

Gippsland Water showcased the environmental benefits of its Soil and Organic Recycling Facility when it attended the OzWater 09 conference. Staff also participated in the working committee for the community open day to launch the conference. Another major project, the Gippsland Water Factory, was featured at the community open day.

Gippsland Water has a comprehensive education program for primary schools and is also able to respond to school and community enquiries seeking specific information about the water industry or local water supplies.

As part of National Water Week, the organisation partnered with the Traralgon Creek Neighbourhood Environment Improvement Plan implementation committee in organising an open day at Victory Park, Traralgon. The day showcased aspects of Gippsland Water including agribusiness, the Gippsland Water Factory, the Soil and Organic Recycling Facility, our closed circuit television pipe inspection equipment, and career opportunities. More than 40 customers took the opportunity to exchange their old showerhead for a water-efficient model as part of the Showerhead Exchange Program.

Gippsland Water also took part in the National Water Week poster competition. Over 190 entries were received from more than 10 schools. This competition gives teachers an opportunity to discuss water issues with students, and for students to consider how important water is in their daily activities.

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 ⁵	Billed volume (ML)	Billed connections	Billed volume (ML)	Billed volume (ML) ⁶	(ML)	(ML)	(ML)	
Boolarra	312	43.2	26	2.8		15.9	62	71.3	-13%
Briagolong	365	56.7	23	14		19.3	90	77.5	16%
Coongulla–Glenmaggie	478	42	9	6.3		9.7	58	52.8	10%
Erica–Rawson	303	42.1	43	18.7		40.3	101	104.4	-3%
Heyfield	859	182.1	110	67.9		31.1	281	274.9	2%
Maffra–Stratford ¹	2,906	590.7	309	86.2	364.1	164	1,205	1,289.5	-7%
Mirboo North	728	115.1	83	37.6		13.3	166	157.7	5%
Moe–Newborough ²	10,555	1,708.7	834	262.9	1,461.3	193.1	3,626	3,944.4	-8%
Moondarra ³	23,679	4,673.5	2,273	1,005.8	42,402.6	2,110.1	50,192	50,511.7	-1%
Neerim South–Noojee	639	153.2	69	29.4		47.4	230	217.9	6%
Sale–Wurruk	6,597	1,213	782	358.2	225.1	184.7	1,981	2,016.3	-2%
Seaspray	348	20.9	12	3.2		10.9	35	43.6	-20%
Thorpdale	78	10.3	19	1.4		2.3	14	19.5	-28%
Warragul–Drouin ⁴	10,459	1,690.8	1,110	415.3	454.7	236.1	2,797	2,872	-3%
Willow Grove	143	37	10	1		10.8	49	52.1	-6%
Total	58,449	10,579.7	5,712	2,310.5	44,907.8	3,088.9	60,887	61,705.5	-1%

1 Includes Boisdale.

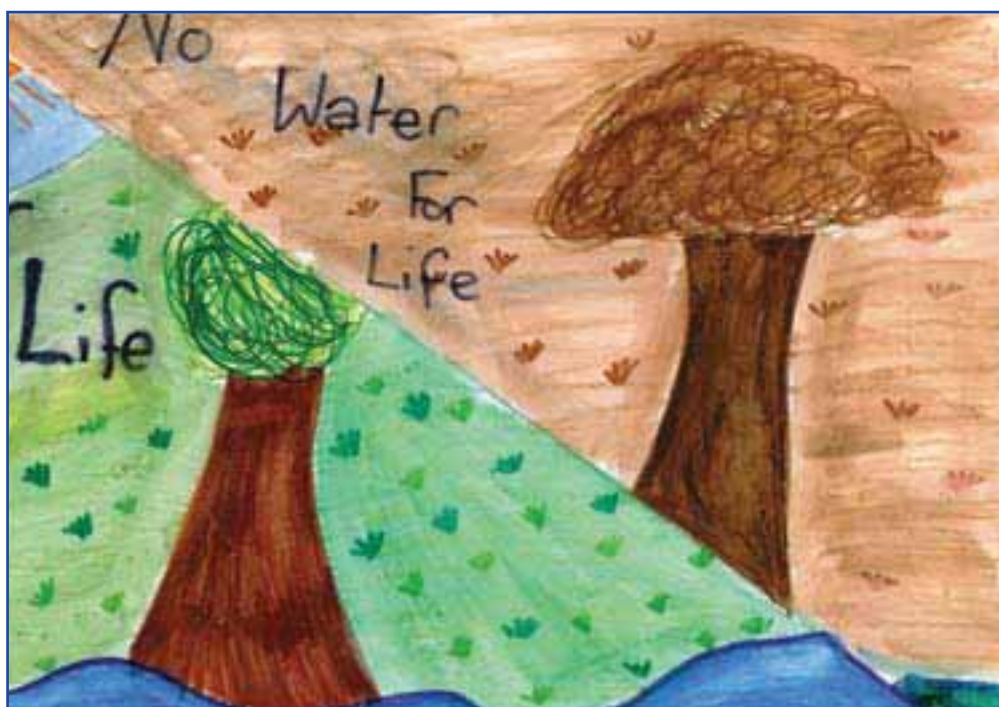
2 Supplies Moe, Newborough, Trafalgar, Yarragon, Yallourn and Yallourn North.

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

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

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

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



▲ Gippsland Water's National Water Week poster competition Grade 3-4 winner Maddi Hogan.

Permanent Water Saving Rules

Gippsland Water's Permanent Water Saving Rules were in place across all service areas during the 2008-09 period.

These rules are one of the methods to encourage customers to adopt water saving habits with the rules promoting ongoing water conservation.

The Permanent Water Saving Rules apply to both residential and commercial customers. Launched in 2005, they apply when no water restrictions are in place.

The key rules are:

Gardens

Watering systems (automatic and manual) can only be used between 8pm to 10am daily.

Hand-held hoses must be fitted with a trigger nozzle. You may water your garden or lawn with a hand-held hose at any time. Watering your lawn is permitted under Permanent Water Saving Rules.

Car washing

Use a bucket, watering can, high pressure cleaning unit or hand-held hose with a trigger nozzle to wash your car at any time.

Cleaning paved areas

The hosing of all paved areas (such as patios, driveways, courtyards and paths) is banned.

Pools and spas

Filling a new or existing pool or spa above 2,000 litres needs approval from Gippsland Water.

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 Act 2003* and the *Safe Drinking Water Regulations 2005*. The water quality parameters monitored and the frequency of sampling are listed below:

Microbiological

E. coli (weekly)

Physico-chemical

Turbidity (weekly)

Aluminium (monthly)

Disinfection by-products

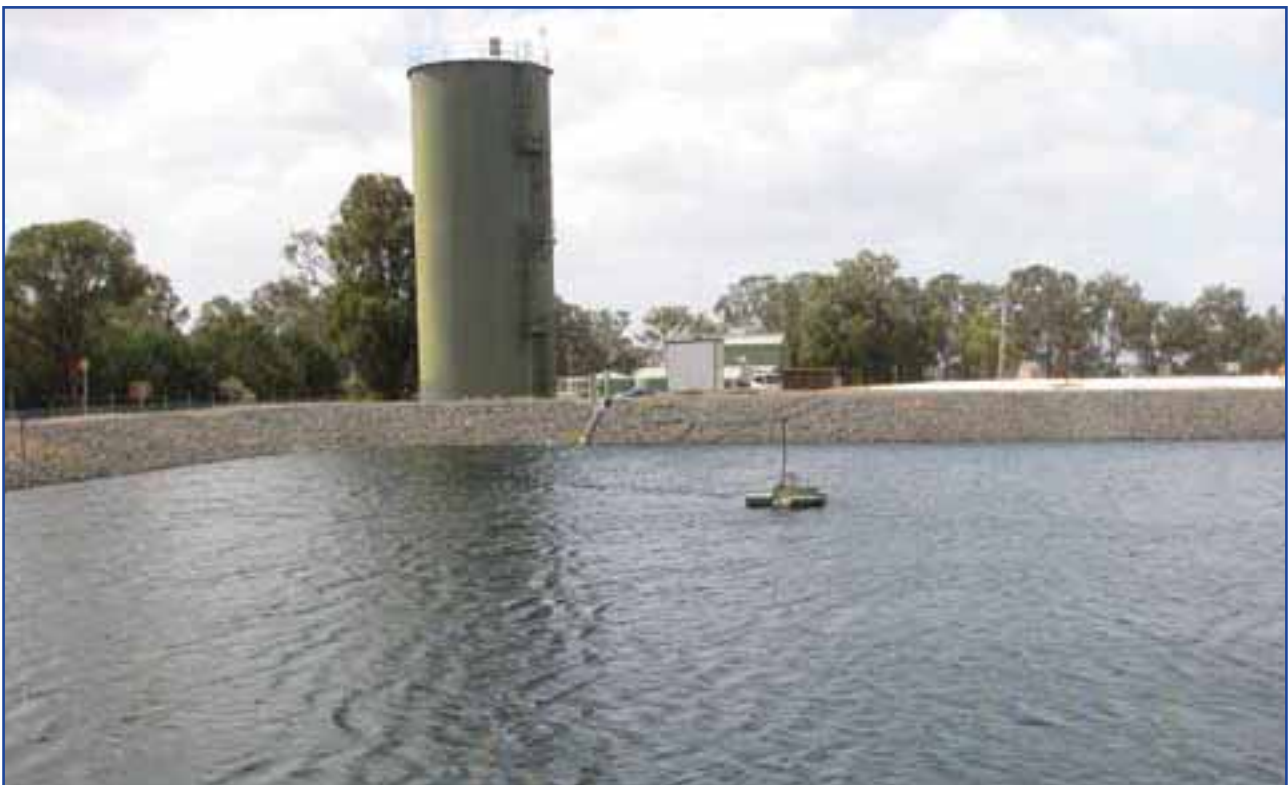
Trihalomethanes (THMs) (monthly)

Chloroacetic Acid (monthly)

Dichloroacetic Acid (monthly)

Trichloroacetic Acid (monthly)

Full details of drinking water quality for each reticulation system is available in Gippsland Water's *Safe Drinking Water Act Annual Report* which is submitted to the Department of Human Services by the end of October each year and can be viewed at www.gippswater.com.au.



▲ Gippsland Water has a number of raw water storages.



▲ Pipework at the Soil and Organic Recycling Facility.

Per centage of drinking water samples compliant with Safe Drinking Water Regulations

	2008-09	2007-08	2006-07	2005-06	2004-05
E. coli (<1 E. coli in 98% of samples taken)	100% ^{1,2}	100%	100%	99.95%	99.94%
Turbidity (95% upper confidence limit of the mean 5 NTU)	100%	100%	100%	100%	100%
Aluminium (<0.2 mg/L)	99.76% ³	99.29%	100%	96.81%	100%
Trihalomethanes (<250 µg/L)	100%	99.29%	99.82%	99.82%	100%
Chloroacetic Acid (<150 µg/L)	100%	100%	100%	100%	100%
Dichloroacetic Acid (<100 µg/L)	100%	100%	100%	99.75%	99.75%
Trichloroacetic Acid (<100 µg/L)	100%	100%	100%	99.57%	99.75%

- 1 Traralgon – One sample containing E. coli was recorded in Traralgon during March 2009. Gippsland Water investigated the exceedance and identified the cause as a contaminated sample tap which was subsequently replaced. Follow up monitoring samples met E. coli limits.
- 2 Boolarra – A self-imposed boil water alert was put in place during the bushfires in February 2009. Gippsland Water took this action as during the bushfires power supply to water treatment disinfection was unable to be guaranteed therefore the boil water alert was put in place as a precautionary measure. All monitoring prior to and following the bushfire met the E. coli standard with no breach of the standard occurring during this period.
- 3 Erica – One sample of elevated aluminium (acid soluble) concentration was recorded in Erica during April 2009. Gippsland Water investigated the exceedance and could not identify a cause. Follow-up monitoring samples met the aluminum concentration standard.

Waste deliveries to the Soil and Organic Recycling Facility (SORF)

Of the total prescribed waste accepted at the SORF located at Dutson Downs, 90 per cent was generated in the Gippsland region. The table shows a breakdown of the waste types received by the SORF during the 2004-05 to 2008-09 periods.

	2008-09	2007-08	2006-07	2005-06	2004-05
Non-prescribed solid wastes ¹	11%	7%	0.2%	6.9%	7.6%
Prescribed solid wastes ²	14%	8%	8.4%	21.4%	22.2%
Non-prescribed liquid wastes ³	7%	26%	5%	13.8%	8.1%
Prescribed liquid wastes ⁴	49%	48%	42.5%	58%	62.1%
Gippsland Water wastes ⁵	19%	11%	43.9%	n/a	n/a

- 1 Non-prescribed solid waste is drill mud and green waste.
- 2 Prescribed solid waste consists of contaminated soils and asbestos.
- 3 Non-prescribed liquid waste is predominantly septic tank waste.
- 4 Prescribed liquid waste is organic wastes consisting of food and vegetable effluents and some oil residue waters.
- 5 Gippsland Water wastes include biosolids and sludges from wastewater treatment.

case study

Valve adds value



Conducting ongoing maintenance to optimise the performance of existing assets may not be the 'sexiest' part of the job for Gippsland Water's Operations team, but undeniably, it is a big and very important part.

In the 2008-09 financial year, Operations spent more than \$7 million on maintenance works across its existing assets to ensure continued reliability and high performance.

This routine maintenance is not considered capital works; it may be something as benign as repairing fences and access tracks, or replacing parts on a pump station due to natural wear and tear; but it is essential to the ongoing performance of the corporation's water and wastewater systems.

Sometimes, during these routine maintenance tasks, opportunities can be found to further improve the system. This was certainly the case at the Peterkin Street Sewerage Pump Station (SPS) in Traralgon.

The Peterkin Street SPS is a major component of Traralgon's sewerage system, along with Breed Street SPS. Together, these two assets transport about 40 per cent of the town's effluent to the Regional Outfall Sewer, which then carries the wastewater to Dutson Downs for treatment.

Conducting maintenance at Peterkin Street SPS traditionally required the shut-down of Breed Street SPS at the same time. But during works in mid 2008, staff identified that if an additional valve was cut into the rising main at the correct point, the Peterkin Street asset could be isolated from Breed Street. This would allow Breed Street SPS to remain in service while undertaking works at Peterkin Street SPS, reducing the complexity of future outages and also lowering costs.

Field Operations were given the task of implementing this improvement to the system. A project team was assembled and included staff from Gippsland Water and its maintenance contractor Transfield Services.

In addition to the economic, system and asset improvement benefits of this project to Gippsland Water, non-economic benefits included: skill development and retention, knowledge transfer within Field Operations, and the further development of working relationships with Transfield Services and other contractors.

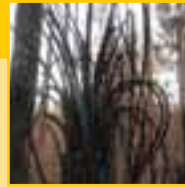
The installation of an additional valve in the rising main in Traralgon stemmed from what started out as routine maintenance. So, while routine maintenance works may not be the most exciting thing Operations does, they are not only essential to Gippsland Water's business as usual, but provide the corporation with opportunities to find ways to conduct its business better.



▲ Some heavy machinery had to be called in when Gippsland Water installed an additional valve to the Breed Street SPS

case study

Bushfire efforts



The magnitude of devastation wrought by bushfires across Victoria in early 2009 will never be forgotten.

In the midst of the state's longest and hottest heatwave on record, bushfires of a scale, intensity and impact never before seen in Australia swept across many regional Victorian areas, including Gippsland.

Gippsland Water, its staff, customers and stakeholders were directly impacted by the Delburn fire near Boolarra in late January, and the Churchill, Bunyip and Rawson 'Black Saturday' blazes in early February. Tragically, a number of lives were lost locally and many homes and properties were destroyed.

The corporation responded immediately to the crisis by establishing an Incident Management Team (IMT), with its first priority to ensure the safety of all field staff. Its next objectives were to monitor water supply issues in towns under bushfire threat and to monitor the status of the corporation's assets.

The IMT faced a number of significant challenges during the bushfires, including:

- Water supply being temporarily cut to the township of Boolarra due to the substantial demand for water from Boolarra Water Treatment Plant, which has a limited capacity. This demand was a result of residents implementing their bushfire response plans and defending their properties.
- Loss of water pressure in some sections of the system, including Yinnar and Jeeralang Junction, due to firefighting efforts.
- Power outages across the region which impacted the ability to treat water to meet demand. Opportunities to safely access treatment plants to install generators were limited.

The February bushfires passed through the Erica Rawson Water Treatment Plant site, but the plant was undamaged. ▼



Three of Gippsland Water's major assets were impacted by the bushfires. The Boolarra and Mirboo North water treatment plants came under direct threat, with fire suppression efforts stopping the flames at the fences of both. Fire also passed through the three-year-old Erica Rawson Water Treatment Plant site, but the plant remained operational.

All staff were evacuated from these plants well in advance, with the facilities operated remotely from the Traralgon head office.

It was thanks to the work of Gippsland Water staff, Country Fire Authority (CFA) and Department of Sustainability and Environment (DSE) fire fighters that these assets escaped serious damage.

During the course of the bushfires and subsequent recovery efforts, the IMT and Gippsland Water as a whole, worked closely with DSE, CFA, Baw Baw Shire Council, Latrobe City Council, South Gippsland Shire Council and Victoria Police to assist the community any way it could.

When water supply to Boolarra was briefly cut, Gippsland Water stationed tankers of drinking water in the town to supply water during the emergency. To assist fire-affected residents in the wake of the blazes, Gippsland Water offered 20,000 litres of free water to those not connected to the reticulated system, whose sole source of drinking water had been lost due to firefighting efforts or damaged water tanks.

The corporation also installed temporary emergency water standpipes in Boolarra, Traralgon South and Jeeralang Junction for five months to ensure the community had access to safe drinking water.

Customer Service worked with local councils, fire authorities and its contracted meter readers to identify customers connected to the reticulated water system who had been impacted by the fires. Members of the team then endeavoured to personally visit these people to discuss how the corporation could assist them. Each situation was assessed on a case-by-case basis under Gippsland Water's Hardship Policy.

In a further effort of support, surplus household furniture from the Gippsland Water Factory alliance was donated to the local Salvation Army for distribution to people in need as a result of the fires.

While Gippsland Water hopes it is never faced with an emergency like that created by the 2009 bushfires again, the corporation is reassured to know its emergency response plans and training work effectively to deal with such a crisis.

Governance



Richard McDowell



Leah Young



Brendan Jenkins



Janice van Reyk



Peter Day



Kevin McKenzie



David Mawer

Governance

The Board and our staff are committed to achieving and ensuring a robust corporate governance regime to enable Gippsland Water to satisfy the requirements of all applicable legislation.

Profile of the Board

In accordance with Section 95 of the *Water Act 1989*, each water corporation is required to have a Board of Directors consisting of not less than two and not more than eight Directors and the Managing Director of the water corporation.

The composition of the Board requires that the members have an appropriate mix of expertise, experience and a range of perspectives with consideration given to gender balance and cultural diversity. Board members are appointed by the Minister for Water for a period of up to four years, and are responsible for the strategic planning of the corporation.

Richard McDowell (Chairman)

DBus. (Accounting), FCA, FTIA, MAICD, Tax Agent and Company Auditor

For the past 33 years Richard McDowell has been a Director of Duesbury's Gippsland Accountants. He also holds directorships and is involved with financial management in a number of private companies.

Richard has over 14 years' experience in the water industry through his previous role as Deputy Chair of East Gippsland Region Water Corporation and his membership of audit committees of both East Gippsland Water and Gippsland Water. He has also been Audit Committee Chair for two Gippsland councils, two hospitals, and the Gippsland Ports Authority.

Richard has lived in Maffra for 28 years, has two adult daughters and is an active member of many Gippsland community groups. Richard was appointed as Chairman of the Board in October 2007.

Leah Young (Deputy Chair) BBus, Grad Dip Bus, FAICD, AIMM

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

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

Brendan Jenkins

Brendan Jenkins is the immediate past Member for Morwell District in the Legislative Assembly of the Parliament of Victoria.

He served as a councillor in the former City of Moe prior to the amalgamation of Victorian councils, and then as a councilor for the City of Latrobe. Brendan was elected as Mayor of the City of Latrobe three times between 1998 and 2002. He was a member and Deputy Chair of the inaugural Gippsland Water Board and Secretary of the Gippsland Trades and Labour Council for much of the late 1980s and 1990s. He has been Chair of the Gippsland Local Government Network, a member of Gippsland Development Ltd, the Coal Corporation of Victoria, Latrobe Regional Hospital, and a number of other local and regional organisations.

Brendan grew up in Moe where he continues to live with his wife Susan and their two children.

Janice van Reyk

M Environment (Hons), M Comm, LLB (Hons), BA, FAICD

Safety Health and Environment Committee Chairman

Janice works as an environmental consultant and has broad-based senior executive experience in industrial companies, including BHP Billiton, CSR, Macquarie Bank, National Foods and Orica. She is a Leadership Victoria Fellow and her former directorships include Victorian Arts Centre Trust and Australian Pork Limited.

Peter Day LLB, M Admin, FCPA, FCA, FTIA, GAICD

Peter Day was appointed to the Board on 1 October 2008 and was most recently Chief Financial Officer for the global packaging group Amcor. He has a background in finance and general management in mining, manufacturing, food and financial services industries, as well as a number of public interest areas.

He is a former Chairman of the Australian Accounting Standards Board and was Deputy Chairman of the Australian Securities and Investments Commission. He is currently the director of a number of ASX-listed companies.

Kevin McKenzie CoT(elec) BBus, MBA, DBA, GAICD

Kevin also joined the Board on 1 October 2008 and has extensive experience in regulated businesses in strategic, operational and senior executive roles. He has worked in senior IT, change management, project management and consulting roles over the past 20 years, and has supplemented industry experience with academic contributions through teaching at TAFE, university graduate and post graduate levels.

Kevin currently heads up corporate strategy and business planning at SP AusNet (an ASX-listed regulated electricity and gas utility) and currently holds additional directorship in the child and family services, recreation and education sectors.

David Mawer, Managing Director Dip. M. MBA, MSM, MAICD

David joined Gippsland Water in 2008 and was formerly the Managing Director of Westernport Water. He has held senior management roles internationally with electricity and gas utilities, both in the public and private sectors.

He is a metallurgist and has a special interest in utility markets and industry deregulation. He was a director of the gas market regulator of NSW for four years, and is a current committee member of the Victorian Branch of the Australian Water Association.

Peter Wilson BAM, BCom (Hons), MA, FCPA, FAICD, FAHRI

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

Peter was previously 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 Banking 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 of the Order of Australia (AM) for services to workplace safety and community service. Peter is also a Chairman of the Board of Yarra Valley Water Limited, and was the Deputy Chairman of the Inquiry into the Rural Rail System within Victoria. Peter was appointed as a member of the Board in October 2006 and resigned on 29 May 2009.

Alan Seale Eng (Chem), FIEA, MAICD

Alan has extensive 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 his own consultancy business. Alan was appointed as a member of the Board in October 2003 and reappointed in October 2006. He resigned from the Gippsland Water Board on 30 September 2008.

Director attendance at Board and committee meetings

Director	Board Meetings		SHE Committee		Audit Committee		Executive Remuneration Committee	
	Eligible	Attendance	Eligible	Attendance	Eligible	Attendance	Eligible	Attendance
Richard McDowell	11	11	0	2	1 ¹	2	3	3
Leah Young	11	9	0	0	2 ²	2	3	3
Alan Seale	3	3	1	1	0	1	1	1
Peter Wilson	10	10	4	2	0	0	3	3
Brendan Jenkins	11	10	4	2	4	4	3	3
Janice van Reyk	11	11	4	4	0	1	3	3
David Mawer	11	11	4	4	4	2	3	3
Peter Day	8	6	0	0	3	3	2	2
Kevin McKenzie	8	7	3	3	0	0	2	2

¹ Involvement not mandatory beyond Oct 08

² Emergency only beyond Oct 08



David Mawer



Peter Skeels



Tony Staley



Jim Somerville

Profile of the Executive Team

Managing Director

David Mawer

Refer to the previous page for David's profile.

In 2009–10, David will work to further strengthen Gippsland Water's relationships with key stakeholders. He is also looking forward to the completion of commissioning of the new Gippsland Water Factory system.

General Manager Customer Services

Peter Skeels BBus. (Acct. and Economics), FCPA

Peter is responsible for management and leadership of the organisation's customer services, information communication and information technology activities.

Peter has 29 years' experience in the utilities sector and has held a range of senior management roles in infrastructure and service based businesses. He has a strong history in the power generation industry, working in Australia and abroad in senior financial roles.

He has a solid background in strategic and business planning, financial and management accounting, contract management and high level reporting.

In the new financial year Peter looks forward to further increasing the customer focus of the organisation and fostering greater cooperation across the business.

General Manager Finance, Regulation and Assets

Tony Staley BBus (Acct.), FCPA

Tony is responsible for the organisation's strategic and business planning, economic regulation, commercial services, financial and management accounting, environmental governance, asset planning and delivery.

He has 28 years' experience working primarily in the utilities sector across a range of industries in the Gippsland region. These roles were in the fields of financial and management accounting, strategic/business planning and economic regulation.

Tony's core strengths are in accounting, economic regulation, business modelling and financial forecasting.

Tony will continue to manage financial resources to efficiently achieve objectives in Gippsland Water's Corporate Plan and Water Plan in the new financial year. He will also liaise with government departments and stakeholders to secure water supplies for the region.

General Manager Operations

Jim Somerville BEng (Civil), CPEng, FAICD

Jim is responsible for operation of the organisation's water and wastewater treatment, bulk water storage and supply, bulk waste transport, potable water distribution, sewer reticulation, the Soil and Organic Recycling Facility, and agribusiness. He is also responsible for Gippsland Water's internal service functions of safety, health and environment, security, and emergency management.

Jim is a civil engineer with 30 years' experience, more than half as a senior executive in both utility operation and infrastructure development. His core strengths include operations, risk management, project management and people management. Prior to joining Gippsland Water in 2005, Jim was Chief Executive Officer of Mt Baw Baw Alpine Resort, managing its day-to-day business, operations and asset/resort development program.

Jim will work to further prepare Gippsland Water for the integration of the Gippsland Water Factory in 2009-10, with a focus on resource levels and intellectual capability.

General Manager Planning and Development

David Evans BSc, MBA, M. Technology, CPEng

David was responsible for the organisation's long-term asset planning, strategic asset management, Soil and Organic Recycling Facility and Agribusiness.

David has 36 years' experience in mining, manufacturing, water and wastewater sectors, and has held senior engineering management roles both in Australia and abroad. He has managed multi-million dollar projects and is experienced in the areas of design, construction, commissioning, operation and maintenance.

David resigned from Gippsland Water in May 2009 after 11 years with the corporation.

Audit Committee

Gippsland Water's Audit Committee plays a key role in assisting the Board to fulfill its corporate governance responsibilities and supports the Board in relation to financial reporting, internal controls, and risk management systems along with the internal and external audit functions.

The Audit Committee met four times in the year and is responsible for:

- ensuring the scope of the internal and external audits are adequate;
- critically analysing and follow up any internal or external report which calls into question the adequacy or effective operation of internal control systems and procedures;
- reviewing any major changes to the policies and practices of the accounting and internal control systems, and review the impact of these changes on Gippsland Water's financial accounts;
- reviewing compliance with non-financial legislation and policies such as Occupational Health and Safety and the State Environmental Protection Policy;
- liaising with the Victorian Auditor General as necessary, to commission any special audits, should they be deemed necessary;
- overseeing the investigation of any suspected cases of fraud within the organisation and monitor the progress of any major lawsuits facing the Board;
- reviewing the annual financial statements and recommend their adoption to the Board;
- reviewing the annual risk management attestation and recommend its adoption to the Board;
- assessing the adequacy and timing of financial management information to the Board; and
- ensuring that there are no management restrictions being placed upon either the internal or external auditors.

Audit Committee members for 2008-09:

Ron Gowland, Independent Chairman
(November 2007 – current)
(Attended four meetings during the reporting year.)

Ron Gowland holds tertiary qualifications in economics and management and is a registered tax agent. He is an experienced finance executive with extensive manufacturing experience and strong costing skills gained from a hands on approach over many years. He has a thorough understanding of reporting requirements and tax law, experience with the installation of software applications and proven skills in a changing environment.

Brian Clark, Independent Member
(February 2008 – current)
(Attended four meetings during the reporting year.)

Brian Clark has an Associate Diploma in Accountancy and is a CPA. Brian formerly held the position of Finance Director International Power Hazelwood and was a member of its Audit Committee until his retirement in December 2007 after spending 18 years within the Victorian electricity industry. Brian was also the employer-elected Director to Equisuper for 13 years until 2007.

Audit Committee Board members for 2008-09 comprised:

Peter Day – Board member

Brendan Jenkins – Board member

Alternate Audit Committee Board member for 2008-09:

Leah Young – Board member



▲ Water main upgrade works on Hazelwood Road, Traralgon.

Board Safety, Health and Environment Sub-Committee

The Safety, Health and Environment (SHE) Sub-Committee considers a range of strategic and performance issues relating to OH&S, environmental and emergency management at Gippsland Water.

The SHE Sub-Committee met four times in the year, and is responsible for:

- reviewing and approving the Gippsland Water Occupational Health and Safety (OH&S) Policy and Environmental Policy, which are used to guide Gippsland Water's activities;
- receiving, reviewing and accepting reports on environmental, drinking water quality and OH&S incidents resulting in reportable matters to the Environment Protection Authority, Department of Human Services and WorkCover;
- reviewing the Environment Management System to ensure that appropriate progress is being achieved regarding the management of environmental risk; and
- reviewing performance against the Safety Strategic Plan and the OH&S Performance Index.

In addition to these activities, the SHE Sub-Committee reviewed compliance with Environment Protection Authority licences; the Safe Drinking Water Regulations; the update of potable water risk management plans; water efficiency and commercial trade waste management programs; biodiversity and catchment management; and adoption of the Greenhouse Gas Management Strategy.

SHE Sub-Committee members for this reporting period were:

Janice van Reyk – Board member (Chairman)

Kevin McKenzie – Board member

Brendan Jenkins – Board member

Peter Wilson – Board member (resigned from Board 29 May 2009)

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 and met three times in the 2008-09 reporting year.



▲ One of the images from Gippsland Water's calendar, involving the children of staff members.

Corporate Key Performance

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 2008-09 Gippsland Water reported against 34 key indicators that measured 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) quarterly and annually.

KPI No.	Key performance indicator	Unit of measure	2008-09 target	Year to date performance at 30 June 2009	2007-08	Historical performance		
						2006-07	2005-06	2004-05
Water								
1	Unplanned water supply interruptions	per 100km	45	20.49	17.12	24.94	11.54	40.97
2	Average time taken to attend bursts and leaks (priority 1)	minutes	40	33.77	31.38	27.26	26.80	79.98
3	Average time taken to attend bursts and leaks (priority 2)	minutes	150	115.42	115.41	62.63	129.35	423.79
4	Average time taken to attend bursts and leaks (priority 3)	minutes	2300	1,352.4	1,149.50	1,015.57	1,693.77	Not reported
5	Unplanned water supply interruptions restored within 5 hours	per cent	97.8%	99.02%	98.83%	100%	99.18%	77.90%
6	Planned water supply interruptions restored within 5 hours	per cent	87%	98.13%	98.45%	99.52%	87.45%	72.32%
7	Average unplanned customer minutes off water supply	minutes	15.4	9.69	8.83	15.28	6.26	15.17
8	Average planned customer minutes off water supply	minutes	26.2	12.44	12.22	8.43	16.04	25.18
9	Average frequency of unplanned water supply interruptions	number	0.1	0.1	0.1	0.16	0.07	0.14
10	Average frequency of planned water supply interruptions	number	0.2	0.08	0.09	0.07	0.12	0.12
11	Average duration of unplanned water supply interruptions	minutes	110	81.48	86.2	93.72	83.50	110.79
12	Average duration of planned water supply interruptions	minutes	130.8	143.8	140.51	113.96	136.22	214.09
13	Number of customers experiencing more than 5 unplanned water supply interruptions in the year	number	0	0	0	0	0	0
14	Unaccounted for water	per cent	14.5%	9.8%	10.9%	7.3%	11.9%	10.5%
Sewerage								
15	Sewerage blockages	per 100 km	25	18.01	18.25	19.5	16.85	34.68
16	Average time to attend sewer spills and blockages	minutes	35	28.99	29.91	28.21	35	Not reported
17	Average time to rectify a sewer blockage	minutes	130	85.48	90.05	82.66	94.18	Not reported
18	Spills contained within 5 hours	per cent	98%	100%	98.79%	100%	100%	100%
19	Customers receiving more than 3 sewer blockages in the year	number	0	0	0	0	0	Not reported
Customer service								
20	Complaints to Energy and Water Ombudsman of Victoria	per 1000 customers	0.7	0.08	0.10	0.11	0.12	0.10
21	Telephone calls answered within 30 seconds	per cent	80%	83.68%	87.47%	84.30%	88.59%	Not reported

KPI No.	Key performance indicator	Unit of measure	2008-09 target	Year to date performance at 30 June 2009	2007-08	2006-07	2005-06	2004-05
Additional service standards								
22	Population receiving water meeting E.coli standards	per cent	100%	100%	100%	100%	100%	99.99%
23	Population receiving water meeting Disinfection by-products standards	per cent	100%	100%	99.81%	99.82%	99.57%	99.88%
24	EPA Discharge Quality licence compliance	per cent	100%	98.70%	99.50%	100%	99.20%	99.11%
25	Population receiving water meeting Turbidity standards	per cent	100%	100%	100%	100%	100%	100%
26	Total CO2 Equivalent Emissions	Tonne	73.86	67.85	New KPI 2008-09			
27	Recycled Water Target	per cent	10%	5.90%	New KPI 2008-09			
28	Bio-solids Re-use	per cent	100%	100%	New KPI 2008-09			
29	Sewer Backlog Connections	number	0	2	New KPI 2008-09			
30	CTWSS Connections	number	330	342	New KPI 2008-09			
Our people								
31	The number of incidents /days lost due to Lost Time Injuries (LTI's)	Number of LTIs	0	2	15	5	76	0
32	Injury frequency rate	number	35	11.0	5.30	17.06	3.23	0
33	OH&S Leading Index	colour compliance	compliance	compliance	Not reported	26	26.42	42
34	Employee availability	hours	≤34 annually per employee	33.62	34.02	30.75	2.23	45.10

Four KPIs (12, 24, 27 and 31) were not met during the 2008-09 reporting period.

KPI 12 – Average duration of planned water supply interruptions

This KPI exceeded its target due to planned shutdowns associated with developer works (tie-in of new water mains) and contractor works (water main replacement) often resulting in longer duration supply interruptions, which impacted a minimal number of customers.

KPI 24 – EPA Discharge Quality Licence Compliance

This KPI target was exceeded due to a number of incidents across the organisation, specifically these were:

- A re-occurring algae bloom in the No. 2 Storage at Dutson Downs during March 2009 caused suspended solids (49 mg/L) and carbonaceous BOD (26 mg/L) to be above the EPA 90th per centile licence limits of 40 mg/L and 20 mg/L respectively for these parameters. In addition, the median value for the 12 month data set for carbonaceous BOD (5.5 mg/L) was slightly above the EPA licence limit of 5 mg/L. Discharge to the ocean recommenced on 3 June 2009, following the issue by the EPA of a Section 30A approval to discharge at higher suspended solids and carbonaceous BOD limits, for three months.
- A high suspended solid of 23 mg/L from a sample taken

from the Saline Waste Outfall Pipeline (SWOP) on 2 December 2008 exceeded the EPA licence maximum limit of 20 mg/L. The problem reoccurred on 5 May 2009, when a sample had a suspended solids result of 26 mg/L. Australian Sustainable Industry Research Centre (ASIRC) was commissioned to investigate the physical and mineralogical nature of the particles causing the elevated suspended solids readings and subsequently confirmed that the high suspended solids were due to the presence of algae in Loy Yang Power's Ash Pond. Management of the problem was exacerbated by the algae population fluctuating dramatically in the pond.

- A high result of 2400 orgs/100ml for the final effluent at the Morwell Wastewater Treatment Plant occurred on 6 January 2009. An investigation of the plant, including its flows and processes identified that the sludge lagoon return had been operating approximately 10 hours per day for the previous two weeks. A program to control return flows into the plant was developed to ensure small volumes are returned during peak domestic sewage flow periods of the day, so that sufficient carbon loading is available to help process the extra solids and nutrients in the storage/sludge lagoon water. In the longer term, a project to install a flow meter and a variable speed drive controller is

being scheduled for the site and measures to control the algal growth in the lagoons to prevent algae being returned through the treatment process is also being investigated.

KPI 27 – Recycled Water Target

The recycled water target was set on the assumption that the Gippsland Water Factory (GWF) would be operational from 1 January 2009, resulting in a significant increase in recycled water for 2008-09. However, due to the delay in the construction and commissioning of the GWF, this KPI has not been achieved.

KPI 31 – Number of Incidents / Days Lost due to Lost Time Injuries (LTIs)

Two LTI's occurred during the 2008-09 financial year with the first on 27 August 2008 when a Field Operations employee sustained a back injury whilst lifting a small submersible pump from a trench in Maffra, resulting in six days lost. The second incident occurred on 21 May 2009, where a Field Operations employee suffered a back injury whilst shovelling crushed rock into a tip truck resulting in five days of lost time. To address these incidents, the Operations workgroup attended a seminar on the risk of musculoskeletal injuries where it was reinforced that safety takes priority over operational key performance indicators.

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 of private information. Employees, along with our Privacy Officer, have attended regular training sessions and forums from the Office of the Victorian Privacy Commissioner.

No privacy related complaints were received for the reporting year. Further information can be obtained by contacting the Privacy Officer on 1800 066 401.

Freedom of Information Act 1982

The *Freedom of Information Act 1982* allows individuals the right to request information and or documents held by Gippsland Water. One Freedom of Information request was received during the year. Partial access to documents was granted and a response was prepared within the statutory reporting period of 45 days.

Requests for information held by Gippsland Water under the Act should be made in writing to:

Manager Commercial Services

Gippsland Water, PO Box 348

Traralgon VIC 3844

Telephone: 5177 4600

Each application must clearly identify the documents sought and be accompanied by a \$23.40 application fee (price effective 1 July 2009).

The following information is available on request, subject to the Freedom of Information Act 1982:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers (refer to page 51 of this report);
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary;
- details of publications produced by the entity about itself, and how these can be obtained;
- details of changes in prices, fees, charges and rates and levies charged by Gippsland Water (refer to page 53 of this report);
- details of any major external reviews carried out on Gippsland Water;
- details of major research and development activities undertaken by Gippsland Water;
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit (refer to page 52 of this report);
- details of major promotional, public relations and marketing activities undertaken by Gippsland Water to develop community awareness of Gippsland Water and our services;
- details of assessment and measures undertaken to improve the occupational health and safety of employees (refer to page 58 of this report);
- a general statement on industrial relations within Gippsland Water and details of lost time through industrial accidents and disputes; and
- a list of major committees sponsored by Gippsland Water, the purposes of each committee and the extent to which the purposes have been achieved (refer to page 25 of this report).

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 22B is held at Gippsland Water's Traralgon office and is available on request, subject to the *Freedom of Information Act 1982*.

Building Act 1993

It is Gippsland Water's policy in regards to new building works, and the alteration of existing buildings, to comply with the relevant provisions of the *Building Act 1993*. Gippsland Water is unaware of any material non-compliance with the current building standards for buildings of their nature and age.

As part of compliance with the *Building Act 1993* (Part 5)

and the Building Regulations 2006 (Part 12), Gippsland Water completed an Essential Safety Measure Audit on all 193 of its sites. This audit allowed Gippsland Water to identify the applicable essential safety measures at each site, identify areas for improvement and develop a maintenance schedule to ensure continued compliance.

During 2008-09, the air conditioning in the head office was upgraded. Due to the installation of new chiller and boiler units, the new system is more energy efficient, has low CO₂ emissions, long lifecycle cost and can be serviced locally. The layout of the head office was also reviewed, with a new purpose-built incident room being installed and the corporate library being incorporated into the main building.

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.

Conflict of interest

Gippsland Water has a Conflict of Interest Policy which provides a framework for all Gippsland Water employees and Board members in managing conflicts of interest.

Conflict of interest is a significant matter for Gippsland Water. The integrity of the organisation relies on public confidence that employees and Board members will act fairly, impartially and in the best interests of our customers, community and stakeholders.

Victorian Industry Participation Policy Act 2003

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 five tenders during 2008-09:

New projects

- Water Main Upgrade Program 2009-10

Completed projects

- Warragul Water Treatment Plant Sludge Thickening Upgrade
- Design and Construct Air Conditioning Wings 1-6 Head Office
- Water Main Upgrade Program 2008-09
- Gippsland Water Factory Project Alliance Contract

Consultant services

During the 2008-09 financial year, \$310,170 was spent

on a total of 29 consultancy services, compared with \$622,421 on a total of 31 consultancy services in 2007-08.

There were no consultancy expenses exceeding a value of \$100,000 during the reporting period.

Overseas travel

Gippsland Water wastewater treatment technologist Brooke Anderson, senior wastewater treatment plant officer Mick Cook and wastewater treatment plant operator Dale Yeates travelled to Michigan, USA to receive specialised onsite training in the operation of a full scale membrane bioreactor (MBR) treatment plant. A tour of Twin Oaks Treatment Plant in Los Angeles was also included. The knowledge and skills Brooke, Mick and Dale gained from their visit has greatly assisted in their preparation for operating the Gippsland Water Factory which uses MBR technology. This training and development activity was funded by the Gippsland Water Factory alliance.

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*.

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

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

Manager Commercial Services

Gippsland Water, PO Box 348

Traralgon VIC 3844

Telephone: 5177 4600

Ombudsman Victoria

Level 9, 459 Collins Street (North Tower)

Melbourne Victoria 3000

Telephone: 9613 6222

Water industry benchmarking

The National Water Initiative (NWI), signed by all states and territories, is the blueprint for the ongoing process of national water reform. Under the NWI, governments have agreed to report independently, publicly and on an annual basis to facilitate benchmarking of pricing and service quality for urban water delivery agencies, including Gippsland Water.

The Water Services Association of Australia and National Water Commission collate benchmarking for up to 150 performance indicators across Australia and produce the National Performance Report Urban Water Utilities.

This report provides water industry performance for shareholders and customers though meaningful comparison with accompanying contextual analysis and can be obtained from www.wsaa.com.au.

Essential Services Commission benchmarking

The Essential Services Commission (ESC) is the economic regulator of the Victorian Water Industry. One of its functions is to monitor and report publicly on the performance of the Victorian Water businesses. The aim of the ESC's report is to stimulate 'competition by comparison' among the urban water businesses and to inform customers about the level of service they receive. The key areas the report covers include affordability, customer responsiveness and service, network reliability and efficiency, drinking water quality, environmental performance, delivery of major projects and the results of regulatory audits.

Gippsland Water's results reported in the ESC's 2007-08 Water Performance Report (released in March 2009) were pleasing overall, when compared to both the industry as a whole and to the other rural water corporations. Of the 46 performance indicators and customer service code items audited, there was only one performance indicator where Gippsland Water was identified as the worst in the industry. Specifically, this performance indicator was 'Average Response Time to Bursts and Leaks (Priority 2)' which is a direct result of the distances required to travel in the region to attend bursts or leaks. A full copy of the report can be found at www.esc.vic.gov.au.

Public Administration Act 2004

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

Employers must ensure that:

- employment decisions are based on merit;
- employees are treated fairly and reasonably;
- equal employment opportunity is provided;
- human rights as set out in the *Charter of Human Rights and Responsibilities Act 2006* are upheld;
- public sector employees have a reasonable avenue of redress against unfair or unreasonable treatment; and a career in the public service is fostered (in the case of public service bodies).

Employees must demonstrate:

- responsiveness;
- integrity;
- impartiality;
- accountability;
- respect;
- leadership; and
- commitment to human rights.

The Code of Conduct for the Victorian Public Sector is issued to all Gippsland Water employees at their induction to actively promote and maintain integrity and conduct standards.

Gippsland Water's approach to performance development reinforces these values through the minimum behavior standards required from its employees.

Further information regarding the Code of Conduct is available from the State Services Authority's website www.ssa.vic.gov.au.

Future tariffs and charges

The Essential Services Commission (ESC), as the water industry's price and quality regulator, is responsible for administering the Victorian 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 financial viability 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.

In June 2008, the ESC announced its final decision in respect to the 2008 Water Price Review. This review established tariffs, excluding CPI, for the 2009-10 year. The ESC has recently advised approved tariffs, inclusive of CPI. The following table identifies ESC approved Gippsland Water tariffs for a typical residential customer receiving water and wastewater services for the 2009-10 financial year.

		2009-10	2008-09
Water	Service charge	\$135.00 pa	\$107.12 pa
Water	Volumetric charge	\$1.5613 per kL	\$1.2388 per kL
Wastewater	Service charge	\$635.01 pa	\$503.85 pa

The government will continue to provide concession arrangements for pensioners and Health Care Card holders. The water and sewerage concession cap provides a discount of up to a 50 per cent on water bills for a customer's principle place of residence. In 2009-10 this concession is \$216.60 per annum, up from \$189.70 in 2008-09. If a customer has only water or wastewater (not both) connected, the concession is \$108.30 in 2009-10, up from \$94.85 in 2008-09.



▲ Gippsland Water's land holding at Sunny Creek.

Organisational sustainability

Gippsland Water is committed to ensuring the ongoing sustainability of our organisation through continuing investment in our people, our systems and our physical asset.

Our people: highlights of the year

To streamline numerous processes, improve data capture and support the performance development approach, Gippsland Water is rolling out extra modules of our human resources information system. The performance development module has been customised and an OH&S module introduced.

The corporation has continued to build the adaptive skills of its staff, with the completion of the Adaptive Leadership and Change Agent programs. A number of projects were delivered by the 28 participants, including business continuity and employee engagement initiatives.

Gippsland Water introduced a refreshed organisational structure in May 2009 following the resignation of David Evans, General Manager Planning and Development. This enabled the corporation to implement a structure of three departments. This was seen as an opportunity to strengthen our provision of safe, secure, reliable and efficient water and wastewater services now and into the future.

The corporate social responsibility (CSR) working party continued to work on the objectives outlined in the five-year plan related to the CSR vision: "By unlocking the resources of Gippsland Water we shall proactively guide communities to achieve a sustainable future and inspire similar actions in others." Areas of focus for the plan include community partnership activities, climate change awareness, education initiatives and youth development.

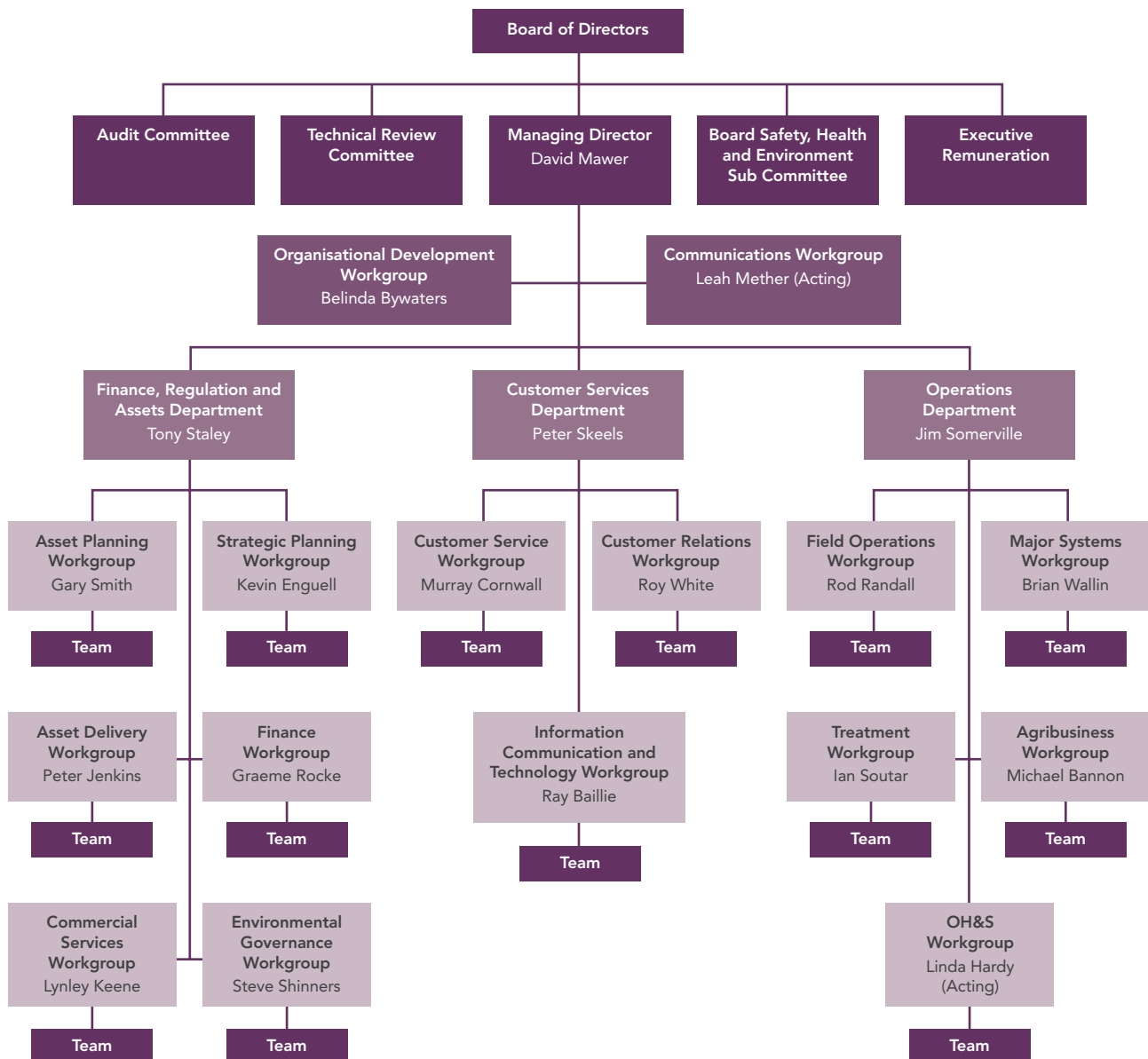
Other highlights include:

- sponsorship of one staff member to participate in the locally delivered pilot Diploma of Engineering (Civil) course. This is a joint initiative driven by members of the Regional Management Forum;
- reviewed the recruitment and selection approach with a focus on building capability around behavioural interviewing techniques across the organisation;
- conducted an organisation-wide Employee Opinion Survey;
- a number of staff were appointed to positions of higher responsibility, encouraging greater skill development and fostering improved knowledge of various aspects of the organisation.



Waterbirds are a frequent sight at Gippsland Water's wastewater treatment plants. ►

Organisational Structure

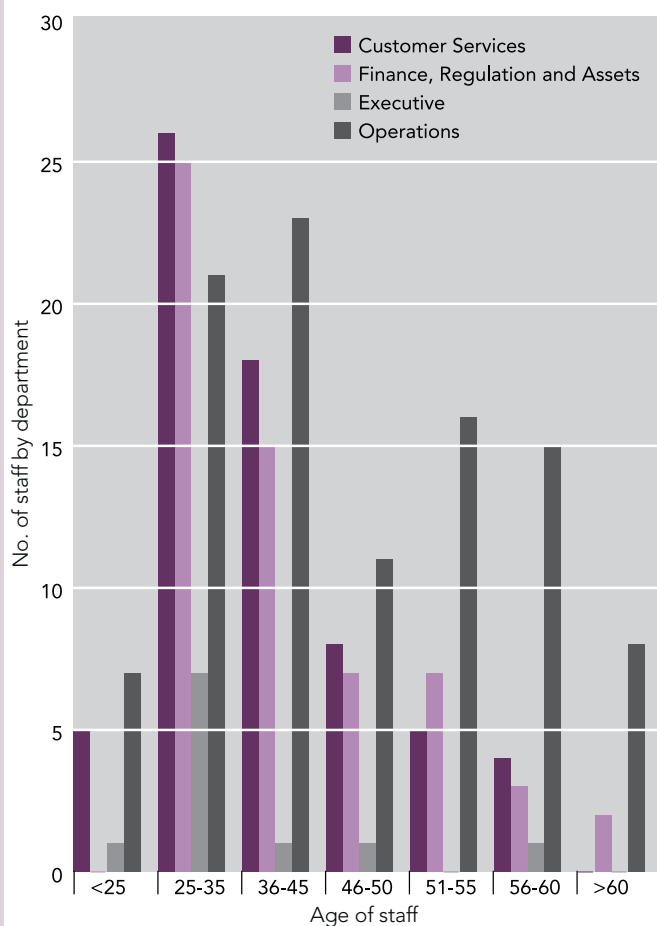


▲ Gippsland Water monitors the inflows to its catchments.

Employment by category

Category	Number as at 30 June of each year				
	2009	2008	2007	2006	2005
Full-time male	156	149	159	146	139
Full-time female	51	51	49	49	50
Part-time male	1	1	2	3	2
Part-time female	21	24	17	14	12
Casual male	1	5	4	0	0
Casual female	7	8	7	7	4
Total employees	237	238	238	219	207
Full-time equivalent	211	208	220	204	193
% Full-time equivalent female employees	29	28.6	27.30	28.4	27.5

Age of staff by department



Staff service

Staff service	Male (no.)	Female (no.)	Total
Less than 5 years	75	40	115
5 to 10 years	35	19	54
11 to 15 years	8	18	26
16 to 20 years	15	1	16
21 to 25 years	11	1	12
26 to 30 years	9	0	9
31 to 35 years	3	0	3
Over 35 years	2	0	2
Total	158	79	237

Employee turnover

Year	2008-09	2007-08	2006-07	2005-06	2004-06
% turnover	10.1	11.3	13.0	6.3	8.7

Equal employment opportunity

Gippsland Water complies with Equal Employment Opportunity (EEO) legislation, the Victorian Public Service Code of Conduct and the *Victorian Charter of Human Rights and Responsibilities Act 2006 (Vic)*.

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 incidents at Gippsland Water for the reporting period.

Employment and development opportunities for young people

Gippsland Water is committed to providing employment and development opportunities for young people by participating in a range of programs, including:

Youth Employment Scheme

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 farewelled two trainees who had completed their Certificate III in Business Administration whilst gaining first hand experience in our Customer Services department.

Work experience

Six secondary students and two TAFE students undertook work experience at Gippsland Water during the reporting period. Areas of the business students experienced include: Water Treatment, Information Technology, Information Management, Field Operations and Commercial Services.

Vacation employment program

This program offers students studying at post secondary level the benefit of linking theoretical knowledge to practical application in the workplace and providing meaningful industrial experience that adds value to the students' skill base upon graduation. Gippsland Water is strongly committed to this program and employed nine students for this year's 12-week vacation period. One student from this intake attained graduate employment, and a number of others returning to assist with short-term projects.

Co-operative Education Program Monash University, Gippsland Campus

This university-initiated program formally integrates academic study with work placement. Gippsland Water's commitment to support this program continued with an engineering student concluding a three-year placement in January, and continuing on a casual basis. A second co-operative student commenced a placement in January 2009.

Career expos

Gippsland Water also attends various careers expos including Monash University Gippsland Campus Open Day and Career Exhibition. Gippsland Water also held a careers stall at a National Water Week event. These events expose students and the wider community to the water industry and the types of employment opportunities available.

Gippsland Youth Commitment

The Gippsland Youth Commitment provides the region with an opportunity to work collaboratively with industry, government and the education sectors to plan for and provide education and training that supports young people and regional growth. Gippsland Water joined the Gippsland Youth Commitment in October 2008. The provision of technical advice and assistance in the development of maths and science curriculum materials forms the basis of our commitment.

Apprenticeships

Gippsland Water works with local registered training organisations and during this period has employed one apprentice within the Field Operations workgroup.

H2OZ

Gippsland Water has participated in this water industry recruitment campaign as a member on the representative committee, and ensured that a regional, public sector perspective is considered throughout the development process. The H2OZ campaign directs prospective applicants to the H2OZ website which has information about the water industry, the range of opportunities available, with links to participating organisations and websites. The campaign is geared towards Generation X and Generation Y.

Indigenous communities

Gippsland Water has recruitment policies that ensure a fair and open opportunity is provided to all potential employees.

Disability Action Plan

Gippsland Water has finalised and endorsed its 2008-2011 Disability Action Plan (DAP). The DAP was launched as part of the Health and Wellbeing program in June 2009. Actions identified within the DAP have commenced and include building audits, customer service training and consultation with relevant community groups and employment bodies.

Occupational Health and Safety

Gippsland Water is committed to the health, safety and wellbeing of its employees, contractors and visitors and continuous improvement in all areas of Occupational Health and Safety (OH&S).

Safety Health and Environment Committee Strategic Plan 2008-09

The 2008-09 Safety, Health and Environment Committee Strategic Plan focussed on key improvement areas, safe systems of work, contractor management, training administration systems and behavioural safety.

Major achievements against the 2008-09 Safety, Health and Environment Committee Strategic Plan included:

- completed a significant refresh of the OH&S Policy and Policy Manual;
- development of a lock-out tag-out system and commencement of system rollout;
- preparation of safe system development plans for risk assessments and procedure development for all field based work groups;
- development of interactive employee and contractor OH&S Induction;
- development of a five year training plan for all operational areas; and
- conducted a safety culture survey.

Occupational Health and Safety Risk Management

The Safe System Development plans detail the site, plant and task risk assessments and procedure development. Work has commenced against these plans for each workgroup and will continue next year.

In 2009-10 the progress of works against the plans will be measured as part of the safety performance. Managers have also demonstrated their commitment to the program with involvement in OH&S site safety and risk assessment inspections.

Training

In 2008-09 a five-year operational occupational health and safety training plan was developed. The training plan ensures all training needs are met without impacting heavily on annual operational requirements.

During 2008-09 the following Occupational Health and Safety training was completed:

- Chainsaw
- Construction Induction (Red Card)
- Installing trench support
- Confined Space Refresher
- Asbestos B Class
- WorkSafe OH&S 1 Day Refresher
- First Aid Level 2

Consultation and communication

The occupational health and safety committees encourage employee participation and team-based consultative approach to occupational health and safety.

The objectives of the committees are to provide an avenue for employee and management representatives to monitor and evaluate safety performance, consult and communicate changes in occupational health and safety.

The committees consist of 23 employee and management representatives.

Workgroup committees are established for:

- Traralgon office
- Operations
- Agribusiness
- Soil Organic Recycling Facility

Representatives from each of the workgroup committees form the Safety Health and Environment Committee. The Safety Health and Environment Committee addresses strategic areas of occupational health, safety and environmental issues and makes recommendations to management.

Measurement and evaluation

Safety performance is measured, evaluated and monitored through key performance indicators including incident reports, training attendance, site safety inspections and injury frequency rate.

The target of zero for the number of lost time injuries and lost days was not met in 2008-09, with two lost time injuries resulting in 13 days of lost time. These injuries were sustained from manual handling tasks. Employees receive manual handling training every three years and are encouraged to participate in corporate health programs.

To further reduce the risk of manual handling injuries one of the focuses of the 2009-10 Strategic Safety Plan will be the development of an operational-focussed health program targeted at manual handling activities and a reduction of injuries.

All other key OH&S performance indicators targets were achieved.

Health and wellbeing

The corporate health and wellbeing program for 2008-09 included:

- health and safety seminars on men's and women's health, manual handling and ergonomics, snake awareness and sun smart;
- influenza vaccinations are offered to employees and their partners. This year saw 50 per cent employee participation;
- pre-employment medicals and vaccinations for employees exposed to wastewater as part of their normal duties;
- analysis of the corporate health issues in the corporate health risk report conducted in April-May 2008;
- group and individual counselling sessions for staff were held following the bushfires which affected the Gippsland region;
- the launch of the 'Health @ Work' program, which encourages employees to improve their overall health and wellbeing.

A number of corporate health issues were identified as 'above average' for focus in future health and wellbeing programs. These were:

- blood pressure
- cholesterol
- unhealthy weight
- musculoskeletal injuries

The health and wellbeing working group used these key areas to develop and enhance employee participation in the 2009-10 Corporate Health Program.

Safety Health and Environment Committee Strategic Plan 2009-10

The Safety, Health and Environment Committee Strategic Plan for 2009-10 was established and approved by the Safety, Health and Environment Committee. Areas of focus will include safety culture and leadership, safe systems of work, and health and wellbeing. In summary the areas of focus include the following objectives:

Safe systems of work

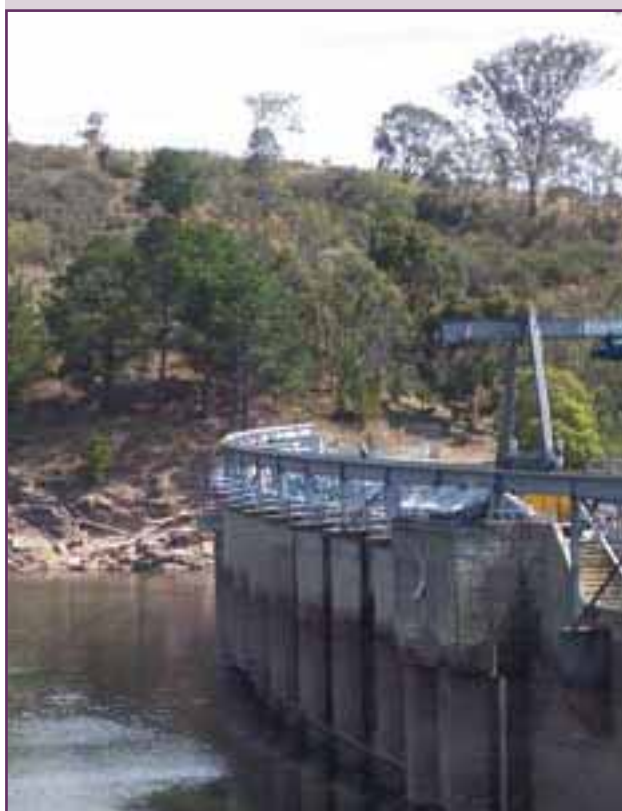
- complete the rollout of the lock-out tag-out procedure and devices across work sites;
- review external safety management system;
- complete risk assessments for site plant and tasks in line with the plan targets;
- integrate the Gippsland Water Factory's safety management requirements into Gippsland Water's system; and
- review contractor safety management.

Safety culture and leadership

- safety culture survey results analysis and presentation; and
- development of a targeted Safety Culture and Behavioural Safety Program.

Health and wellbeing

- development of 2009-10 Corporate Health Program targeted at employee participation and addressing key corporate health risks; and
- development of an Operational Health Program targeting manual handling injuries through task reviews, tools, and training on techniques.



Gippsland Water sources water from Lake Glenmaggie to supply water to residents in nearby towns. ►

Work life balance

Gippsland Water is committed to improving the area of work life balance and to ensure the engagement of our people in this important area.

Gippsland Water maintains a commitment to flexible work opportunities. Flexible work arrangements used during the reporting year included:

- working from home;
- job sharing;
- reduced working hours, (including transitioning into retirement or returning from long-term leave); and
- leave without pay opportunities.

In 2009–10, the organisation will continue to explore ways to meet the needs of the organisation and employees in regards to work life balance to ensure it remains an 'Employer of Choice' within the region.

Learning and development

Gippsland Water offers a variety of staff development programs which correspond to each tier of its learning and development model.

Adaptive skills

The second year of Gippsland Water's leadership development program in 2008 has seen it continue to invest in its staff with a particular emphasis on the acquisition and application of adaptive skills through action learning.

Action learning projects resulted in a number of project outcomes in addition to the Change Agent and Adaptive Leadership program learnings. Projects focussed on business continuity and employee engagement.

Media training was also provided for staff required to speak with the media.

Generic skills

To support generic skills development Gippsland Water offered a number of programs:

- The organisation-wide Customer Focus Training Program continued during 2008-09, with a further four modules being delivered including: Dealing with Difficult Situations, Communication, Our Operating Environment, and Hardship.
- Other programs included: Behavioural Selection Interviewing Skills, Board Report Writing, Business Writing Skills, Influence in the Workplace, Performance Development Coaching and Microsoft Office training.

Technical skills

The following technical programs and initiatives were undertaken to develop job-specific skills:

- Business Case training delivered by the Department of Treasury and Finance;
- Certificate IV Financial Services (incorporating Certificate III Financial Services – Mercantile Agents) a new program credit staff are undertaking to broaden their skill base; and
- Diploma of Engineering (Civil).



▲ An environmental engineer working in the field.



Risk management

Gippsland Water endorses the Victorian Government's initiative of adopting good practice in public sector risk management. To support this initiative Gippsland Water has developed and implemented a consolidated business-wide risk management framework that aligns with the Victorian Government Risk Management Framework and the Australian/New Zealand Standard for Risk Management (AS/NZS 4360:2004). Gippsland Water will adopt the International Standard for Risk Management ISO 31000 when it is formally introduced in 2009-10.

Gippsland Water regards adopting a risk management culture as critical to its ability to achieve its strategic plan objectives.

Gippsland Water's Risk Management Policy and procedures assist and guide risk managers to identify, assess, and treat strategic level risks to determine if Gippsland Water is in a position to accept, avoid, reduce, or transfer the potential risk. Ultimately, a cost effective and efficient approach is adopted when managing risk.

The successful implementation of Gippsland Water's Risk Management Policy was underpinned by the following principles:

- promotion and support of a risk management culture within Gippsland Water to achieve strategic objectives;
- adoption of a risk management framework that aligns with best practice in the Victorian public sector;
- application of a consistent approach to identify, assess and manage all strategic level risks, with a view to exploit opportunities and reduce, mitigate or transfer threats;
- accountability of risk management as part of good corporate governance;
- provision of an additional business decision making tool; and
- provision of continuous risk training, communication and education to staff.

Gippsland Water's Risk Management Committee met four times during 2008-09 to review and manage current and new risk exposures facing the organisation, following the completion of each quarterly departmental risk management review process. The composition of Gippsland Water's Risk Management Committee included the Managing Director and General Managers.

Following the Risk Management Committee, further risk management governance reviews were completed by Gippsland Water's Audit Committee and Board on a quarterly basis:

1. Gippsland Water's Audit Committee reviewed all inherent very high, and controlled very high and high rated risks, and Gippsland Water's risk register to assure risk control and compliance; and
2. Gippsland Water's Board received a quarterly risk management report focusing on the very high and high controlled risks, and also received a copy of the entire risk register at the May 2009 Board meeting.

The risk management approach adopted by Gippsland Water is to rank risk at a whole of business level. Each risk is assessed by determining the likelihood of the risk occurring and the consequence/s if the risk occurred, given the existing controls in place to mitigate each risk. The objective of this analysis is to categorise each risk into the appropriate risk level using a scale ranging from Very High, High, Medium to Low.

As at June 2009, Gippsland Water's Risk Register contained 65 active risks: 16 risks rated as High, 33 risks rated as Medium, and 16 risks rated as Low in the controlled environment with the consideration of all current controls upon assessing each risk.

In May 2008, the Victorian Managed Insurance Authority (VMIA) completed an independent review of the quality, comprehensiveness and maturity of Gippsland Water's Risk Management Framework.

VMIA recommended Gippsland Water implement seven opportunities for improvement to support its already mature risk management framework. During the 2008-09 period all the VMIA's recommendations were implemented into Gippsland Water's Risk Management Framework.

A key recommendation from the VMIA review was to strengthen Gippsland Water's Risk Management Framework through documenting a formal Risk Management Strategy that aligns to Gippsland Water's Risk Management Policy. Gippsland Water has developed a Risk Management Strategy that details its adopted risk management governance structure, responsibilities and quarterly risk management review process. Gippsland Water's Risk Management Strategy was endorsed by the Audit Committee in November 2008 and formally approved by the Board in December 2008.

Considering the continuous evolvement of Gippsland Water's Risk Management Framework, two key objectives have been identified for completion in 2009-10. The first objective is to strengthen the integration of risk management into Gippsland Water's strategic and operational planning processes. The second objective is to develop the maturity of Gippsland Water's Risk Management process to include the assessment of risk within the treated environment.

The Gippsland Water Board continues to support Gippsland Water's Risk Management Framework and provided its first risk management attestation in the 2007-08 Annual Report, consistent with the Victorian Government Risk Management Framework. The risk management attestation formalises compliance to a common risk management standard and provides a focus towards an enterprise-wide approach to risk management.

The key elements of risk management attestation are:

1. risk management processes are consistent with Australian/New Zealand Risk Management Standard AS/NZS 4360:2004;
2. an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures; and
3. the risk profile of the organisation has been critically reviewed within the last 12 months and the Audit Committee verifies this assurance.

The findings of Gippsland Water's Financial Management Compliance Framework (FMCf) audit demonstrated that Gippsland Water's Risk Management Framework complied with the requirements of the Victorian Government Risk Management Framework. The outcome from the compliance audit assists Gippsland Water to satisfy the elements of the risk management attestation. This assurance is further supported by Gippsland Water's risk management governance structure and quarterly risk management review process which actively engages the General Management, Audit Committee and Board to critically review Gippsland Water's risk profile.

In satisfying the elements of the risk management attestation Gippsland Water Chairman, Richard McDowell, has formally endorsed the corporation's risk management activities as outlined above for 2008-09 Annual Report.

CENTRAL GIPPSLAND REGION WATER CORPORATION RISK MANAGEMENT ATTESTATION FOR 2008-09

I, Central Gippsland Region Water Corporation Board Chairman Richard McDowell, certify that the Central Gippsland Region Water Corporation has risk management processes in place consistent with the *Australian/New Zealand Risk Management Standard AS/NZS 4360:2004* and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Board of Central Gippsland Region Water Corporation verifies this assurance and that the risk profile of the Central Gippsland Region Water Corporation has been critically reviewed within the last 12 months.



Richard McDowell
Chairman
Central Gippsland Region Water Corporation
Dated the 28th day of August 2009.



David Mawer
Managing Director
Central Gippsland Region Water Corporation



Members of the USA-based Burned Area Emergency Response organisation worked in Gippsland Water's catchments for a number of days after the bushfires.

Financial performance

Financial Report For the Year Ended 30 June 2009

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Operating Statement for the Year Ended 30 June 2009

	Note	2009 \$'000	2008 \$'000
Revenue from Operating Activities			
Service Charges	1(b) 3(a)	46,996	38,425
Volumetric Charges	1(b) 3(a)	24,670	19,474
Government Contributions	1(b) 3(a)	42	–
Interest	1(b) 3(a)	859	883
Developer Contributions	1(b) 3(a)	6,492	5,290
Other Revenue	1(b) 3(a)	5,959	5,472
Total Operating Revenue		85,018	69,544
Revenue from Non-Operating Activities			
Other Revenue	1(b)	1,141	1,077
Total Revenue from Non-Operating Activities		1,141	1,077
Total Revenue		86,159	70,621
Expenses			
Employee Benefits	1(r)	18,664	18,234
Direct Expense	1(p) 3(d)	28,370	25,258
Environmental Contribution	1(f)	2,793	2,030
Depreciation	1(d) 3(c)	22,183	19,542
Amortisation	1(d) 3(c)	805	721
Net loss on disposal of assets	3(b)	151	168
Impairment Loss	3(c)	1,954	1,065
Borrowing Costs	1(c) 3(c)	9,823	3,874
Total Expenses		84,743	70,892
Net Result before Tax		1,416	(271)
Income Tax Expense	1(u) 4	–	–
Net Result for Period	19	1,416	(271)

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

Balance Sheet as at 30 June 2009

	Note	2009 \$'000	2008 \$'000
Assets			
Current Assets			
Cash and Cash Equivalents	1(g) 5	12,246	2,130
Receivables	1(h) 1(i) 6	12,475	19,274
Prepayments		415	561
Inventories	1(j) 7	1,459	1,209
Biological Assets	1(n) 11	874	843
Other Financial Assets – Receivables	1(k) 8	6	25
Total Current Assets		27,475	24,042
Non Current Assets			
Other Financial Assets	1(l) 9	1,000	1,000
Property, Plant and Equipment	1(m) 10	724,148	658,182
Biological Assets	1(n) 11	1,084	2,279
Intangible Assets	1(o) 12	2,396	2,540
Other Financial Assets – Receivables	1(k) 8	72	80
Total Non-current Assets		728,700	664,081
TOTAL ASSETS		756,175	688,123
Liabilities			
Current Liabilities			
Payables	1(p) 13	8,845	22,933
Interest Bearing Liabilities	1(q) 14	30,000	9,500
Employee Benefits	1(r) 15	4,250	4,088
Other Provisions	1(s) 1(t) 16	100	–
Total Current Liabilities		43,195	36,521
Non Current Liabilities			
Interest Bearing Liabilities	1(q) 14	139,500	79,500
Employee Benefits	1(r) 15	483	473
Other Provisions	1(s) 1(t) 16	968	1,016
Total Non-current Liabilities		140,951	80,989
TOTAL LIABILITIES		184,146	117,510
Net Assets		572,029	570,613
Equity			
Contributions by Owners	17	252,895	252,895
Reserves	18	23,300	23,300
Accumulated Funds	19	295,834	294,418
TOTAL EQUITY		572,029	570,613

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

Statement of Changes in Equity for the Year Ended 30 June 2009

	Note	Equity at 1 July 2008 \$'000	Net Result for Period \$'000	Transactions with Owners \$'000	Equity at 30 June 2009 \$'000
Contributions by owners	17	252,895	–	–	252,895
Capital appropriations		–	–	–	–
		252,895	–	–	252,895
Accumulated Funds	19	294,418	1,416	–	295,834
Asset Revaluation Reserve	18	23,300	–	–	23,300
Revaluation increment / decrement		–	–	–	–
		23,300	–	–	23,300
Total equity at end of financial year		570,613	1,416	–	572,029

		Equity at 1 July 2007 \$'000	Net Result for Period \$'000	Transactions with Owners \$'000	Equity at 30 June 2008 \$'000
Contributions by owners	17	244,650	–	–	244,650
Capital appropriations		–	–	8,245	8,245
		244,650	–	8,245	252,895
Accumulated Funds	19	294,689	(271)		294,418
Asset Revaluation Reserve	18	23,315	–	–	23,315
Revaluation increment / decrement		–	–	(15)	(15)
		23,315	–	(15)	23,300
Total equity at end of financial year		562,654	(271)	8,230	570,613

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

Cash Flow Statement for the Year Ended 30 June 2009

	Note	2009 \$'000	2008 \$'000
Cash Flows from Operating Activities			
Receipts			
Fees and Charges		78,587	63,509
Interest Received		875	870
GST Received		2,246	2,204
Government Contributions	3(a)	42	–
		81,750	66,583
Payments			
Payments to Suppliers		(28,403)	(26,110)
Payments to Employees		(18,892)	(18,157)
GST Paid		(371)	(339)
Interest and Other Costs of Finance Paid		(9,465)	(3,611)
Environmental Contributions		(2,793)	(2,030)
		(59,924)	(50,247)
Net Cash Flows from Operating Activities	25	21,826	16,336
Cash Flows from Investing Activities			
Payments for Infrastructure, Property, Plant and Equipment		(101,399)	(106,549)
Payments for Intangible Assets		(661)	(766)
Proceeds from Sale of Property, Plant and Equipment	3(b)	404	472
Income for Capital Purposes		1,201	1,219
Net Cash Flows from Investing Activities		(100,455)	(105,624)
Cash Flows from Financing Activities			
Proceeds from Borrowings		80,500	60,000
Proceeds from Contributed Capital by State Government	17	8,245	–
Net Cash Flows From Financing Activities		88,745	60,000
Net Increase / (Decrease) in Cash Held		10,116	(29,288)
Cash and Cash Equivalents at Beginning of Year	5	2,130	31,418
Cash and Cash Equivalents at End of Year	5	12,246	2,130

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 2009

These notes form part of and should be read in conjunction with the financial statements of Central Gippsland Region Water Corporation ("the corporation") for the year ended 30 June 2009.

Note 1 Significant Accounting Policies

(a) Basis of Accounting

General

This financial report of the corporation is a general purpose financial report that consists of an Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these Statements. The general purpose financial report complies with Australian Accounting Standards (AAS) interpretations and 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.

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 12 months, being the corporation's operational cycle – see Note 1 (r) for a variation in relation to employee benefits.

Rounding

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

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements in conformity with AAS 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

Service charges are recognised as revenue when levied or determined.

Volumetric 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 2008-09 financial year the corporation estimated the outstanding revenue in respect of water meters which had not been read at balance date of \$1,911,571 (2007-08 \$1,515,037), by multiplying the number of days since the last reading by each customer's average service usage.

Developer contributions – Fees paid by developers

Water and wastewater infrastructure assets built by developers in new land subdivisions that on completion are provided to the corporation or fees paid by developers to connect new developments to the corporation's existing water supply and sewerage systems are recognised as revenue when the contributions are received.

Developer contributions – Assets received from developers

When infrastructure assets are provided to the corporation free of charge, the fair value of those assets is recognised as revenue when the assets are transferred to the corporation's control.

Government contributions

Government grants and contributions are recognised as operating revenue on receipt or when an entitlement is established whichever is the sooner, 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/or the Minister for Water have indicated are in the nature of owners' contributions are accounted for as *Equity – Contributions by Owners*.

Interest and rents

Interest income is recognised using the effective interest rate method.

Rentals are recognised as income on a straight line basis over the rental period.

Lease Income

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

Other Revenue from Operating Activities

Other Revenue also includes revenue from prescribed waste, agricultural activities, new development connection fees and other Operating miscellaneous fees and charges.

Other Revenue from Non-operating Activities

The corporation derives other Non-operating revenue from sundry rebates, rental income and other charges.

(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 corporations to competitive disciplines by neutralising the competitive advantage provided by a State Government guarantee on borrowings. Also refer to Note 14. Interest Bearing Liabilities.

(d) 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 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	
Software	3→5 years

(e) 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.

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.

(f) 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 corporations.

The Act establishes an obligation for corporations 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 corporation. The contribution period has been extended to cover the period 1 July 2008 until 30 June 2012.

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.

(g) 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.

(h) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impaired receivables. All 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 corporation will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Operating Statement.

(i) Goods and Services Tax

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

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

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

(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 current replacement cost. Costs are assigned to inventory quantities on hand at balance date on a weighted average cost basis.

(k) 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 Operating Statement

Financial assets at fair value through the Operating Statement are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables and other receivables in the Balance Sheet.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the corporation's management has the positive intention and ability to hold to maturity. If the corporation were to sell other than an insignificant amount of held -to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets. Any held-to-maturity investments held by the corporation are stated at amortised cost.

Available for Sale financial assets

Available for sale financial assets include any financial assets not included in the other categories. Available for sale financial assets are reflected at fair value. Gains or losses arising from changes in fair value are taken directly to equity and recycled to the Operating Statement upon disposal or the financial asset is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the Operating Statement of the period.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the corporation assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available for sale equity investment, a significant or prolonged decline in value of the instrument below its cost is considered as an indicator that the investment is impaired. If any such evidence exists for available for sale assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Operating Statement is removed from equity and recognised in the Operating Statement. Impairment losses are recognised in the Operating Statement. Impairment losses recognised in the Operating Statement on equity instruments classified as available for sale are not reversed through the Operating Statement.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument.

(l) Environmental Bond

The corporation operates a prescribed (industrial) waste treatment and storage facility at its Dutson Downs property, which falls under EPA Licence ES344, the corporation 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) and is disclosed on the Balance Sheet as a non-current financial asset.

(m) 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 corporation 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, regardless of whether equity instruments or other assets 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.

Where assets are constructed by the corporation, the cost at which they are recorded includes an appropriate share of fixed and variable overheads. Assets acquired at no cost by the corporation 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 (n))

All non-current assets except land under water and wastewater infrastructure assets are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of FRD 103D. Revaluations are conducted using management expertise and are classified as a managerial revaluation.

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. Depreciated replacement cost has been adopted as an estimate of fair value under the revaluation model adopted for these assets.

Plant, equipment and vehicles are measured at fair value

Water infrastructure assets are measured at cost less any accumulated depreciation and any accumulated impairment losses. Such assets may comprise substructures or underlying systems to facilitate the harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewerage systems.

Revaluations

Assets acquired within 12 months of the revaluation date are exempted from revaluation unless evidence exists that the asset's carrying value does not materially reflect its fair value.

Revaluation increments or decrements arise from differences between an asset's depreciated cost or deemed cost and fair value. Revaluation increments are credited directly to equity in the revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as expense in determining the net result, the increment is recognised as revenue in determining the net result.

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

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

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

Impairment of assets

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; and
- 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 the same class of asset. When the impairment loss exceeds the amount in the revaluation reserve for the 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

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell, as 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 is available for immediate sale in its present condition. Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a non-current asset held for sale continue to be recognised.

An impairment loss is recognised for any initial or subsequent write down of the asset 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, 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 is recognised at the date of derecognition.

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 an asset classified as held for sale are presented separately from other liabilities in the Balance Sheet.

(n) 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 fair value less estimated point of sale costs net market value.

The net increment/decrement in market value from the previous valuation is recognised in the Operating Statement, 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 the plantations as at 30 June 2009.

The value and physical quantity of commercial trees in plantations at balance date is recorded in Note 11 – 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 onsite at the corporation's various farming properties. The value and physical quantity of crops in storage at balance date is recorded in Note 11 – Biological Assets.

The value of crops has been independently verified against established market prices these values are determined having regard to seasonal conditions prevailing at the time both in Gippsland and in other recipient markets for each category of produce.

Livestock

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

Chris Stanley Livestock of Woori Yallock completed an independent valuation of livestock as at 30 June 2009.

The value and physical quantity of livestock at balance date is recorded in Note 11 – Biological Assets.

A visual appraisal of livestock was performed in undertaking this valuation. 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.

(o) 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 corporation.

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 is 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 corporation's intangible assets is as follows:

Amortisation Basis	Software Costs
Useful Life	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

(p) Trade and Other Payables

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

(q) 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.

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

(r) Employee Benefits

Wages and salaries, employee bonuses, annual leave and sick leave
Liabilities for wages and salaries, employee bonuses and annual 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. Liabilities for sick leave reflects an estimate of the leave that will be taken within the next twelve months that is greater than the leave expected to accrue in the period. 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 corporation, 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

Current Liability – unconditional long service leave (representing more than 7 years⁽ⁱ⁾ of continuous service) is disclosed as a current liability even where the corporation does not expect to settle the liability within 12 months because it does not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current long service leave liability are measured at:

- Present value – component that the corporation does not expect to settle within 12 months; and
- Nominal value – component that the corporation expects to settle within 12 months.

Non-current Liability – conditional long service leave (representing less than 7 years⁽ⁱ⁾ of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. Conditional long service leave is required to be measured at present value.

In calculating present value, 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, estimated future cash outflows.

(i) Gippsland Water Enterprise Agreement 2007

Superannuation

The amount charged to the Operating Statement in respect of superannuation represents the contributions made by the corporation to the superannuation plan in respect to the current services of corporation staff. Superannuation contributions are made to the plans on the relevant rules of each plan. For those employees in accumulation funds the corporation contributes 9% of employee earnings under the Superannuation Guarantee Legislation.

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 corporation's Executive Officers are based on a per centage 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.

(s) Provisions

Provisions for legal claims and service warranties are recognised when the corporation 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.

(t) Dutson Downs Rehabilitation Provisions

The corporation operates a prescribed (industrial) waste treatment and storage facility at its Dutson Downs property. Historically, the 350ha site was established in order to dispose of industrial wastes using landfill technology. The facility is approved by the EPA for this purpose due to its large buffer distances, its thick clay overlays and its well developed management practices.

Two provisions have been established to recognise the future rehabilitation costs associated with the closure:

(i) Bioremediation Pond Rehabilitation

On 30 June 2008 the Bioremediation Pond (cardboard pond) ceased operating. The corporation recognised through the establishment of a provision the liability for the rehabilitation of the Bioremediation Pond site. The provision is revalued each year to ensure that it is of sufficient value to cover the actual cost associated with the final rehabilitation of the site. Remediation of the site will commence in 2009-10.

(ii) Land Fill Site Rehabilitation

Licensed by the EPA, the corporation continues to operate at Dutson Downs land fill technology for the disposal of inorganic waste. Land fill sites can remain open for many years, this provision recognises the final restoration cost to close and restore the land fill site. Based upon current utilisation management has estimated the land fill site has 15 years of remaining life. This provision will be reviewed annually to ensure it adequately covers the rehabilitation costs and satisfies any changes to environmental regulations which may be enforced in subsequent years.

(u) Taxation

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

The estimate for the potential future deferred tax asset at 30 June 2009 in respect of tax losses not brought to account is \$46,391,000 (2007-08: \$43,779,000).

The corporation's deferred tax assets exceed the level of deferred tax liabilities and therefore it is not required to bring to account tax expense, tax assets and tax liabilities in the Operating Statement and Balance Sheet as the corporation is likely to make ongoing tax losses and settlement of these items is not assured beyond reasonable doubt. Refer to Note 4.

(v) 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 of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

(w) Dividend Policy

The corporation 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 per centage 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 corporation was not required to pay a dividend in the 2008-09 financial year based on operating income from 2007-08 year. It is anticipated that the corporation will not be required to pay a dividend on the 2008-09 net result as it has not met the Dividend Policy determination.

(x) Comparative Amounts

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

In Note 11 Biological Assets the classification between current and non-current assets for the figures reported for 2008 have changed. During the year 838 heifers were identified as future breeding stock and have been reclassified as non current assets. The value of these animals was \$788,000.

(y) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2009 reporting period. As at 30 June 2009, the following standards and interpretations had been issued but were not mandatory for the financial year 30 June 2009. The corporation has not and does not intend to adopt these standards early.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on financial statements
AASB 8 Operating Segments	Supersedes AASB 114 Segment Reporting	Beginning 1 Jan 2009	Not applicable
AASB 2007-03 Amendments to Australian Accounting Standards arising from AASB 8 [AASB's 5, 6, 102, 107, 119, 127, 134, 136, 1023 and 1038]	An accompanying amending standard, also introduced consequential amendments into other Standards.	Beginning 1 Jan 2009	Impact expected to be not significant.
AASB 123 Borrowing Costs	Option to expense borrowing cost related to a qualifying asset had been removed. Entities are now required to capitalise borrowing costs relevant to qualifying assets. In February 2009, the AASB decided that not-for-profit public sector entities could continue to expense borrowing costs attributable to qualifying assets pending the outcome of various IPSASB/AASB projects.	Beginning 1 Jan 2009	The corporation continues to expense borrowing costs.
AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB's 1, 101, 107, 111, 116, 138 and Interpretations 1 & 2]	An accompanying amending standard, also introduced consequential amendments into other Standards.	Beginning 1 Jan 2009	Same as AASB 123 above.
AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASB's 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138, 139 and Interpretations 9 and 107]	This Standard gives effect to consequential changes arising from revised AASB 3 and amended AASB 127. The Prefaces to those Standards summarise the main requirements of those Standards.	Beginning 1 Jul 2009	Impact expected to be insignificant.
AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB's 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 and 1038]	A suite of amendments to existing standards following issuance of IASB Standard Improvements to IFRS's in May 2008. Some amendments result in accounting changes for presentation, recognition and measurement purposes.	Beginning 1 Jan 2009	Impact is being evaluated.
AASB 2008-6 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 and AASB 5]	The amendments require all the assets and liabilities of a for-sale subsidiary's to be classified as held for sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation.	Beginning 1 Jul 2009	Impact expected to be insignificant.
AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB's 1, 118, 121, 127 and 136]	Changes mainly relate to treatment of dividends from subsidiaries or controlled entities.	Beginning 1 Jan 2009	Impact expected to be insignificant.
AASB 2008-8 Amendments to Australian Accounting Standards- Eligible Hedged Items [AASB 139]	The amendments to AASB 139 clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations.	Beginning 1 Jul 2009	Impact is being evaluated.
AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101	Amendments to AASB 1049 for consistency with AASB 101 (September 2007) version.	Beginning 1 Jan 2009	Not applicable to public sector entities except for certain presentation formats.

Notes to the Financial Statements for the Year Ended 30 June 2009

Note 2 Financial Risk Management Objectives and Policies

The corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. This note presents information about the corporation's exposure to each of these risks, and the objectives policies and processes for measuring and managing risk.

The corporation's Board has the overall responsibility for the establishment and oversight of the corporation's risk management framework. The corporation uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit and beta analysis of investment portfolios to determine market risk.

Risk management is carried out by the Risk Management Committee under policies approved by the Board. The finance department identifies, evaluates financial risks in close cooperation with the corporation's operating units. The Board provides written principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

The corporation has the following financial instruments:

Financial Instrument	Category	2009 Carrying Amount \$'000	2008 Carrying Amount \$'000
Financial Assets			
Cash and Cash Equivalents	N/A	12,246	2,130
Trade Receivables	Loans and receivables	8,127	15,620
Other Receivables	Loans and receivables	2,217	1,883
Other Financial Asset – Current	Loans and receivables	78	105
Other Financial Asset – Non-current	Held to maturity investment		
	at amortised cost	1,000	1,000
Total Financial Assets (a)		23,668	20,738
Financial Liabilities			
Payables	At amortised cost	8,845	22,933
Interest Bearing Liabilities	At amortised cost	169,500	89,000
Total Financial Liabilities (b)		178,345	111,933

(a) Total financial assets exclude statutory receivables (GST input tax credit recoverable).

(b) Total financial liabilities exclude statutory payables (Taxes payable).

Net holding gain/loss on financial instruments by category:

Financial Instrument	Category	2009 \$'000	2008 \$'000
Financial Assets			
Cash and Cash Equivalents	N/A	804	812
Trade Receivables	Loans and receivables	–	–
Other Receivables	Loans and receivables	–	–
Other Financial Asset – Current	Loans and receivables	–	–
Other Financial Asset – Non-current	Held to maturity investment at amortised cost	55	71
Total Financial Assets		859	883
Financial Liabilities			
Payables	At amortised cost	–	–
Interest Bearing Liabilities	At amortised cost	9,823	3,874
Total Financial Liabilities		9,823	3,874

Net holding gains are calculated by taking interest revenue plus or minus foreign exchange gains or losses arising from the revaluation of financial assets, and minus any impairment recognised in the net result.

Net holding losses are calculated by taking interest expense plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost.

Note 2 Financial Risk Management Objectives and Policies (continued)

2.1 Risk Exposures

The main risks the corporation is exposed to through its financial instruments are as follows:

(a) Market Risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the corporation's financial instruments. Market risk comprises of interest rate risk, foreign exchange risk and other price risk. The corporation's exposure to market risk is primarily through interest rate risk, there is only insignificant exposure to both foreign exchange risk and other price risks. There were no changes to the policy for managing market risk from the previous period.

Objectives, policies and processes used to manage these risks are disclosed in the paragraphs below:

(i) Interest Rate Risk

The corporation manages financial risk under the Board approved Treasury Management Policy. The Treasury Management Policy is set to conform with the *Borrowing and Investment Powers Act 1987* (BIP Act). Statutory corporations obtain their power to borrow and invest under the provisions of the BIP Act. More specifically the Department of Treasury and Finance (DTF) has the primary responsibility for ensuring the Governments financial management objectives are achieved by setting guidelines and recommending borrowing and investment powers. Under these guidelines Gippsland Water has agreed to deal with TCV for its funding needs. The Gippsland Water Board has the responsibility for determining the funding needs of the corporation and managing the risks associated with this business. The corporation has not engaged hedging as part of its financial risk management strategy.

Under Gippsland Water's Treasury Management Policy all new borrowings must be approved by the Treasurer of Victoria as part of the annual Financial Accommodation. The Treasury Management Policy also sets specific targets for the management of financial risk by avoiding a concentration in maturities in order to minimise the corporation's exposure to interest rate risk. The debt profile will be tailored to closely match the revenue stream and/or the maturity of the underlying assets.

Exposure to interest rate risk may arise from interest bearing liabilities. Minimisation of risk is achieved by mainly undertaking fixed rate instruments. These interest bearing liabilities have relatively even maturity profiles. The corporation's interest rate risk is managed by setting borrowings with terms and maturity structures which reflect the medium and longer term capital requirements and tariff structures of the corporation. The aim of interest rate risk is to minimise the longer term cost of borrowings by limiting the exposure of the corporation to interest repricing in any one period by adopting debt portfolio maturities and to spread debt between fixed and floating instruments.

On a monthly basis the Board is provided with the following information:

(i) Borrowing portfolio balances, maturity dates and interest rates.

(ii) Maturity profile of borrowings.

(iii) Financial Accommodation approval for the year against actual borrowings for the year.

(iv) Interest expense analysis of actual interest expense, dollars and rate compared to the budget for both month and year to date.

This information is also provided to the Audit Committee on a quarterly basis.

(ii) Foreign Exchange Risk

The corporation is exposed to an insignificant foreign currency risk through its payables relating to purchases of supplies and consumables from overseas. While there is a limited amount of purchases denominated in foreign currencies the risk is further reduced by a short time frame between commitment and settlement. Should a significant foreign currency exposure arise the corporation is authorised to enter into a derivative instrument to limit the effect of foreign currency movements. The corporation did not enter into any derivative instruments during the year.

(iii) Other Price Risk

The corporation may be exposed to movements in commodity prices as they impact the costs of raw materials. Where possible the corporation limits its exposure to these price movements by entering into commercial contractual arrangements.

At the reporting date the corporation had no significant exposure to other price risk.

Market Risk Sensitivity Analysis

Taking into account past performance, future expectations, economic forecasts, and managements knowledge and experience of the financial markets the corporation believes the following movements are 'reasonably possible' over the next 12 months.

While the current forecast from TCV indicates borrowings for 3 year and 10 year TCV bonds may edge slightly higher over the next year, management considers the corporation will be exposed to a wider range of interest rate movements than to the narrower TCV forecast of approximately 0.5%.

As a result of the global credit crisis, interest rates during late 2008 and early 2009 were at historic lows. The corporation took advantage of these low rates and throughout this coming year some of these borrowings will be renegotiated. During the renegotiation management expects loans are likely to be placed into medium and longer term bandings within the maturity profile. It is 'reasonably possible' to expect borrowings which have been moved from short term maturity dates to medium to longer term maturities will have increases in interest rates above the general market increase of 0.5%.

The sensitivity analysis set out below applies a weighted average increase to interest of 1.5% (2008: 0.5%) over the financial instruments and shows a new loss of \$251,000 (2008: \$32,000) to Profit and Equity. A slight chance remains that interest rates may decrease, management considers rates are unlikely to reduce by more than 0.5%. The impact of lower interest rates would generate a net gain of \$84,000 (2008: \$32,000) to Profit and Equity.

At the reporting date the corporation had no exposure to foreign currencies. A sensitivity calculation has not been performed. Foreign currency exposure at 2008 was also nil.

As the corporation has determined there is no material impact on Profit and Loss or Equity from 'other price' risk movements, a sensitivity analysis to Profit and Loss and Equity has not been calculated.

The table below sets out for each financial instrument the potential impact on the Profit and Equity held by the corporation for interest rate risk which management consider to be 'reasonably possible' at 30 June 2009.

2009		Carrying Amount	Interest Rate Risk			
			+ 1.5% Profit \$'000	+ 1.5% Equity \$'000	- 0.5% Profit \$'000	- 0.5% Equity \$'000
		\$'000				
Financial Assets						
Cash and Cash Equivalents	(1)	12,246	184	184	(61)	(61)
Trade Receivables	(2)	8,127	–	–	–	–
Other Receivables	(2)	2,217	–	–	–	–
Other Financial Asset – Current	(2)	78	–	–	–	–
Other Financial Asset – Non-current		1000	15	15	(5)	(5)
Financial Liabilities						
Payables	(2)	8,845	–	–	–	–
Interest Bearing Liabilities - Fixed		139,500	–	–	–	–
Interest Bearing Liabilities - Maturing		10,000	(150)	(150)	50	50
Interest Bearing Liabilities - Variable	(3)	20,000	(300)	(300)	100	100
Total			(251)	(251)	84	84

(1) All cash at bank at variable interest rates.

(2) Receivables and Payables are not subject to interest, foreign exchange or other price risks.

(3) Interest Bearing Liabilities - Variable, part of this 11:00 am at call balance is expected to be placed into either a medium or longer fixed term borrowing facility within 12 months.

The table below sets out for each financial instrument the estimated impact on the Profit and Equity held by the corporation for interest rate risk at 30 June 2008.

2008		Carrying Amount	Interest Rate Risk			
			+ 0.5% Profit \$'000	+ 0.5% Equity \$'000	- 0.5% Profit \$'000	- 0.5% Equity \$'000
		\$'000				
Financial Assets						
Cash and Cash Equivalents	(1)	2,130	11	11	(11)	(11)
Trade Receivables	(2)	15,620	–	–	–	–
Other Receivables	(2)	1,883	–	–	–	–
Other Financial Asset – Current	(2)	105	–	–	–	–
Other Financial Asset – Non-current		1,000	5	5	(5)	(5)
Financial Liabilities						
Payables	(2)	22,933	–	–	–	–
Interest Bearing Liabilities - Fixed		79,500	–	–	–	–
Interest Bearing Liabilities - Not Fixed	(3)	9,500	(48)	(48)	48	48
Total			(32)	(32)	32	32

(1) All cash at bank at variable interest rates.

(2) Receivables and Payables are not subject to interest, foreign exchange or other price risks.

(3) Interest Bearing Liabilities - Not Fixed, are fixed term borrowings which will mature within 12 months.

Note 2 Financial Risk Management Objectives and Policies (continued)

(b) Credit Risk

Credit risk is the risk of financial loss to the corporation as a result of a customer or counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises principally from the corporation's receivables, other financial assets and financial assets available for sale.

The corporation measures credit risk on a fair value basis and monitors risk on a regular basis. The Credit and Finance departments meet quarterly, where the Credit department present movements in aging, values for time extensions, payment arrangements and impaired debt. The credit management reviews are not showing any deterioration in customer payment behaviour resulting from the changed economic environment. The corporation minimises concentrations of credit risk in relation to trade accounts receivable by undertaking transactions with a large number of customers and does not have any significant credit risk exposure to any single counterparty.

Credit risk in trade receivables is managed by payment terms of 30 days. No interest is charged for the first 30 days from the date of invoice. Thereafter interest may be charged on the outstanding balance.

The credit risk of receivables which are neither past due or impaired are largely determined by market segments within the total debt. The corporation operates within a number of market segments and the associated risks are described below.

- (i) Receivables due from property owners resulting from the provision of water or wastewater services are not deemed to be impaired as collection is virtually certain under the covenants of the *Water Act 1989*.
- (ii) Collection from residential tenancy customers are not protected from the covenants of the *Water Act 1989*. A portion of these customers may ultimately form uncollectible debt and become impaired.
- (iii) Transactions with the unregulated commercial sector are conducted after undertaking regular credit reference checks and ensuring prompt recovery action is taken if payment is not received within normal payment terms.
- (iv) The corporation also provides water and wastewater services to major industry under long term commercial contracts. The corporation regularly meets with each customer and has established a separate department to manage these customers. Residual risk is considered minimal.

No collateral is held against any class of financial asset or impaired financial asset. The corporation relies upon the *Water Act 1989* to secure claims against land owners. However Gippsland Water remains exposed for residential and non residential tenancy customers and for final water usage for land owners. Provision for impairment for financial assets is based on past experience and current and expected changes in customer credit ratings.

The carrying amount of financial assets recorded in the Financial Report, net of any allowances for losses represents the corporations maximum exposure to credit risk without taking account of the value of any collateral obtained.

An analysis of the ageing of the corporation's receivables at reporting date has been provided in Note 6 Receivables.

(c) Liquidity Risk

Liquidity risk is the risk that the corporation will not be able to meet its financial obligations as they fall due. The corporation's policy is to settle financial obligations within 30 days and in the event of dispute make payments within 30 days of resolution.

The corporation manages liquidity risk through monitoring future cash flows and maturities and planning to ensure sufficient funds are available to meet obligations as they fall due on a day to day basis. Liquidity risk is also managed by the maintenance of adequate reserves and ensuring sufficient standby credit facilities are available.

Cash at bank being liquidity on hand is held with one of Australia's top four leading banks. The current Standard & Poor's long term credit rating of our banker is AA and stable.

Financing arrangements

Annually, the corporation completes a Corporate Plan which includes financial estimates for a five-year period. This plan incorporates a cashflow forecast that then facilitates application to DTF for any necessary Financial Accommodation. Financial Accommodation establishes the corporation's approval to enter borrowing arrangements with TCV. The corporation does not have approved borrowing facilities with other financial institutions. At 30 June 2009, the corporation held approved undrawn Financial Accommodation from 2008-09 of \$10M (excluding the undrawn Temporary Purpose funding of \$5M).

Note 2 Financial Risk Management Objectives and Policies (continued)**(c) Liquidity Risk** (continued)

Financing arrangements (continued)

In light of the corporation's planned Capital Expenditure program, and our ongoing need for debt funding to support this program, the organisation's ability to meet liabilities as they fall due is reliant upon the ongoing DTF approval of both the Corporate Plan, and the accompanying annual Financial Accommodation.

At the reporting date the corporation had the following undrawn borrowing facilities.

Borrowing Facility	2009 \$'000	2008 \$'000
Temporary Purpose Financial Accommodation	5,000	–
Annual Financial Accommodation	10,000	55,000
Total Undrawn Approved Borrowings	15,000	55,000

Maturities of financial liabilities

2009	Less than 6 months	6–12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Carrying Amount
Financial Liabilities						
Payables	8,845	–	–	–	–	8,845
Borrowings	30,000	–	29,500	50,000	60,000	169,500
Total Financial Liabilities	38,845	–	29,500	50,000	60,000	178,345

2008	Less than 6 months	6–12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Carrying Amount
Financial Liabilities						
Payables	22,933	–	–	–	–	22,933
Borrowings	9,500	–	–	39,500	40,000	89,000
Total Financial Liabilities	32,433	–	–	39,500	40,000	111,933

2.2 Fair Value

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the corporation is the current bid 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 corporation uses a variety of methods and makes assumptions that are based on the market conditions existing at each balance date. Quoted market prices 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 forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the market interest rate that is available to the corporation for similar financial instruments.

Notes to the Financial Statements for the Year Ended 30 June 2009

Note 3 Operating Statement – Disclosures

(a) Revenue

	Note	2009 \$'000	2008 \$'000
Service Charges			
– Water Charges		13,220	11,263
– Wastewater Charges		33,631	27,072
– Trade Waste Charges		145	90
Total Service Charges	1(b)	46,996	38,425
Volumetric Charges			
– Water		20,444	16,233
– Wastewater		4,226	3,241
Total Volumetric Charges	1(b)	24,670	19,474
Government Contributions			
– Operating		–	–
– Non Operating		42	–
Total Government Contributions	1(b)	42	–
Developer Contributions			
– Fees Paid by Developers		1,191	1,285
– Assets Received from Developers		5,301	4,005
Total Developer Contributions	1(b)	6,492	5,290
Interest received from financial assets not at fair value through Profit/Loss		859	883
Other Revenue – Operating			
– Agriculture pursuits		1,660	1,738
– Prescribed Waste		2,160	1,749
– Other Fees		2,139	1,985
Total Other Revenue – Operating	1(b)	5,959	5,472

(b) Net Gains and Expenses

The surplus from operating activities includes the following specific net gains and expenses

Net Gain (Loss) on Disposal of Property, Plant and Equipment

– Proceeds on Sale	404	472
– Written Down Value	(555)	(640)
Net Gain (Loss) on Disposal of Property, Plant and Equipment	(151)	(168)

Notes to the Financial Statements for the Year Ended 30 June 2009

Note 3 Operating Statement – Disclosures (continued)

(c) Expenses

	Note	2009 \$'000	2008 \$'000
Defined benefit and contribution superannuation expense	23	1,358	1,367
Operating lease rental expense		61	68
Bad Debts		181	278
Auditors Remuneration			
– Auditor General for Audit of Financial Statements		50	45
– Internal Audit		129	83
Depreciation			
– Buildings		515	510
– Water Infrastructure		8,458	8,181
– Wastewater Infrastructure		11,235	9,048
– Plant and Equipment		1,485	1,338
– Motor Vehicles		490	465
Total Depreciation	1(d)	22,183	19,542
Amortisation			
– Software	12	805	721
Total Depreciation and Amortisation	25	22,988	20,263
Borrowing Cost not at fair value through the profit and loss			
– Interest on TCV borrowings	1(c)	8,861	3,509
– Financial Accommodation Levy	1(c)	962	365
Total Borrowing Cost		9,823	3,874
Impairment Loss			
– Non-financial assets	10(b)	1,998	999
– Financial assets – receivables	1(k) 6	(44)	66
Total Impairment Loss		1,954	1,065
Deemed cost of timber sold		81	-

(d) Individually Significant Expenditure for 2009

Fair value decrement of plantations being revalued to the current market value.	833	-
Capital Projects – Discontinued		
– Thorpdale Bore. Lower than expected water flow and quality issues.	473	-
– Warragul Sewer Upgrade. New property developments changed the proposed strategy.	739	-

Notes to the Financial Statements for the Year Ended 30 June 2009

Note 4 Income Tax

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

	2009 \$'000	2008 \$'000
Reconciliation of Income Tax to Prima Facie Tax Payable		
Net result before income tax expense	1,416	(271)
Tax at the Australian tax rate of 30% (2008: 30%)	425	(81)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income.		
Adjustments Relating to Prior Years	–	–
Non Deductible Sundry Expenses	1	5
Income Tax Adjusted for Non Deductible (taxable) Items	426	(76)
Benefit of Tax Losses from Prior years Recouped	426	(76)
Income tax expense as reported in the Operating Statement	–	–

Notes to the Financial Statements for the Year Ended 30 June 2009

Note 5 Cash and Cash Equivalents

	2009 \$'000	2008 \$'000
Cash on Hand (a)	2	2
Cash at Bank (b)	12,244	2,128
Total Cash and Cash Equivalents	12,246	2,130
(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	12,246	2,130
Balances as per Cash Flow Statement	12,246	2,130
(c) Deposits at call		
The deposits are bearing floating interest rates between 2.89% and 7.45% (2008 6.14% and 7.51%)		
(d) Cash balances not available for use		
The corporation has a special purpose bank account funded by a contribution by owners. The bank account is to be used for a small town water and sewerage program and has conditions set by Department of Sustainability and Environment. The balance at 30 June 2009 was \$8,619,000.		

Note 6 Receivables

Trade Receivables	8,229	15,766
Allowance for Doubtful Debts	(102)	(146)
Goods and Services Taxation Refund Due	2,131	1,771
Accrued Revenue	2,217	1,883
Total Receivables	12,475	19,274
Movement in Allowance for Doubtful Debts		
Opening balance at 1 July	(146)	(80)
(Increase)/decrease in allowance recognised in profit or loss	(137)	(244)
Amounts recovered during the year.	(36)	(25)
Amounts written off during the year	217	203
Closing balance at 30 June	(102)	(146)
A provision has been made for estimated irrecoverable Trade Receivables, determined by reference to past default experience. The movement in the allowance was recognised in the operating result for the financial year.		
The carrying amount of Trade Receivables that would otherwise be past due or impaired whose terms have been renegotiated.	678	570
Trade Receivable Past Due But Not Impaired		
30 – 60 Days	844	1,755
60 – 90 Days	171	322
Over 90 Days	478	610
Total Trade Receivables past due but not impaired	1,493	2,687

Notes to the Financial Statements for the Year Ended 30 June 2009

Note 6 Receivables (continued)

Total impaired Trade Receivables at 30 June were \$102,000 (2008: \$146,000). The value of impaired assets is derived after determining the market segment as itemised in Note 2 Financial Risk Management Objectives and Policies, refer Credit Risk and to the ageing of such accounts. An assessment is then made as to the ultimate collectability of such aged customer accounts.

The Accrued Revenue does not contain impaired assets and is not past due.

Foreign Exchange Risk

At 30 June 2009 (2008: Nil) the corporation had no receivable denominated in a foreign currency.

Fair Value and Credit Risk

Receivables by their nature have short term maturities, the carrying value is assumed to reflect the fair value.

Refer to Note 2 Financial Risk Management Objectives and Policies for further disclosures on the risk management and credit quality of these financial assets.

	2009 \$'000	2008 \$'000
Note 7 Inventories		
Stores and Consumables – at Cost	1,459	1,209
Total Inventories	1,459	1,209
Note 8 Other Financial Assets – Receivables		
Current Other Financial Assets		
Private Schemes Unmatured Capital	5	7
Other	1	18
Total Other Current Assets – Receivables	6	25
Non-current Other Financial Assets		
Private Schemes Unmatured Capital	72	80
Total Other Financial Assets – Receivables	78	105

A private scheme arises when sewerage is first connected to a previously unsewered small town. Residents are offered payment terms of up to 20 years which exclude interest.

The 'Other' financial assets are sundry receivables due from employees of the corporation.

The receivables do not contain impaired assets and are not past due. The corporation does not hold any collateral over these financial assets. Based on credit history, the receivable is expected to be received when due and the carrying amount is assumed to approximate their fair value.

There are no foreign currency amounts or exposures to foreign currencies in these assets.

Notes to the Financial Statements for the Year Ended 30 June 2009

Note 9 Other Financial Assets – Non-current

	2009 \$'000	2008 \$'000
Non-current Other Financial Assets		
At amortised cost		
Held-to-Maturity Investment	1,000	1,000
Total Other Financial Assets	1,000	1,000
The fair value of Other Financial Assets – Non-current		
Held-to-Maturity Investment	1,003	1,019

This Held-to-Maturity Investment will remain on deposit with TCV with no specified maturity date. Refer Note 1(l).

The maximum exposure to credit risk at the reporting date is the carrying amount of the asset.

The Held-to-Maturity Investment is not impaired and the corporation does not hold any collateral over this asset.

The Held-to-Maturity Investment is in Australian dollars and there is no foreign currency exposure and no exposure to price risk.

Notes to the Financial Statements for the Year Ended 30 June 2009

Note 10 Property, Plant and Equipment

(a) Classes of Property, Plant and Equipment

	2009 \$'000	2008 \$'000
Land		
At Cost	1,372	106
At Fair Value (2007: 30 June 2007 Valuation)	25,928	25,928
	27,300	26,034
Buildings		
At Cost	3,868	777
At Fair Value (2007: 30 June 2007 Valuation)	10,084	10,084
Less: Accumulated Depreciation	(1,025)	(511)
	12,927	10,350
Water Infrastructure		
At Cost	259,638	255,692
Less: Accumulated Depreciation	(37,938)	(30,221)
	221,700	225,471
Wastewater Infrastructure		
At Cost	276,993	266,923
Less: Accumulated Depreciation	(44,036)	(32,912)
	232,957	234,011
Plant, Equipment and Other		
At Fair Value	14,904	13,188
Less: Accumulated Depreciation	(8,150)	(6,720)
	6,754	6,468
Motor Vehicles		
At Fair Value	3,845	3,723
Less: Accumulated Depreciation	(993)	(855)
	2,852	2,868
Under Construction (Work In Progress) (i)	219,658	152,980
	219,658	152,980
Total Property, Plant and Equipment	724,148	658,182

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

(i) Capital works 'Under Construction' includes \$203,651,803 (2008: \$137,184,611) for the Gippsland Water Factory project.

Notes to the Financial Statements for the Year Ended 30 June 2009

Note 10 Property, Plant and Equipment (continued)

(b) Movements during the reporting period 2008–2009

	Opening WDV 1 July 2008 \$'000	Additions \$'000	Disposals \$'000	Net Revaluation \$'000	Other (Transfers) \$'000	Impairment (ii) \$'000	Depreciation \$'000	Closing WDV 30 June 2009 \$'000
Land								
At Cost	106	–	–	–	1,266	–	–	1,372
At Independent Valuation	25,928	–	–	–	–	–	–	25,928
	26,034	–	–	–	1,266	–	–	27,300
Buildings								
At Cost	770	–	–	–	3,092	–	(47)	3,815
At Independent Valuation	9,580	–	–	–	–	–	(468)	9,112
	10,350	–	–	–	3,092	–	(515)	12,927
Water Infrastructure								
At Cost	225,471	1,673	–	–	4,809	(1,795)	(8,458)	221,700
At Deprival Value	–	–	–	–	–	–	–	–
	225,471	1,673	–	–	4,809	(1,795)	(8,458)	221,700
Wastewater Infrastructure								
At Cost	234,011	3,672	(14)	–	6,726	(203)	(11,235)	232,957
At Deprival Value	–	–	–	–	–	–	–	–
	234,011	3,672	(14)	–	6,726	(203)	(11,235)	232,957
Plant, Equipment & Other								
At Fair Value	6,468	–	(21)	–	1,792	–	(1,485)	6,754
	6,468	–	(21)	–	1,792	–	(1,485)	6,754
Motor Vehicles								
At Fair Value	2,868	–	(520)	–	994	–	(490)	2,852
	2,868	–	(520)	–	994	–	(490)	2,852
Under Construction								
	152,980	86,949	–	–	(20,271)	–	–	219,658
	152,980	86,949	–	–	(20,271)	–	–	219,658
Total Property, Plant & Equipment	658,182	92,294	(555)	–	(1,592)	(1,998)	(22,183)	724,148

(ii) Impairment during the year was mainly due to the redundancy of a decommissioned raw water basin.

Notes to the Financial Statements for the Year Ended 30 June 2009

Note 10 Property, Plant and Equipment (continued)

(b) Movements during the reporting period 2007-2008

	Opening WDV 1 July 2007 \$'000	Additions \$'000	Disposals \$'000	Net Revaluation \$'000	Other (Transfers) \$'000	Impairment (iii) \$'000	Depreciation \$'000	Closing WDV 30 June 2008 \$'000
Land								
At Cost	1	–	–	–	105	–	–	106
At Independent Valuation	25,943	–	–	(15)	–	–	–	25,928
	25,944	–	–	(15)	105	–	–	26,034
Buildings								
At Cost	–	–	–	–	777	–	(7)	770
At Independent Valuation	10,083	–	–	–	–	–	(503)	9,580
	10,083	–	–	–	777	–	(510)	10,350
Water Infrastructure								
At Cost	219,066	1,414	(131)	–	13,515	(212)	(8,181)	225,471
At Deprival Value	–	–	–	–	–	–	–	–
	219,066	1,414	(131)	–	13,515	(212)	(8,181)	225,471
Wastewater Infrastructure								
At Cost	219,090	2,674	(78)	–	22,128	(755)	(9,048)	234,011
At Deprival Value	–	–	–	–	–	–	–	–
	219,090	2,674	(78)	–	22,128	(755)	(9,048)	234,011
Plant, Equipment & Other								
At Cost	6,116	–	(51)	–	1,773	(32)	(1,338)	6,468
	6,116	–	(51)	–	1,773	(32)	(1,338)	6,468
Motor Vehicles								
At Cost	3,091	–	(380)	–	622	–	(465)	2,868
	3,091	–	(380)	–	622	–	(465)	2,868
Under Construction								
	79,796	113,929	–	–	(40,745)	–	–	152,980
	79,796	113,929	–	–	(40,745)	–	–	152,980
Total Property, Plant & Equipment	563,186	118,017	(640)	(15)	(1,825)	(999)	(19,542)	658,182

(iii) Impairment during the year was mainly due to the redundancy of assets after the removal of the oxygen dissolvers along the Regional Outfall Sewer. Also an allowance for assets which will become redundant following the commissioning of the Gippsland Water Factory.

Notes to the Financial Statements for the Year Ended 30 June 2009

Note 11 Biological Assets

	2009 \$'000	2008 \$'000
Current – Plants		
Fodder	10	51
Crops – Feed Grade	20	79
Plantation Softwood	159	297
	189	427
Current – Animals		
Cattle	618	244
Sheep	67	172
	685	416
Total Current Biological Assets	874	843
Non-current		
Plantation Softwood	62	757
Cattle	1,022	1,522
Total Non-current Biological Assets	1,084	2,279
Total Biological Asset Carrying Amount at 30 June	1,958	3,122
Movement in Carrying Amount		
Carrying amount at 1 July	3,122	2,801
Increases due to:		
Purchases	177	173
Natural Increase	965	1,005
New Crops	–	–
Fair Value increase – Livestock and Plantations	(688)	321
Decreases attributable to:		
Sales	(1,558)	(1,154)
Deaths	(60)	(24)
Carrying amount at 30 June	1,958	3,122

Notes to the Financial Statements for the Year Ended 30 June 2009

Note 11 Biological Assets (continued)

	2009 \$'000	2008 \$'000	2009 Qty	2008 Qty
(a) Plants				
Consumable Assets				
Mature Assets				
Fodder				
Silage – (Qty Bales)	10	39	160	850
Cereal and Legume Silage (Tonnes)	-	8	-	100
Hay	-	4	-	62
Crops				
Feed Wheat (Qty Tonnes)	14	22	50	50
Feed Barley (Qty Tonnes)	6	10	25	25
Corn	-	32	-	70
Triticale	-	15	-	35
Softwood Pinus Radiata (Qty Ha)	159	297	-	-
Total Consumable Assets	189	427		
Non-bearer Assets				
Immature Assets				
Softwood Pinus Radiata (Qty Ha)	62	757	433	449
Total Non-bearer Assets	62	757		
(b) Animals				
Consumable Assets				
Immature Assets				
Mixed sex weaners	222	244	447	491
Lambs	67	172	1,407	3,092
	289	416		
Mature Assets				
Bullocks	396	-	495	-
Total Consumable Assets	685	416	2,349	3,583
Bearer Assets				
Immature Assets				
Heifers	633	788	919	1,308
Mature Assets				
Cows and Bulls	389	734	409	838
Total Bearer Assets	1,022	1,522	1,328	2,146
Output				
Crops and Livestock	965	1,005	774	1,180

Fair value of output was determined at closing market value

The Gippsland Water Agribusiness is operated across 12 broad acre land assets (10,000ha) owned or vested in the corporation. These lands support a large mixed farming enterprise, encompassing livestock, plantation, grain and fodder. These form integrated components of the land management business, with each enterprise providing support services to Gippsland Water in the provision of sustainable water and wastewater services to the region.

The crops produced at Dutson Downs are irrigated by partially treated wastewater. This source of irrigation water determines the crops can only be sold as stock feed which impacts the fair value of the harvest.

The corporation protects its agricultural pursuits through the following financial risk management strategies. For forestry the corporation has taken out insurance policies to cover the potential risk of fire. Crops are grown at Dutson Downs principally to supplement the feed for livestock thereby ensuring the animals reach their optimum weights for market. Market conditions are frequently monitored and livestock sales are conducted to take advantage of seasonal conditions.

Notes to the Financial Statements for the Year Ended 30 June 2009

Note 12 Intangible Assets

(a) Classes of Intangible Assets

	2009 \$'000	2008 \$'000
Software at Cost	7,552	7,055
Accumulated Amortisation	(5,892)	(5,087)
	1,660	1,968
Software Development (Work in Progress)	736	572
Total Intangible Assets	2,396	2,540

(b) Movements during the reporting period

	2008-09				
	Opening WDV 1 July 2008 \$'000	Additions \$'000	Other (Transfers) \$'000	Amortisation \$'000	Closing WDV 30 June 2009 \$'000
Software at Cost	7,055	–	497	–	7,552
Accumulated amortisation	(5,087)	–	–	(805)	(5,892)
	1,968	–	497	(805)	1,660
Software Development (Work in Progress)	572	661	(497)	–	736
Total Intangible Assets	2,540	661	–	(805)	2,396

	2007-08				
	Opening WDV 1 July 2007 \$'000	Additions \$'000	Other (Transfers) \$'000	Amortisation \$'000	Closing WDV 30 June 2008 \$'000
Software at Cost	6,585	–	470	–	7,055
Accumulated amortisation	(4,366)	–	–	(721)	(5,087)
	2,219	–	470	(721)	1,968
Software Development (Work in Progress)	276	766	(470)	–	572
Total Intangible Assets	2,495	766	–	(721)	2,540

Notes to the Financial Statements for the Year Ended 30 June 2009

Note 13 Payables

	2009 \$'000	2008 \$'000
Trade Payables	120	2,451
Accrued Expenses	6,050	16,039
Other		
Security Deposits	1,526	3,317
Retentions	203	239
Overpaid Rates and Charges	780	785
Unclaimed Monies	4	5
Other	162	97
Total Payables	8,845	22,933

Total Payables do not include any foreign currency denominated liabilities (2008: Nil).

Note 14 Interest Bearing Liabilities

Current Secured		
Borrowing – TCV	30,000	9,500
Total Current Secured Interest Bearing Liabilities	30,000	9,500
Total Current Interest Bearing Liabilities	30,000	9,500
Non-current Secured		
Borrowing – TCV	139,500	79,500
Total Non-current Secured Interest Bearing Liabilities	139,500	79,500
Total Non-current Interest Bearing Liabilities	139,500	79,500
Total Interest Bearing Liabilities	169,500	89,000
Term to Maturity		
0 – 1 Year	30,000	9,500
1 – 4 Years	69,500	19,500
4 – 8 Years	50,000	50,000
8 Years and over	20,000	10,000
Total Interest Bearing Liabilities	169,500	89,000
Fair Value		
Non Traded Financial Liabilities		
Borrowing – TCV	174,811	88,275

The fair values of borrowings are based on cash flows discounted using borrowing rates varying from 3.17% to 6.56%, (2008: 7.08% to 7.61%).

The borrowings are secured by a guarantee signed by the Treasurer of Victoria on 24 November 2005 in favour of TCV as lender in respect to financial accommodation obtained by the corporation under section 8 of the BIP Act.

The borrowings are in Australian dollars, there are no foreign currency denominated amounts or foreign currency exposures.

Notes to the Financial Statements for the Year Ended 30 June 2009

Note 15 Employee Benefits

	2009 \$'000	2008 \$'000
Current		
All annual leave, sick leave, employee bonuses and long service leave representing 7 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.	1,880	1,934
Other long-term employee benefits that do not fall due within 12 months after the end of the period, measured at present value.	2,370	2,154
Total Current Employee Benefits	4,250	4,088
Non-current		
Conditional Long Service Leave	483	473
Total Non-current Employee Benefits	483	473
Total Employee Benefits	4,733	4,561
Employee numbers at end of financial year (FTE)	211	208
The following assumptions were adopted in measuring the present value of long service leave and retirement gratuity entitlements:		
Weighted average increase in employee costs	4.45%	4.75%
Weighted average discount rates	2.74 - 5.28%	6.45 - 6.91%
Weighted average settlement period	13	13
The corporation made the following ex-gratia payments (\$'000) (i).	–	44

(i) These ex-gratia payments were mainly for employee retirement.

Notes to the Financial Statements for the Year Ended 30 June 2009

Note 16 Other Provisions

	2009 \$'000	2008 \$'000
Current		
Bioremediation Pond (a)	100	–
Total Current Other Provisions	100	–
Non-current		
Bioremediation Pond (a)	868	1,016
Land Fill Site Rehabilitation (b)	100	–
Total Non-current Other Provisions	968	1,016
Total Other Provisions	1,068	1,016

(a) Bioremediation Pond

Site rehabilitation is expected to commence during 2009–10 with most of the work completed between 2010–11 and 2012–13.

(b) Land Fill Site Rehabilitation

Based upon current utilisation, the estimated remaining useful life of the landfill site is 15 years. This will be reviewed annually.

Movements in Provisions

	Bio-remediation Pond	Land Fill Site Rehabilitation	Total
Opening balance at 1 July	1,016	–	1,016
Additional provisions recognised	–	100	100
Payments or other sacrifices of economic benefits	–	–	–
Reductions from remeasurement or settlement without cost	(48)	–	(48)
Closing balance at 30 June	968	100	1,068

Note 17 Contributions by Owners

Note	2009 \$'000	2008 \$'000
Opening balance at 1 July	252,895	244,650
Capital contributions in the year	–	8,245
Closing balance at 30 June	252,895	252,895

Note 18 Reserves

Asset Revaluation Reserve	23,300	23,300
Total Reserves	23,300	23,300

Movements in Reserves

Asset Revaluation Reserve		
Opening balance at 1 July	23,300	23,315
Revaluation decrement on non-current assets	10(b)	–
Closing balance at 30 June	23,300	23,300

The asset revaluation reserve is used to record asset revaluation increments and decrements in the value of non-current physical assets.

Notes to the Financial Statements for the Year Ended 30 June 2009

Note 19 Accumulated Funds

	2009 \$'000	2008 \$'000
Opening balance at 1 July	294,418	294,689
Net Surplus	1,416	(271)
Closing balance at 30 June	295,834	294,418

Note 20 Commitments

Non Cancellable Operating Lease Commitments

At 30 June, the corporation had operating lease commitments due for payment as follows:

– within one year	54	70
– later than one year but not later than five years	230	302
– later than five years	188	251
Total Operating Lease Commitments	472	623

Capital Expenditure Commitments (a)

Property, Plant and Equipment

– within one year	8,851	65,748
– later than one year but not later than five years	–	–
– later than five years	–	–
Total Capital Commitments	8,851	65,748

Other Commitments

Environmental contribution

– within one year	2,793	2,616
– later than one year but not later than five years	5,586	7,848
– later than five years	–	–
Total Environmental Contribution Commitment	8,379	10,464

At 30 June, the corporation did not have any outstanding commitments for the purchase of biological assets or intangible assets.

(a) Capital Expenditure Commitments

On 20 December 2005 the corporation entered into an Alliance Agreement to design and construct a new wastewater treatment facility, known as the Gippsland Water Factory. Construction is near completion and the commissioning of the site has commenced. The outstanding capital commitments at 30 June 2009 were \$8.5M, (2008 \$62.9M) and are included in the total for Property, Plant and Equipment Commitment.

Note 21 Contingent Liabilities and Contingent Assets

At balance date the corporation 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 2009

Note 22 Operating Results of Retail Services

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

	Urban Water Supply		Wastewater		Other		Total Retail Operations	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
Revenue								
Service Charges	13,220	11,263	33,776	27,162	–	–	46,996	38,425
Usage Charges	20,444	16,233	4,226	3,241	2,159	1,747	26,829	21,221
Contributions	2,298	1,884	4,236	3,406	–	–	6,534	5,290
Other	1,135	1,414	750	520	2,596	2,359	4,481	4,293
Inter-segment	–	–	–	–	360	135	360	135
Unallocated Revenue	–	–	–	–	1,319	1,392	1,319	1,392
Total Revenue	37,097	30,794	42,988	34,329	6,434	5,633	86,519	70,756
Expenses								
Operation & Maintenance	13,931	12,097	10,295	9,458	5,008	2,678	29,234	24,233
Administration	11,295	10,265	8,392	9,800	218	427	19,905	20,492
Depreciation	9,895	9,525	12,499	10,401	593	337	22,987	20,263
Borrowing Cost	5,143	1,972	4,567	1,825	114	77	9,824	3,874
Environmental Contribution	1,463	1,034	1,298	955	32	41	2,793	2,030
Inter-segment	–	–	–	–	360	135	360	135
Total Expenses	41,727	34,893	37,051	32,439	6,325	3,695	85,103	71,027
Service Result	(4,630)	(4,099)	5,937	1,890	109	1,938	1,416	(271)
Add Unallocated Revenue							–	–
Less Unallocated expenses							–	–
Operating Surplus from Retail Operations							1,416	(271)

The corporation does not have any material wholesale operation.

Notes to the Financial Statements for the year ended 30 June 2009

Note 23 Superannuation

Post Employment Benefit

The corporation makes employer superannuation contributions in respect of most employees to Vision Super (The Fund). Obligations for contributions are recognised as an expense in the Operating Statement when they are due. The Fund has two categories of membership, accumulation and defined benefit, 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 per centage 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.

Defined Benefit Plan

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

The corporation 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 December 2008, the corporation makes the following contributions:

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

Fund surplus or deficit (ie the difference between fund assets and liabilities) are calculated differently for funding purposes (ie calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for the AASB 119 disclosure in the corporations financial statements. AAS 25 requires that the present value of the benefit liability which is calculated in respect of membership completed at the calculation date makes no allowance for future benefits that may accrue. The actuarial investigation concluded that although the Net Market Value of Assets was in excess of Accrued Benefits at 31 December 2008, based on the assumptions adopted, there was a shortfall of \$71 million when the funding of future benefits was also considered. However, the corporation has been advised that no additional contributions will be required as at 30 June 2009. The Actuary will undertake the next actuarial investigation at 30 June 2010 to ascertain if additional contributions are required.

Disclosure Requirements

The Fund's liability for accrued benefits was determined in the 31 December 2008 actuarial investigation pursuant to the then requirements of Australian Accounting Standard AAS 25 as follows:

	\$'000
Net Market Value of Assets	3,630,432
Accrued Benefits (per accounting standard)	3,616,422
Difference between Assets & Accrued Benefits	14,010
Vested Benefits	3,561,588

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

– Net Investment Return	8.50%
– Salary Inflation	4.25%
– Price Inflation	2.75%

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

	Type of Scheme	Contribution Rate	2009 \$'000	2008 \$'000
Vision Super – Defined Benefits	Defined Benefit	9.25 – 15.25%	295	323
Vision Super – Super Saver	Accumulation	9%	837	860
EquipSuper Fund	Accumulation	9%	27	26
REST Superannuation	Accumulation	9%	19	18
VicSuper	Accumulation	9%	16	20
BT Superwrap	Accumulation	9%	14	9
Asgard Superannuation	Accumulation	9%	10	9
AustralianSuper	Accumulation	9%	20	17
Hostplus Superannuation	Accumulation	9%	11	9
CBUS Superannuation	Accumulation	9%	16	6
Colonial First State	Accumulation	9%	17	11
Other Retail Superannuation Funds	Accumulation	9%	31	19
Self Managed Superannuation Funds	Accumulation	Various	45	40
Total (Refer Note 1(r) 3(c))			1,358	1,367

Notes to the Financial Statements for the year ended 30 June 2009

Note 24 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. Tim Holding MP – Minister for Water. (1 July 2008 – 30 June 2009)

Board Members

Richard McDowell (Chairman)

Leah Young

Brendan Jenkins

Janice van Reyk

William (Peter) Day (Appointed 1 October 2008)

Kevin McKenzie (Appointed 1 October 2008)

David Mawer (Managing Director)

Alan Seale (Resigned 30 September 2008)

Peter Wilson (Resigned 29 May 2009)

Remuneration of responsible persons

Remuneration paid to the Minister 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 corporation in connection with the management of the corporation (includes termination payments and bonuses paid at the end of contracts).

2009 \$'000	2008 \$'000
376	438

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

Income Band ('s)	Total Remuneration		Base Remuneration	
	2009 No.	2008 No.	2009 No.	2008 No.
Up to 9,999	1	3	1	3
10,000 – 19,999	5	6	5	6
20,000 – 29,999	1	1	1	1
30,000 – 39,999	–	1	–	1
40,000 – 49,999	1	–	1	–
130,000 – 139,999	–	–	–	1
230,000 – 239,999	1	–	–	–
290,000 – 299,999	–	1	1	–
Total Numbers	9	12	9	12

Retirement benefits of responsible persons

The retirement benefits paid by the corporation in connection with the retirement of responsible persons of the corporation for 2009 was \$nil (2008: \$nil).

Loans to responsible persons

There were no loans in existence by the corporation to responsible persons or related parties at the date of this report (2008: \$nil).

Other Transactions

The former director Alan Seale, is also a director of the Australian Sustainability Industry Research Centre Limited (ASIRC). During the financial year the corporation has provided in-kind support to ASIRC.

Apart from the item above, transactions between related parties are on normal commercial terms and conditions.

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 set out in the table below:

Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

Income Band ('s)	Total Remuneration		Base Remuneration	
	2009	2008	2009	2008
	No.	No.	No.	No.
110,000 – 119,999	–	–	–	1
120,000 – 129,999	1	1	3	2
130,000 – 139,999	2	3	–	1
160,000 – 169,999	–	–	2	3
170,000 – 179,999	2	1	1	–
180,000 – 189,999	1	2	–	–
190,000 – 199,999	–	–	–	1
200,000 – 209,999	–	–	1	–
210,000 – 219,999	–	1	–	–
260,000 – 269,999	1	–	–	–
Total Numbers	7	8	7	8
Total remuneration for the reporting period of executive officers included above amounted to (\$'000):	1,201	1,284	1,093	1,198

Note 25 Reconciliation of operating result for the period after related income tax to net cash flows from operating activities

	Note	2009 \$'000	2008 \$'000
Net Result for Period	19	1,416	(271)
Add/(Less) Non-cash Flows in operating activities			
Loss on Sale and Impairment of Property, Plant and Equipment	3(b) (c)	2,149	1,167
Depreciation and Amortisation	3(c)	22,988	20,263
Developer Contributions	3(a)	(6,492)	(5,290)
Plantations Revenue non-cash		–	(427)
Net Cash provided by Operating Activities before change in Assets and Liabilities		20,061	15,442
Changes in Operating Assets and Liabilities			
(Increase)/Decrease in Debtors		(897)	(907)
(Increase)/Decrease in Other Assets		1,279	1,604
Increase/(Decrease) in Doubtful Debts		(44)	66
(Increase)/Decrease in Inventory and Livestock		915	(51)
(Decrease)/Increase in Creditors and Provisions		512	182
Net Cash Flows From Operating Activities		21,826	16,336

Note 26 Dividends

The process to determine the 2009 dividend has not been completed at the reporting date. The Board's preliminary estimate for 2008-09 is the corporation will not be required to pay a dividend on the 2008-09 Operating Result as it has not met the Dividend Policy determination. No dividend has been provided in these accounts for the current year.

Based on the 2007-08 Operating Result the corporation did not meet the Dividend Policy determination. The corporation was not requested by the portfolio Minister to pay a dividend during 2008-09. No dividend has been carried forward in these accounts from a prior year.

Note 27 Events Occurring After the Balance Sheet Date

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

CENTRAL GIPPSLAND REGION WATER CORPORATION

STATUTORY CERTIFICATION

We certify that the attached financial statements of the Central Gippsland Region Water Corporation have been prepared in accordance with Part 7 of the Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Australian Accounting Standards, Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2009 and the financial position of the corporation as at 30 June 2009.

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



Richard McDowell
Chairperson
Central Gippsland Region Water Corporation



David Mawer
Managing Director
Central Gippsland Region Water Corporation



Anthony Staley
Chief Financial Officer
Central Gippsland Region Water Corporation

Dated the 15th day of September 2009

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board, Central Gippsland Region Water Corporation

The Financial Report

The accompanying financial report for the year ended 30 June 2009 of the Central Gippsland Region Water Corporation which comprises the operating statement, balance sheet, 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 report, and the statutory certification has been audited.

The Board Member's Responsibility for the Financial Report

The Board Members of the Central Gippsland Region Water Corporation are responsible for the preparation and 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*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

As required by the *Audit Act 1994*, 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 that the audit be planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

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

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of the Central Gippsland Region Water Corporation for the year ended 30 June 2009. The Board Members of the Central Gippsland Region Water Corporation are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Central Gippsland Region Water Corporation website.

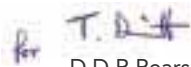
Independence

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

Auditor's Opinion

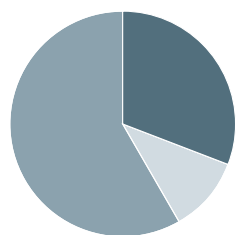
In my opinion, the financial report presents fairly, in all material respects, the financial position of the Central Gippsland Region Water Corporation as at 30 June 2009 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
17 September 2009


D D R Pearson
Auditor-General

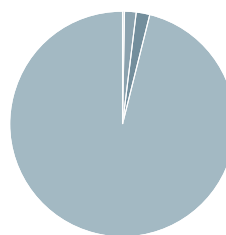
Financial Performance and Business Indicators as at 30 June 2009

Water Income from Service & Volumetric Charges



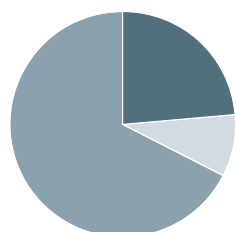
	2009 \$000's
Urban Residential	19,555
Urban Non-Residential	3,718
Major Clients	10,391
Total	33,664

Total Assets



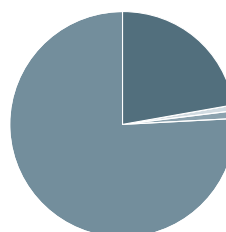
	2009 \$000's
Fixed Assets	726,544
Cash & Investments	13,246
Debtors & Receivables	12,475
Inventory & Biological	3,417
Other	493
Total	756,175

Wastewater Income from Service & Volumetric Charges



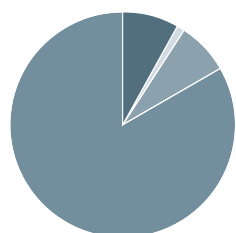
	2009 \$000's
Urban Residential	25,556
Urban Non-Residential	3,431
Major Clients	9,015
Total	38,002

Liabilities & Equity



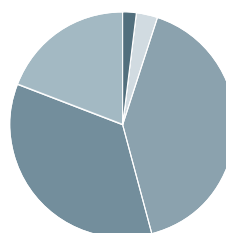
	2009 \$000's
Equity	572,029
Creditors & Accruals	8,845
Provisions	5,801
Borrowings	169,500
Total	756,175

Total Income from All Sources



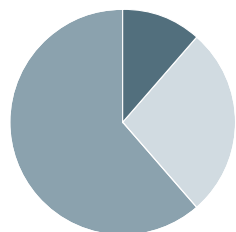
	2009 \$000's
Service & Volumetric.	71,666
Develop't Contributions	6,492
Interest	859
Other	7,142
Total	86,159

Business Stream Revenue



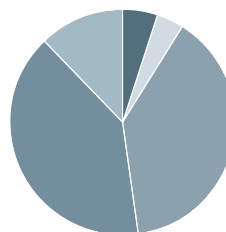
	2009 %
Bulk	19%
Water	35%
Waste	41%
SORF	3%
Agriculture	2%
Total	100%

Total Expenses



	2009 \$000's
Operations, Maint & Administration	51,932
Depreciation and Amortisation	22,988
Interest	9,823
Total	84,743

Business Stream Expenses



	2009 %
Bulk	12%
Water	40%
Waste	39%
SORF	4%
Agriculture	5%
Total	100%

Performance report

Performance Report for the year ended 30 June 2009

Significant changes in financial position during the year

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

Major changes or factors affecting performance

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

Subsequent events which will affect operations in future years

Please refer to "Note 27: Events Occurring After the Balance Sheet Date" of the corporation's Financial Report for 2008-09. No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect operations of the corporation, the results of those operations, or the state of affairs of the corporation in future years.

Performance Indicator	2008 Result	2009 Result	2009 Target	% Variance	Note
Part 1 – Financial Performance Indicators					
Long Term Profitability (Return on Assets)					
Earnings before interest and tax	0.4%	1.4%	0.1%	2277.0%	(1)
Average total assets					
Owner's Investment (Return on Equity)					
Operating profit after tax	0.0%	0.2%	-1.5%	-116.4%	(1)
Average total equity					
Long Term Financial Viability					
Total debt	12.9%	22.4%	22.4%	-0.2%	
Total assets					
Liquidity and Debt Servicing (Interest Cover)					
Earnings before net interest & tax	0.9	1.2	0.0	30.59%	(1)
Net interest expense					
Immediate Liquidity and Debt Servicing (Cover Cash)					
Cash flow from operations before net interest & tax	6.4	3.5	2.2	0.64%	(2)
Net interest payments					

Part 2 – Operating Efficiency Indicators (\$/ML)

Water supply / wastewater collection

Operations, maintenance and administration expenses per ML transported or treated to be provided for each of:

Water supply bulk	92	101	99	-1.6%	
Water supply reticulation	568	529	542	2.4%	
Water supply treatment	381	503	443	-13.6%	(3)
Sewage reticulation	351	336	352	4.4%	
Sewage treatment	198	230	234	1.6%	

(1) Operating costs of the Gippsland Water Factory which were included in the Target were not incurred because of the delays with the construction of this project. The Operating Result was also better than the Target due to lower direct and administration costs as well as higher revenue mainly from developer contributions.

(2) The improved result over the Target was achieved from higher cash flows from operations in part due to the items identified in Note 1 above and lower interest expense from the deferral of borrowings throughout the year as well as lower interest rates.

(3) The lower than expected result was due to the write off of a redundant and decommissioned raw water basin.

Performance Indicator	2008 Result	2009 Result	2009 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	0	0	
Interruption time indicators					
Average duration of unplanned water supply interruption (minutes)	86.21	81.48	110.00	25.93%	(1)
Average duration of planned water supply interruption (minutes)	140.51	143.80	130.80	-9.94%	(2)
Restoration of water supply					
Unplanned water supply interruptions restored within 5 hours (%)	98.84%	99.02%	97.80%	1.25%	
Reliability of sewerage collection services indicators					
Sewerage spills from reticulation and branch sewers (priority 1 and 2)	87	119	–	–	
Sewerage spilt from emergency relief structures and pumping stations (% of volume transported)	0	0	–	–	
Containment of sewer spillages					
Spills contained within 5 hours (%)	99.24%	100%	98%	2.04%	
Customer complaints indicators per 1000 customers					
Water quality complaints	2.89	2.52	–	–	
Water supply reliability complaints	0.007	0.082	–	–	
Sewerage service quality and reliability complaints	0	0.076	–	–	
Affordability complaints	0.86	2.52	–	–	
Billing complaints	0.79	0.507	–	–	
Pressure complaints	1.34	1.342	–	–	
Sewerage odour complaints	0.84	0.956	–	–	
Other complaints	0.8	1.767	–	–	

Notes

- (1) Over the past two years Gippsland Water has introduced new work processes to reduce the impact upon customers when repairing a water supply fault or leak. In situations where the leak and/or fault is not causing damage to the property or the environment, Gippsland Water completes all necessary preparation work prior to isolating the water supply. This has resulted in a significant reduction in the length of unplanned water supply interruptions.
- (2) For the 2008-09 financial year the duration of planned water supply interruptions exceeded its target due to planned shutdowns associated with developer works (tie in of new water mains) and contractor works (water main replacement) often resulting in longer duration supply interruptions, which impacted a minimal number of customers.

Reuse Indicator	2008 Result	2009 Result	2009 Target	% Variance	Note
Effluent reused					
Volume of effluent reused x 100					
Total volume of effluent produced					
Drouin	60%	50%	60%	-16.67%	(3)
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					
Dry mass of Biosolids Reused					
Total Dry Mass of Biosolids 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%	100%	100%	–	
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					
Drouin	94%	100%	100%	–	
Dutson Downs	100%	96%	100%	-4.00%	
Heyfield	100%	100%	100%	–	
Maffra (Domestic)	100%	100%	100%	–	
Mirboo North	100%	100%	100%	–	
Moe	100%	100%	100%	–	
Morwell	100%	100%	100%	–	
Neerim South	97%	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%	–	

(3) Unseasonably high rainfall in late spring and early summer prevented irrigation during this period.

CENTRAL GIPPSLAND REGION WATER CORPORATION**PERFORMANCE STATEMENT FOR 2008-09**

In our opinion, the accompanying Statement of Performance of Central Gippsland Region Water Corporation, in respect of 2008-09 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

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

As of the date of signing, we are not aware of any circumstances, which would render any particulars included in the Statement to be misleading or inaccurate.



Richard McDowell
Chairperson
Central Gippsland Region Water Corporation



David Mawer
Managing Director
Central Gippsland Region Water Corporation

Dated the 15th day of September 2009

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT**To the Members of the Board, Central Gippsland Region Water Corporation***The Statement of Performance*

The accompanying statement of performance for the year ended 30 June 2009 of the Central Gippsland Region Water Corporation which comprises the statement of performance indicators, the related notes and the certification has been audited.

The Board Member's Responsibility for the Statement of Performance

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

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT (continued)

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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of performance. The audit procedures selected depend on judgment, including the assessment of the risks of material misstatement of the statement of performance, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the statement of performance 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 entity's internal control. An audit also includes evaluating the overall presentation of the statement of performance.

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

Matters Relating to the Electronic Presentation of the Audited Statement of Performance

This auditor's report relates to the statement of performance published in both the annual report and on the website of the Central Gippsland Region Water Corporation for the year ended 30 June 2009. The Board Members of the Central Gippsland Region Water Corporation are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited statement of performance to confirm the information included in the audited statement of performance presented on the Central Gippsland Region Water Corporation website.

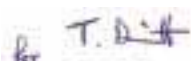
Independence

The Auditor-General's independence is established by the Constitution Act 1975. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied 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 Corporation in respect of the 30 June 2009 financial year presents fairly, in all material respects, in accordance with the Financial Management Act 1994.

MELBOURNE
17 September 2009


D D R Pearson
Auditor-General

Level 24, 35 Collins Street, Melbourne Vic. 3000
Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest

Disclosure index

The annual report of the Corporation is prepared in accordance with all relevant Victorian legislation. This index facilitates identification of the Corporation's compliance with statutory disclosure requirements.

Legislation	Requirement	Page reference
MINISTERIAL DIRECTIONS		
Report of Operations		
Charter and purpose		
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FRD 22B	Nature and range of services provided	2, 6-8
Management and structure		
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FRD 22B	Operational and budgetary objectives, and performance against objectives	103-105
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FRD 22B	Occupational health and safety	58
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FRD 22B	Application and operation of <i>Whistleblowers Protection Act 2001</i>	52
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FRD 22B	Details of consultancies under \$100,000	52
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SD 4.2 (b)	Operating Statement	65
SD 4.2 (b)	Balance Sheet	66
SD 4.2 (b)	Cash Flow Statement	68
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SD 4.2 (c)	Compliance with applicable Australian accounting standard and other authoritative pronouncements	69
SD 4.2 (c)	Compliance with Ministerial Directions	69
SD 4.2 (c)	Accountable Officer's declaration	100
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	<i>Building Act 1993</i>	51
	<i>Whistleblowers Protection Act 2001</i>	52
	<i>Victorian Industry Participation Policy Act 2003</i>	52
	<i>Financial Management Act 1994</i>	51

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 component 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.
CRSWS	Central Region Sustainable Water Strategy.
CTWSS	Country Towns Water Supply and Sewerage..
DHS	Department of Human Services.
DSE	Department of Sustainability and Environment.
EIP	Environmental Improvement Plans.
EMS	A management system that includes organisational structure, planning activities, responsibilities, practices, procedures, processes and resources for developing, implementing, achieving, reviewing and maintaining the environmental policy.
EPA	Environment Protection Authority, Victoria.
EREP	Environment and Resource Efficiency Plans (a regulatory program implemented by the EPA to help Victorian businesses meet climate change and resource scarcity challenges).
ESC	Essential Services Commission.
GWF	Gippsland Water Factory.
Gigalitres (GL)	One billion litres.
ISO	International Standards Organisation.
Megalitres (ML)	One million litres.
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.
SORF	Soil and Organic Recycling Facility.
SPS	Sewerage Pump Station.
waterMAP	A mandatory program implemented by Department of Sustainability and Environment for all non-residential customers consuming more than 10 million litres per annum to develop a water management action plan (waterMAP).
WGCM	West Gippsland Catchment Management Authority.
WSAA	Water Services Association of Australia.

1. STATEMENT OF SUPPORT TO WHISTLEBLOWERS

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

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

Gippsland Water will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosures. It will also afford natural justice to any person who is the subject of a disclosure.

2. PURPOSE OF THESE PROCEDURES

These procedures establish a system for reporting disclosures of improper conduct or detrimental action by Gippsland Water or its employees. The system enables such disclosures to be made to the protected disclosure coordinator. Disclosures may be made by employees or by members of the public.

These procedures are designed to complement normal communication channels between supervisors and employees. Employees are encouraged to continue to raise appropriate matters with their supervisor at any time. As an alternative, employees may make a disclosure of improper conduct or detrimental action under the Act in accordance with these procedures.

3. OBJECTS OF THE ACT

The Act commenced operation on 1 January 2002. The purpose of the Act is to encourage and facilitate the making of disclosures of improper conduct by public officers and public bodies. The Act provides protection to whistleblowers who make disclosures in accordance with the Act, and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

4. DEFINITIONS OF KEY TERMS

Three key concepts in the reporting system are improper conduct, corrupt conduct and detrimental action. Definitions of these terms are set out below. In applying these definitions to Gippsland Water, it should be noted that Gippsland Water is a public body and employees of Gippsland Water are public officials for the purposes of the Act.

4.1 Improper conduct

A disclosure may be made about improper conduct by a public body or public official. Improper conduct means conduct that is corrupt, a substantial mismanagement of public resources, or conduct involving substantial risk to public health or safety or to the environment. The conduct must be serious enough to constitute, if proved, a criminal offence or reasonable grounds for dismissal.

Examples:

To avoid closures of a town's only industry, an environmental health officer ignores or conceals evidence of illegal dumping of waste.

An agricultural officer delays or declines imposing quarantine to allow a financially distressed farmer to sell diseased stock.

A building inspector tolerates poor practices and structural defects in the work of a leading local builder.

See 4.2 below for specific examples of corrupt conduct.

4.2 Corrupt conduct

Corrupt conduct means:

- conduct of any person (whether or not a public official) that adversely affects the honest performance of a public officer's or public body's functions
- the performance of a public officer's functions dishonestly or with inappropriate partiality
- conduct of a public officer, former public officer or a public body that amounts to a breach of public trust
- conduct by a public officer, former public officer or a public body that amounts to the misuse of information or material acquired in the course of the performance of their official functions
- a conspiracy or attempt to engage in the above conduct.

Examples:

A public officer takes a bribe or receives a payment other than his or her wages or salary in exchange for the discharge of public duty.

A public officer favours unmeritorious applications for jobs or permits by friends and relatives.

A public officer sells confidential information.

4.3 Detrimental actions

The Act makes it an offence for a person to take detrimental action against a person in reprisal for a protected disclosure. Detrimental action includes:

- action causing injury, loss or damage
- intimidation or harassment
- discrimination, disadvantage or adverse treatment in relation to a person's employment, career, profession, trade or business, including the taking of disciplinary action.

Examples:

A public body refuses a deserved promotion of a person who makes a disclosure.

A public body demotes, transfers, isolates in the workplace or changes the duties of a whistleblower due to the making of a disclosure.

A person threatens, abuses or carries out other forms of harassment directly or indirectly against the whistleblower, his or her family or friends.

A public body discriminates against the whistleblower or his or her family and associates in subsequent applications for jobs, permits or tenders.

5. THE REPORTING SYSTEM

5.1 Contact person within Gippsland Water

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

Manager Commercial Services
Gippsland Water;
P.O. Box 348
Traralgon VIC 3844
Phone: 51 77 4600

All correspondence, phone calls and emails from internal or external whistleblowers will be referred to the Manager Commercial Services.

Where a person is contemplating making a disclosure and is concerned about approaching the Manager Commercial Services in the workplace, he or she can call the Manager Commercial Services and request a meeting in a discreet location away from the workplace.

5.2 Alternative contact person

A disclosure about improper conduct or detrimental action by Gippsland Water or its employees, may also be made directly to the Ombudsman:

Ombudsman Victoria
Level 3, South Tower 459 Collins Street
Melbourne Victoria 3000
(DX 210174)
Internet: www.ombudsman.vic.gov.au
Email: ombudvic@ombudsman.vic.gov.au
Telephone: (03) 9613 6222
Toll Free: 1800 806 314

Ombudsman: Mr George Brouwer. Telephone: (03) 9613 6202

The following table sets out where disclosures about persons other than employees of Gippsland Water should be made.

Person who is the subject of the disclosure	Person/body to whom the disclosure must be made
Employee of a public body	That public body or the Ombudsman
Member of Parliament (Legislative Assembly)	Speaker of the Legislative Council
Member of Parliament (Legislative Council)	President of the Legislative Council
Councillor	The Ombudsman
Chief Commissioner of Police	The Ombudsman or Deputy Ombudsman
Member of the police force	The Ombudsman, Deputy Ombudsman or Chief Commissioner of Police.

6. ROLES AND RESPONSIBILITIES

6.1 Employees

Employees are encouraged to report known or suspected incidences of improper conduct or detrimental action in accordance with these procedures.

All employees of Gippsland Water have an important role to play in supporting those who have made a legitimate disclosure. They must refrain from any activity that is, or could be perceived to be, victimisation or harassment of a person who makes a disclosure. Furthermore, they should protect and maintain the confidentiality of a person they know or suspect to have made a disclosure.

6.2 Protected disclosure coordinator

The protected disclosure coordinator has a central 'clearinghouse' role in the internal reporting system. He or she will:

- receive all phone calls, emails and letters from members of the public or employees seeking to make a disclosure
- impartially assess each disclosure to determine whether it is a public interest disclosure
- refer all public interest disclosures to the Ombudsman
- be responsible for carrying out, or appointing an investigator to carry out, an investigation referred to the public body by the Ombudsman
- be responsible for overseeing and coordinating an investigation where an investigator has been appointed
- appoint a welfare manager to support the whistleblower and to protect him or her from any reprisals
- advise the whistleblower of the progress of an investigation into the disclosed matter
- establish and manage a confidential filing system
- collate and publish statistics on disclosures made
- take all necessary steps to ensure the identity of the whistleblower and the identity of the person who is the subject of the disclosure are kept confidential.
- liaise with the managing director of Gippsland Water.

6.3 Investigator

The investigator will be responsible for carrying out an internal investigation into a disclosure where the Ombudsman has referred a matter to the public body. An investigator may be a person from within an organisation or a consultant engaged for that purpose.

6.4 Welfare manager

The welfare manager is responsible for looking after the general welfare of a whistleblower. The welfare manager will:

- examine the immediate welfare and protection needs of a whistleblower who has made a disclosure and seek to foster a supportive work environment
- advise the whistleblower of the legislative and administrative protections available to him or her
- listen and respond to any concerns of harassment, intimidation or victimization in reprisal for making disclosure
- ensure the expectations of the whistleblower are realistic.

7. CONFIDENTIALITY

Gippsland Water will take all reasonable steps to protect the identity of the whistleblower. Maintaining confidentiality is crucial in ensuring reprisals are not made against a whistleblower.

The Act requires any person who receives information due to the handling or investigation of a protected disclosure, not to disclose that information except in certain limited circumstances. Disclosure of information in breach of section 22 constitutes an offence that is punishable by a maximum fine of 60 penalty units (\$6,000) or six months imprisonment or both.

The circumstances in which a person may disclose information obtained about a protected disclosure include:

- where exercising the functions of the public body under the Act
- when making a report or recommendation under the Act
- when publishing statistics in the annual report of a public body
- in criminal proceedings for certain offences in the Act.

However, the Act prohibits the inclusion of particulars in any report or recommendation that is likely to lead to the identification of the whistleblower. The Act also prohibits the identification of a person who is the subject of the disclosure in any particulars included in an annual report.

Gippsland Water will ensure all files, whether paper or electronic, are kept in a secure room, and can only be accessed by the protected disclosure coordinator, the investigator or welfare manager (in relation to welfare matters). All printed material will be kept in files clearly marked as a *Whistleblower Protection Act* matter, and warn of the criminal penalties that apply to any unauthorised divulging of information concerning a protected disclosure.

All electronic files will be produced and stored on a stand-alone computer and be given password protection. Backup files will be kept on floppy disk. All materials relevant to an investigation, such as tapes from interviews, will also be stored securely with the whistleblower files.

Gippsland Water will note e-mail documents relevant to a whistleblower matter and will ensure all phone calls and meetings are conducted in private.

8. COLLATING AND PUBLISHING STATISTICS

The protected disclosure coordinator will establish a secure register to record the information required to be published in the annual report, and to generally keep account of the status of whistleblower disclosures. The register will be confidential and will not record any information that may identify the whistleblower.

The register will contain the following information:

- the number and types of disclosures made to public bodies during the year
- the number of disclosures, referred to the Ombudsman for determination as to whether they are public interest disclosures
- the number and types of disclosed matters referred to the public body by the Ombudsman for investigation
- the number and types of disclosures referred by the public body to the Ombudsman
- the number and types of investigations taken over from the public body to the Ombudsman
- the number of requests made by a whistleblower to the Ombudsman to take over an investigation by the public body
- the number and types of disclosed matters that were substantiated upon investigation and the action taken on completion of the investigation
- any recommendations made by the Ombudsman that relate to the public body.

9. RECEIVING AND ASSESSING DISCLOSURES

9.1 Has the disclosure been made in accordance with Part 2 of the Act?

Where a disclosure has been received by the protected disclosure coordinator, he or she will assess whether the disclosure has been made in accordance with Part 2 of the Act and is, therefore, a protected disclosure.

9.1.1 Has the disclosure been made to the appropriate person?

For the disclosure to be responded to by Gippsland Water, it must concern an employee, member or officer of Gippsland Water. If the disclosure concerns an employee, officer or member of another public body, the person who has made the disclosure must be advised of the correct person or body to whom the disclosure should be directed (see the table in 5.2). If the disclosure has been made anonymously, it should be referred to the Ombudsman.

9.1.2 Does this disclosure contain the essential elements of a protected disclosure?

To be a protected disclosure, a disclosure must satisfy the following criteria:

- did a natural person (that is, an individual person rather than a corporation) make the disclosure
- does the disclosure relate to conduct of a public body or public officer acting in their official capacity
- is the alleged conduct either improper conduct or detrimental action taken against a person in reprisal for making a protected disclosure
- does the person making a disclosure have reasonable ground for believing the alleged conduct has occurred?

Where a disclosure is assessed to be a protected disclosure, it is referred to the protected disclosure coordinator. The protected disclosure coordinator will determine whether the disclosure is a public interest disclosure.

Where a disclosure is assessed not to be a protected disclosure, the matter does not need to be dealt with under the Act. The protected disclosure coordinator will decide how the matter should be responded to.

9.2 Is the disclosure a public interest disclosure?

Where the protected disclosure coordinator has received a disclosure that has been assessed to be a protected disclosure, the protected disclosure coordinator will determine whether the disclosure amounts to a public interest disclosure. This assessment will be made within 45 days of receipt of the disclosure.

In reaching a conclusion as to whether a protected disclosure is a public interest disclosure, the protected disclosure coordinator will consider whether the disclosure shows, or tends to show, that the public officer to whom the disclosure relates:

- has engaged, is engaging or proposes to engage in improper conduct in his or her capacity as a public officer
- has taken, is taking or proposes to take detrimental action in reprisal for making of the protected disclosure.

Where the protected disclosure coordinator concludes that the disclosure amounts to a public interest disclosure, he or she will:

- notify the person who made the disclosure of that conclusion
- refer the disclosure to the Ombudsman for formal determination as to whether it is indeed a public interest disclosure.

Where the protected disclosure coordinator concludes that the disclosure is not a public interest disclosure, he or she will:

- notify the person who made the disclosure of that conclusion
- advise the person that he or she may request the public body to refer the disclosure to the Ombudsman for a formal determination as to whether the disclosure is a public interest disclosure, and that this request must be made within 28 days of the notification.

In either case, the protected disclosure coordinator will make the notification and the referral within 14 days of the conclusion being reached by the public body. Notification to the whistleblower is not necessary where the disclosure has been made anonymously.

10. INVESTIGATIONS

10.1 Introduction

Where the Ombudsman refers a protected disclosure to Gippsland Water for investigation, the protected disclosure coordinator will appoint an investigator to carry out the investigation.

The objectives of an investigation will be:

- to collate information relating to the allegation as quickly as possible (this may involve taking steps to protect or preserve documents, materials and equipment)
- to consider the information collected and to draw conclusions objectively and impartially
- to maintain procedural fairness in the treatment of witnesses and the person who is the subject of the disclosure
- to make recommendations arising from the conclusions drawn concerning remedial or other appropriate action.

10.2 Terms of reference

Before commencing an investigation, the protected disclosure coordinator will draw up terms of reference and obtain authorization for those terms by the managing director. The terms of reference will set a date by which the investigation report is to be concluded, and will describe the resources available to the investigator to complete the investigation within the time set. The protected disclosure coordinator may approve, if reasonable, an extension of time requested by the investigator. The terms of reference will require the investigator to make regular reports to the protected disclosure coordinator who, in turn, is to keep the Ombudsman informed of general progress.

10.3 Investigating plan

The investigator will prepare an investigation plan for approval by the protected disclosure coordinator. The plan will list the issues to be substantiated and describe the avenue of inquiry.

It will address the following issues:

- what is being alleged
- what are the possible findings or offences
- what are the facts in issue
- how is the inquiry to be conducted
- what resources are required?

At the commencement of the investigation, the whistleblower should be:

- notified by the investigator that he or she has been appointed to conduct the investigation
- asked to clarify any matters
- provide any additional material he or she might have.

The investigator will be sensitive to the whistleblower's possible fear of reprisal and will be aware of the statutory protections provided to the whistleblower.

10.4 Natural justice

The principles of natural justice will be followed in any investigation of a public interest disclosure. The principles of natural justice concern procedural fairness and ensure a fair decision is reached by an objective decision maker. Maintaining procedural fairness protects the rights of individuals and enhances public confidence in the process.

Gippsland Water will have regard to the following issues in ensuring procedural fairness:

- the person who is the subject of the disclosure is entitled to know the allegations made against him or her and must be given the right to respond (this does not mean the person must be advised of the allegation as soon as the disclosure is received or the investigation has commenced)
- if the investigator is contemplating making a report adverse to the interests of any person, that person should be given the opportunity to put forward further material that may influence the outcome of the report and that person's defence should be fairly set out in the report
- all relevant parties to a matter should be heard and all submissions should be considered
- a decision should not be made until all reasonable inquiries have been made
- the investigator or any decision maker should not have personal or direct interest in the matter being investigated
- all proceedings must be carried out fairly and without bias. Care should be taken to exclude perceived bias from the process
- the investigator must be impartial in assessing the credibility of the whistleblowers and any witnesses. Where appropriate, conclusions as to credibility should be included in the investigation report.

10.5 Conduct of the investigation

The investigator will make contemporaneous notes of all discussions and phone calls, and all interviews with witnesses will be taped. All information gathered in an investigation will be stored securely. Interviews will be conducted in private and the investigator will take all reasonable steps to protect the identity of the whistleblower. Where disclosure of the identity of the whistleblower cannot be avoided, due to the nature of the allegations, the investigator will warn the whistleblower and his or her welfare manager of this probability.

It is in the discretion of the investigator to allow any witness to have legal or other representation or support during the interview. If a witness has a special need for legal representation or support, permission should be granted.

10.6 Referral of an investigation to the Ombudsman

The protected disclosure coordinator will make a decision regarding the referral of an investigation to the Ombudsman where, on the advice of the investigator:

- the investigation is being obstructed by, for example the non-cooperation of key witnesses
- the investigation has revealed conduct that may constitute a criminal offence.

10.7 Reporting requirements

The protected disclosure coordinator will ensure the whistleblower is kept regularly informed concerning the handling of a protected disclosure and an investigation.

The protected disclosure coordinator will report to the Ombudsman about the progress of an investigation. Where the Ombudsman or the whistleblower requests information about the progress of an investigation, that information will be provided within 28 days of the data of the request.

11. ACTION TAKEN AFTER AN INVESTIGATION

11.1 Investigator's final report

At the conclusion of the investigation, the investigator will submit a written report of his or her findings to the protected disclosure coordinator. The report will contain:

- the allegations
- an account of all relevant information received and, if the investigator has rejected evidence as being unreliable, the reasons for this opinion being formed
- the conclusions reached and the basis for them
- any recommendations arising from the conclusions.

Where the investigator has found that the conduct disclosed by the whistleblower has occurred, recommendations made by the investigator will include:

- the steps that need to be taken by DSE to prevent the conduct from continuing or occurring in the future
- any action that should be taken by DSE to remedy any harm or loss arising from the conduct. This action may include bringing disciplinary proceedings against the person responsible for the conduct, and referring the matter to an appropriate authority for further consideration.

The report will be accompanied by:

- the transcript or other record of any oral evidence taken, including tape recordings
- all documents, statements or other exhibits received by the officer and accepted as evidence during the course of the investigation.

Where the investigator's report is to be included an adverse comment against any person, that person will be given the opportunity to respond and his or her defence will be fairly included in the report.

The report will not disclose particulars likely to lead to the identification of the whistleblower.

11.2 Action to be taken

If the protected disclosure coordinator is satisfied that the investigation has found that the disclosed conduct has occurred, he or she will recommend to the managing director the action that must be taken to prevent the conduct from continuing or occurring in the future. The protected disclosure coordinator may also recommend that action be taken to remedy any harm or loss arising from the conduct.

The protected disclosure coordinator will provide a written report setting out the findings of the investigation any remedial steps taken to the Ombudsman, the whistleblower and the responsible Minister.

Where the investigation concludes that the disclosed conduct did not occur, the protected disclosure coordinator will report these findings to the Ombudsman and to the whistleblower.

12. MANAGING THE WELFARE OF THE WHISTLEBLOWER

12.1 Commitment to protecting whistleblowers

Gippsland Water is committed to the protection of genuine whistleblowers against detrimental action taken in reprisal for making of protected disclosures. The protected disclosure coordinator is responsible for ensuring whistleblowers are protected from direct and indirect detrimental action, and that the culture of the workplace is supportive of protected disclosures being made.

The protected disclosure coordinator will appoint a welfare manager to all whistleblowers who have made a protected disclosure. The welfare manager will:

- examine the immediate welfare and protection needs of a whistleblower who has made a disclosure and, where the whistleblower is an employee, seek to foster a supportive work environment
- advise the whistleblower of the legislative and administrative protections available to him or her
- listen and respond to any concerns of harassment, intimidation or victimization in reprisal for making disclosure
- keep a contemporaneous record of all aspects of the case management of the whistleblower including all contact and follow-up action
- ensure the expectations of the whistleblower are realistic.

All employees will be advised that it is an offence for a person to take detrimental action in reprisal for a protected disclosure. The maximum penalty is a fine of 240 penalty units (\$27,220.80) or two years imprisonment or both. The taking of detrimental action in breach of this provision can also be grounds for making a disclosure under the Act and can result in an investigation.

Detrimental action includes:

- causing injury, loss or damage
- intimidation or harassment
- discrimination, disadvantage or adverse treatment in relation to a person's employment, career, profession, trade or business (including the taking of disciplinary action).

12.2 Keeping the whistleblower informed

The protected disclosure coordinator will ensure the whistleblower is kept informed of action taken in relation to his or her disclosure, and the time frames that apply. The whistleblower will be informed of the objectives of an investigation, the findings of an investigation, and the steps taken by Gippsland Water to address any improper conduct that has been found to have occurred. The whistleblower will be given reasons for decisions made by Gippsland Water in relation to a protected disclosure. All communication with the whistleblower will be in plain English.

12.3 Occurrence of detrimental action

If a whistleblower reports an incident of harassment, discrimination or adverse treatment that would amount to detrimental action taken in reprisal for the making of the disclosure, the welfare manager will:

- record details of the incident
- advise the whistleblower of his or her rights under the Act
- advise the protected disclosure coordinator or managing director of the detrimental action.

The taking of detrimental action in reprisal for the making of a disclosure can be an offence against the Act as well as grounds for making a further disclosure. Where such detrimental action is reported, the protected disclosure coordinator will assess the report as a new disclosure under the Act. Where the protected disclosure coordinator is satisfied that the disclosure is a public interest disclosure, he or she will refer it to the Ombudsman. If the Ombudsman subsequently determines the matter to be a public interest disclosure, the Ombudsman may investigate the matter or refer it to another body for investigation as outlined in the Act.

12.4 Whistleblowers implicated in improper conduct

Where a person who makes a disclosure is implicated in misconduct, Gippsland Water will handle the disclosure and protect the whistleblower from reprisals in accordance with the Act, the Ombudsman's guidelines, and these procedures. Gippsland Water acknowledges that the act of whistleblowing should not shield whistleblowers from the reasonable consequences flowing from any involvement in improper conduct. Section 17 of the Act specifically provides that a person's liability for his or her own conduct is not affected by the person's disclosure of that conduct under the Act. However, in some circumstances, an admission may be a mitigating factor when considering disciplinary or other action.

The managing director will make the final decision on the advice of the protected disclosure coordinator as to whether disciplinary or other action will be taken against a whistleblower. Where disciplinary or other action relates to conduct that is subject to the whistleblower's disclosure, the disciplinary or other action will only be taken after the disclosed matter has been appropriately dealt with.

In all cases where disciplinary or other action is being contemplated, the managing director must be satisfied that it has been clearly demonstrated that:

- the intention to proceed with disciplinary action is not casually connected to the making of the disclosure (as opposed to the content of the disclosure or other available information)
- there are good and sufficient grounds that would fully justify action against any non-whistleblower in the same circumstances
- there are good and sufficient grounds that justify exercising any discretion to institute disciplinary or other action.

The protected disclosure coordinator will thoroughly document the process including recording the reasons why the disciplinary or other action is being taken, and the reasons why the action is not in retribution for the making of the disclosure. The protected disclosure coordinator will clearly advise the whistleblower of the proposed action to be taken, and of any mitigating factors that have been taken into account.

13. MANAGEMENT OF THE PERSON AGAINST WHOM A DISCLOSURE HAS BEEN MADE

Gippsland Water recognises that employees against whom disclosures are made must also be supported during the handling and investigation of disclosures. Gippsland Water will take all reasonable steps to ensure the confidentiality of the person who is the subject of the disclosure during the assessment and investigation process. Where investigations do not substantiate disclosures, the fact that the investigation has been carried out, the results of the investigation, and the identity of the person who is subject of the disclosure will remain confidential.

The protected disclosure coordinator will ensure the person who is the subject of any disclosure investigated by or on behalf of a public body is:

- informed as to the substance of the allegations
- given the opportunity to answer the allegations before a final decision is made
- informed as to the substance of any adverse comment that may be included in any report arising from the investigation
- his or her defence set out fairly in any report.

Where the allegations in a disclosure have been investigated, and the person who is the subject of the disclosure is aware of the allegations or the fact of the investigation, the protected disclosure coordinator will formally advise the person who is the subject of the disclosure of the outcome of the investigation.

Gippsland Water will give its full support to a person who is the subject of a disclosure where the allegations contained in a disclosure are clearly wrong or unsubstantiated. If the matter has been publicly disclosed, the managing director of Gippsland Water will consider any request by that person to issue a statement of support setting out that the allegations were clearly wrong or unsubstantiated.

14. CRIMINAL OFFENCES

Gippsland Water will ensure officers appointed to handle protected disclosures and all other employees are aware of the following offences created by the Act:

- It is an offence for a person to take detrimental action against a person in reprisal for a protected disclosure being made. The Act provides a maximum penalty of a fine of 240 penalty units (\$27,220.80) or two years imprisonment or both
- It is an offence for a person to divulge information obtained as a result of the handling or investigation of a protected disclosure without legislative authority. The Act provides a maximum penalty of 60 penalty units (\$6,805.20) or six months imprisonment or both
- It is an offence for a person to knowingly provide false information under the Act with the intention that it be acted on as a disclosed matter. The Act provides a maximum penalty of 240 penalty units (\$27,220.80) or two years imprisonment or both.

15. REVIEW

These procedures will be reviewed annually to ensure they meet the objects of the Act and accord with the Ombudsman's guidelines.

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*Early morning at Moondarra Reservoir,
Gippsland Water's largest water storage.*



Established 1950

Gippsland Water received a 'Silver Award' in the prestigious Australasian Reporting Awards for its 2007-08 Annual Report.

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